Birmingham City Council

Draft Statement of Accounts 2021/22

Index

NARRATIVE REPORT

Organisational overview and external environment

<u>External environment</u>

Birmingham lies at the heart of the West Midlands with a population of 1.145m (2021 census). This is an increase of 6.7% since 2011. Birmingham's population is the most diverse of any major city outside London and it is also a young city with a relatively high proportion of young people. Nearly 45% of its population is under the age of 30. This represents a huge potential for accelerated growth, fairer distribution of wealth and opportunities for innovation across all spheres of life.

The 2021/22 financial year was another challenging year for the City Council with services continuing to operate within a global pandemic, the ongoing impact of Brexit on the costs of goods especially in the construction industry and the impact from the unrest in Ukraine. Despite these challenges and alongside another one-year funding settlement for local government we have managed to live within our means and spend within budget as well as being able to transfer monies to the Financial Resilience Reserve to manage financial risk.

Despite the pandemic, major projects such as HS2, the £700 million Paradise Development and Smithfield have continued. These landmark projects will in turn create opportunities for further investment and job creation and HS2 has the potential to stimulate a transformation in the city's economy.

Several important changes are taking place in the environment in which local government operates, principally through changes to central government policy.

- Following the economic impact of Covid-19, the period of the Medium-Term Financial Plan will see continued restraint in central government funding for local services. Whilst the Spending Review announced a real-terms increase in local government grant income each year, this included an assumption that Council Tax will be increased by 3% (with 1% dedicated to Social Care) and additional funding for social care pressures. Given increased inflation and demand for children's and adult's social care services, homeless services and pressures in special education needs, funding available for other services will be severely restrained, if not reduced, in real terms.
- The Government's overarching policy priority is "levelling up", which involves investment in transport infrastructure, skills and improving the physical environment, businesses and social amenities of local places. The City Council has already responded to this agenda by publishing its own strategy; Prosperity and Opportunity for All. This will be used to show how "levelling up" can be achieved in Birmingham, through a partnership between government and the city and to co-ordinate our own measures to tackle inequalities and renew less well-off neighbourhoods.
- A significant reshaping of the landscape of regional funding for regeneration is underway, as EU funding and the Local Growth Fund come to an end to be replaced by the new Levelling Up Fund and the Shared Prosperity Fund due to be phased in. Birmingham has already been successful in securing over £50m from the Levelling Up Fund, but we will have to collaborate across the West Midlands to gain the most from the new arrangements, as part of the West Midlands region.
- The Government has produced new plans for social care, including an increase in National Insurance to provide more funds. However, additional funding will be very limited, with most of it going to the NHS rather than council provided care services in the first few years. There will continue to be a reliance on additional Council Tax to meet the increased spending pressures during this period. At the same time the

Health and Care Bill is bringing in new Integrated Care Services, with the aim of strengthening collaboration between councils and the NHS.
- New legislation on policing and crime will bring additional responsibilities for the Council's Community Safety function to work with the police and other agencies to tackle violent crime.
- Following the UK's departure from the EU, there will be new regulations governing the Council's procurement of goods and services and our powers to promote inward investment.
- The Government is looking to councils to help take forward its Early Years Review, restoring services for families with young children. However, funding for this is currently unclear.
- A national Net Zero Strategy has been published to begin to tackle the climate emergency. The role of local government in that strategy is not yet clear, but some specific funds have been made available for investment in electric vehicle charging points.
- The new Environment Act brings extra responsibilities for local authorities in waste management, planning and conservation.

Finally, two significant areas of focus for the Council are the preparations for, and delivery of the 2022 Commonwealth Games, and embracing the opportunities for the city that the completion of HS2 in late 2026 will bring. Both represent huge opportunities for the city.

<u>Recovering from Covid-19 and refocusing on our priorities</u>

The ongoing Covid-19 pandemic has hit families, neighbourhoods, and businesses right across Birmingham. The pandemic has had a profound impact, both economically and socially and has highlighted long-standing inequalities that must be tackled to ensure that every neighbourhood and every community across Birmingham benefits from the recovery.

We are well placed to do just that, because Birmingham continues to be a city of huge potential. Projects such as the Commonwealth Games and HS2 mean we're attracting the investment to make this a golden decade of opportunity for our young and growing population.

- The city's economic performance before the pandemic showed that Birmingham has many of the ingredients for success.
- In the Summer of 2022 the city will host the Commonwealth Games, one of the biggest sporting events in the world and a great opportunity to show off our city to an audience of a billion people. High Speed Rail (HS2) will arrive by the end of the decade, creating around 26,000 jobs and increasing economic output by £4bn per year. The Council has a commitment to tackle the climate emergency to improve our air quality and natural environment, it will also deliver economic growth and job opportunities through investment in decarbonisation and the creation of new industries.
- The Covid-19 pandemic has had a significant impact on the city, in terms of the tragic loss of human life, the restrictions it has placed on our everyday lives and the economic impact on workers and businesses. It has also created a severe challenge for the City Council's own finances, with increased spending requirements alongside loss of income.
- The crisis has also highlighted the chronic and structural inequalities in the city and the continued level of poverty and vulnerability in some groups and communities. Many households remain in a precarious state, relying on parts of the labour market that have been weakened and made fragile by the pandemic.

- It also revealed that many of our public services are stretched, fragile and not well designed to provide protection and resilience to our communities and to help individuals and families to overcome inequalities or give them a fair opportunity in life.

Covid-19 Major Incident Financial Impact

The 2021/22 financial year continued to see the world live with Covid-19 and the impact on council services and citizens continued to be significant, with demand for services including Housing and Social Care increasing and revenue generation from services including Leisure and Parking reducing. The net financial impact of Covid-19 on the Council's revenue budget after applying grant received was £1.4m in 2021/22.

To help mitigate Covid-19 costs the Council carried forward £17.5m of un-ringfenced Covid-19 related government grant funding from 2020/21 to 2021/22. In addition, £2.8m has been reclaimed from the Government's Income loss scheme up to the scheme end on 30 June 2021.

The Council also funded £11.5m of Corporate and £1m of Directorate Covid-19 costs in 2021/22 through the use of Tranche 5 of Government un-ringfenced grant funding.

In accordance with ring-fenced grant conditions, £5.9m of Public Health Grant was used to fund Covid-19 related spending in 2021/22.

The summary below sets out Covid-19 financial position in 2021/22:

Covid-19 Financial Position	**£m**
Directorate Covid-19 overspend	27.7
Corporate budgets overspend	11.4
Total impact of Covid-19	**39.1**
Application of Tranche 5 funding budget 2021	(11.5)
Covid-19 grants carried forward	(17.5)
Public Health grants	(5.9)
Income compensation	(2.8)
Total Covid-19 income	**(37.7)**
Net deficit	**1.4**

Organisational overview - key facts

The political composition of the Council is:

Party	**Councillors**
Labour	65
Conservative	22
Liberal Democrats	12
Green	2
Total Councillors	101

Organisation of the Council's Leadership Team and the services it provides

The Council Leadership Team (CLT) is responsible for managing the activities of the Council's staff and for advising Councillors on the potential implications of political decisions. By law, senior Council staff are not allowed to participate in any party political activity and are expected to advise and help all Councillors irrespective of their political affiliation.

The Chief Executive is the senior officer who leads and takes responsibility for the work of the paid staff of the Council. The role of Chief Executive is a full time appointment.

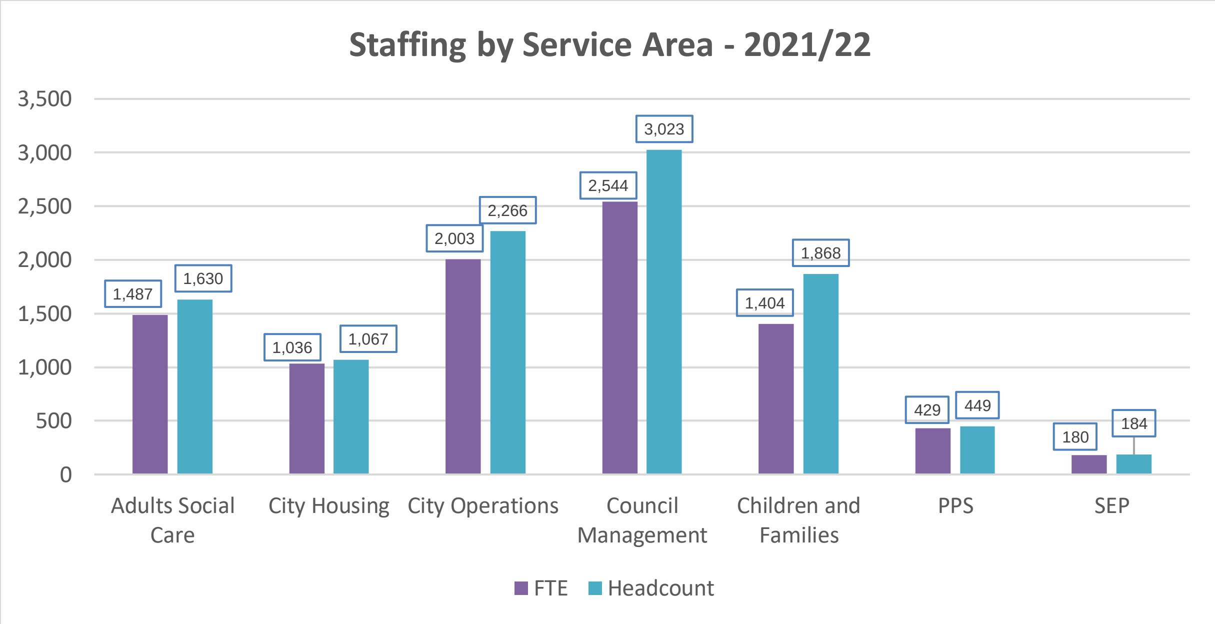
The Leader, together with the Cabinet, takes all of the significant decisions within the Council (excluding planning and licensing issues) through their Cabinet meetings or individual decision-making process.

The Council's services are delivered through directorates, designed to deliver those services as efficiently as possible. The current structure is as follows:

Directorate	Purpose/Services
Place, Prosperity and Sustainability (PPS)	International and domestic investment including tourism and visitor economy. Economic growth including development and housing programmes. Transport and connectivity including major transport strategies and air quality. Planning and property services.
Adult Social Care	Services to support adults including integration of health and social care services, information and advice, and prevention, recovery and re-enablement services. Safeguarding of adults including multiagency arrangements. Assessment of eligibility for services.
Children and Families	Education of children and young people, special educational needs, and early years provision. Children's services and safeguarding. Skills and employability, youth engagement, employment opportunities, and libraries.
City Operations	Waste strategy and services, cleaner neighbourhoods, graffiti removal, dog warden services and recycling. Arts, culture and sports, including museums, galleries, sporting events and leisure facilities. Parks and allotments. Bereavement services. Highways and infrastructure.
City Housing	Council housing services and support.
Other Central Services	Central Services includes Finance & Governance (F&G), Human Resources and Digital Customer Services, as well as incorporating the new service Programmes, Performance and Improvement. F&G includes Audit, Finance, Payroll, Accounts Payable, Accounts Receivable, Treasury Management, Development and Commercial – Procurement and traded services such as City Serve (providing school meals), Civic Catering and Cleaning City Solicitor – Legal, Governance and Member support

<u>Our Staffing</u>

In supporting the delivery of services, the Council employed, as at 31 March 2022, 23,412 staff (31 March 2021: 24,082) which equated to 18,746 full time equivalents (fte) (31 March 2021: 18,566). If schools' staff are excluded, the Council employed 10,487 staff (31 March 2021: 10,550) which equated to 9,083 fte (31 March 2021: 8,925 fte). The chart below shows the Council's staffing, excluding school staff, by service area for 31 March 2022:



Financial resources to support the Council

The Council's revenue and capital budgets were allocated between seven Directorates with other budgets being managed corporately. The Council's net budget for 2021/22 was £828.6m.

The General Fund revenue outturn position for 2021/22 is an underspend of £17.8m.

The capital programme final outturn spend position for the 2021/22 financial year is £528.1m. This is £236.3m below the planned expenditure of £764.4m.

Details of the forecast net expenditure and resources available to the Council for 2022/23 and 2023/24 can be found in the published 2022-2026 Financial Plan.

Our purpose

The Council aims to be a city of growth, where every child, citizen and place matters – and the Council wants to make a positive difference, every day, to people's lives. This underpins everything the Council does, whether it is setting our priorities, making decisions or delivering services.

The Council's strategy and objectives

The Council has identified three priority areas which we believe are fundamental to tackling the critical challenges of creating a more equal and inclusive city whilst managing the demand on Council services to a more affordable level. These are:

Shifting our focus from crisis to prevention – The Council needs to increase its efforts to help support individuals and families at the early stages of an issue, or crisis in their lives, before it results in a more substantial statutory need. This will be about joining up, integrating and reforming services using data and insight to link solutions that exist, often in the community already, with those areas of need. We will take a whole system approach, promoting the independence and resilience of service users and communities, collaborating with partners, and placing citizens and communities at the heart of our decision making. The

Council will continue to work on localisation and the development of hubs where the Council can work closely with users, the community and the voluntary sector.

Increasing the pace and scale of growth for those that need it most, while delivering on climate change objectives – The pandemic has inevitably led to a slowing of economic growth. The Council will focus on infrastructure, our landholdings and access to low cost finance while leveraging the opportunities from HS2 and the Commonwealth Games to build back up the pace of growth in the city. The Council will ensure that all citizens share in the creation and benefits of sustainable growth. The Council will also focus on social infrastructure, including social and affordable housing and community amenities, supporting our town centres and local high streets and creating opportunities for local people. The Council will do so while simultaneously focussing on its commitment to tackle climate change.

Delivering new ways of working – The pandemic has given rise to a significant shift in some of the Council's working arrangements and the Council needs to take forward and make permanent those that have delivered benefits to our staff, citizen and services. The Council intends that 80-85% of our workforce will continue to work in an agile way, which will continue to improve equalities and talent management, while also opening up our accommodation for collaboration, new ways of working and in carefully considered ways, allow for the development of community spaces, new homes and financial returns for the Council. Reforming the way we work will provide the financial breathing space to continue to improve our vital front line services. The Council will continue to develop an inclusive and diverse workforce which is supported to develop new skills and capabilities and empowered to be creative, innovative and outcome focused and to exploit opportunities.

Governance arrangements

Details of the Council's governance arrangements can be found in our Annual Governance Statement, which is provided with these financial statements.

The Council's operational model, the activities of our key services, our financial performance and resource allocation

This section considers the key inputs, operational activities of the Council's services and the associated costs of delivery of the outputs and outcomes associated with those services.

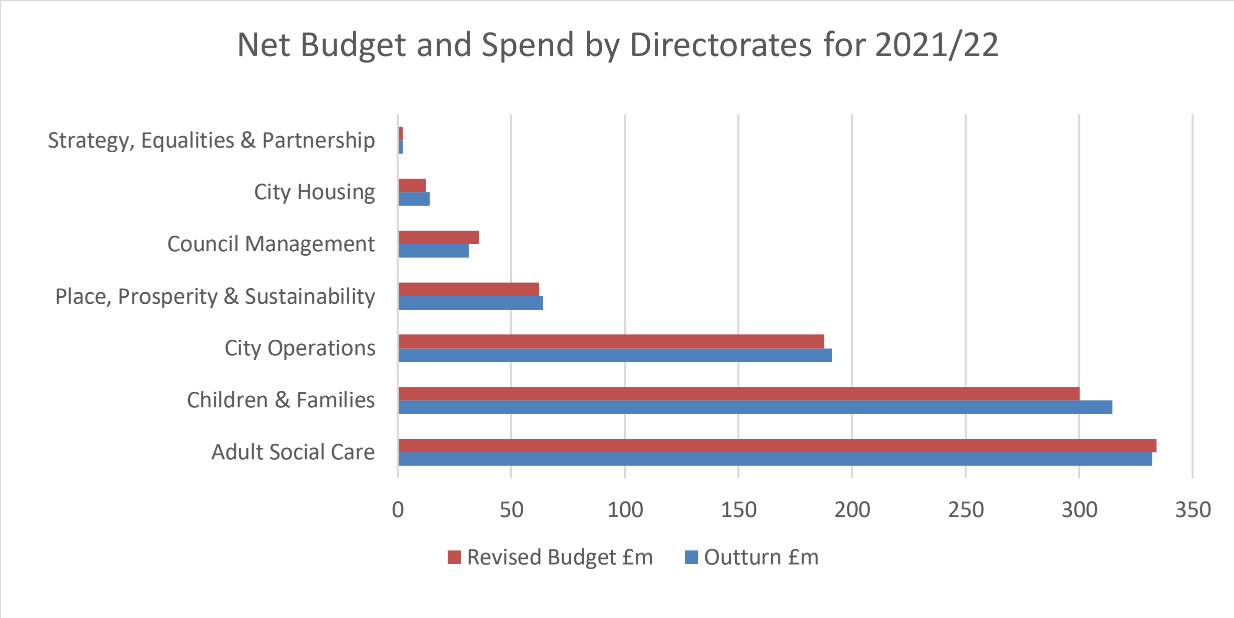
It also considers individually significant items of financial interest or focus for the Council.

Revenue Expenditure

The Council's revenue and capital budgets were allocated between seven Directorates with other budgets being managed corporately. Spending against these budgets was carefully monitored throughout the year and reported to Cabinet regularly. The year-end outturn position was reported to Cabinet on 28 June 2022.

The Council's net budget for 2021/22 was £828.6m. The General Fund revenue outturn position for 2021/22 is an underspend of £17.8m.

The chart below shows the budget and spend by Directorate for 2021/22 as reported to Cabinet:



<u>Capital Expenditure</u>

The capital programme final spend position for 2021/22 is £528.1m. This is £236.3m below the planned expenditure of £764.4m as shown in the table below:

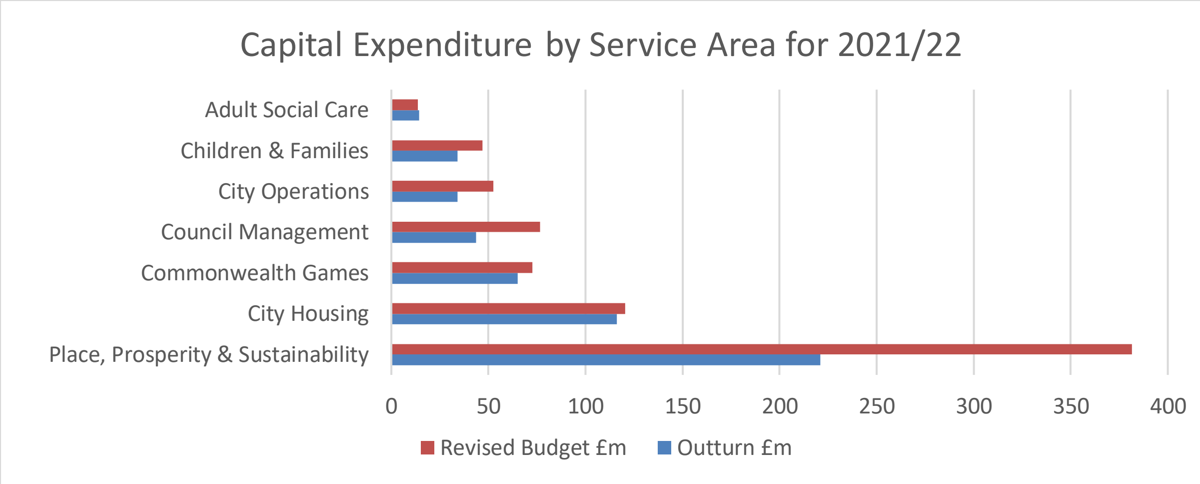
	£m
2021/22 Revised Budget	**764.4**
Less: Cumulative Slippage	(262.9)
Less: (under) / overspends	26.6
Outturn (Expenditure in year)	**528.1**

The Council analyses the capital programme budget variations between:

- Changes in the timing of budgeted expenditure - where the expenditure is still required but takes place later than planned this is called slippage and shown in brackets, and acceleration if earlier than planned; and
- Underspends (shown in brackets) or overspends, which represent a decrease or increase in the total capital cost of a project, which may be over several years.

It is important to note that no financial resources will be lost as a result of the slippage. The resources and planned expenditure will be “rolled forward” into future years. Details of this slippage are given in the Council’s Outturn report for 2021/22 presented to Cabinet on 28 June 2022, which can be found on the Council’s website.

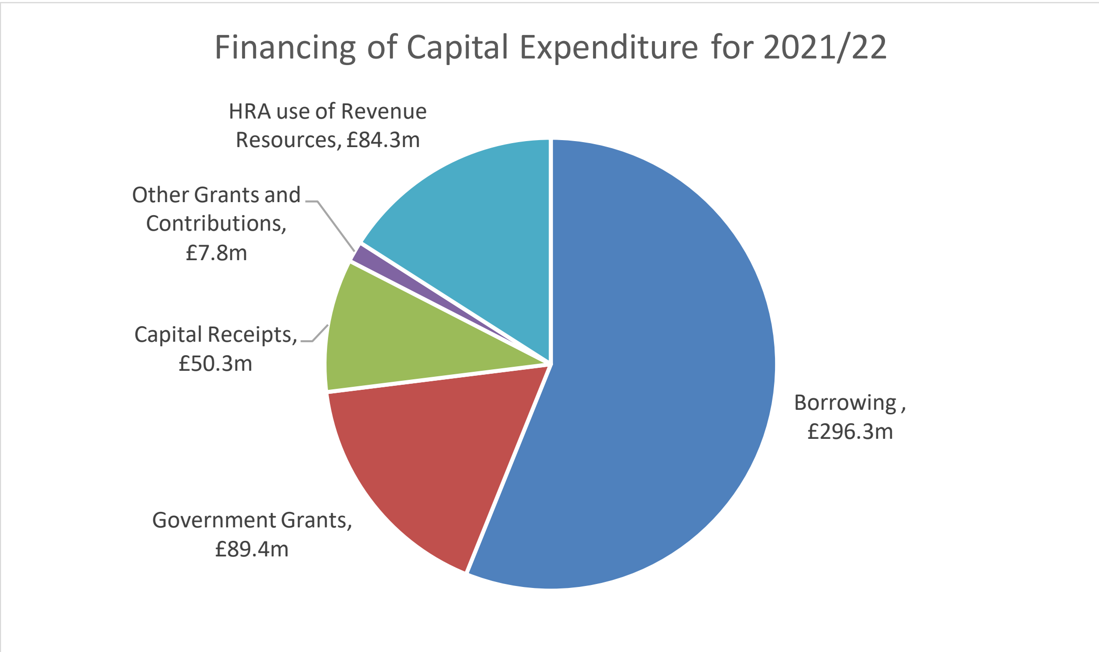
Total expenditure on Directorate capital schemes in 2021/22 is shown in the graph below:



Capital Financing

The financing arrangements in respect of capital expenditure in 2021/22 were reported to Cabinet on 28 June 2022.

Details of the final capital financing arrangements are summarised below:



As at 31 March 2022, the Council's total loan debt net of treasury investments stood at £2,961.5m, compared to net loan debt of £3,162.3m as at 31 March 2021.

The Council's treasury investments held at 31st March 2022 were £146.3m. This was higher than originally planned due to energy relief and additional Covid-19 relief grants received in advance from the Government. The Council also held investments of £73.8m as accountable body.

Treasury management net borrowing costs totalled £234.7m and £117.6m after recharges to other services. This was £0.9m below the budget after including the Council's other long term liabilities.

Further details of the Council's financial liabilities are given in the notes to these financial statements. Full details regarding the financing of capital expenditure and the acquisition and disposal of non-current assets are also provided.

Service Concession Arrangements and Similar Contracts

The Council has entered into a number of Service Concession Arrangements, formerly classed as Private Finance Initiatives and similar contracts across Schools, Waste Management and Highways Services to deliver improvements in infrastructure and future service delivery. Further details can be found in Note 41 to these financial statements.

Pension Liabilities

For the Local Government Pension Scheme there is currently a net pension liability that is reviewed periodically by the West Midlands Metropolitan Authorities Pension Fund Actuary. The Council's share of the total pension shortfall is £2,647.7m at 31 March 2022 (31 March 2021: £3,185.2m). Whilst the figure is substantial it should be noted that:

- Pension liabilities are based on the requirements of IAS 19, Employee Benefits, which use a discount rate based on high quality corporate bonds, 2.7% as at 31 March 2022.

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement and of future expected investment performance;

- There is a 14 year recovery plan which has been built into the Council's financial plans;

- It is not unique to the Council as this is in common with the national position for pension funds. Details of the pension liability and assets are set out in Notes 19 and 20 to these financial statements.

Nevertheless, addressing the pension deficit represents a significant financial issue for the Council.

Provisions

The Council provides for costs in line with relevant accounting standards – further details can be found in Note 30 to these financial statements. The key provisions to note include those in relation to Equal pay legislation, and the Council's requirement to provide for the liability in association with Business Rates appeals.

Reserves

The Council maintains two types of reserves:

- Usable reserves – where the Council sets aside specific amounts for future policy purposes, to cover contingencies or where resources have been provided for specific purposes but have not yet been spent

- Unusable reserves, which are not available to support the provision of services and include:

- o Unrealised gains and losses, particularly in relation to changes in valuation of non-current assets;
- o Adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

The level of reserves held at the year-end are set out below.

	31 March 2021	**31 March 2022**
	£m	£m
Usable Reserves	1,446.9	1,512.2
Unusable Reserves	(1,841.1)	(488.1)
Total Reserves	**(394.2)**	**1,024.1**

Details of usable and unusable reserves are set out in Note 17 and 18.

The Council operates a policy of not using reserves unless they have been set aside for specific purposes and not using reserves to mitigate the requirement to make savings or meet on-going budget pressures, except in exceptional circumstances.

The main use of reserves relates to grant reserves where funding has been received prior to the requirement to spend the resource. The Council also has earmarked reserves where it has made a decision to set money aside to fund specific costs when they occur in later years.

The Council anticipated the net use of £155.9m of reserves in setting the 2021/22 budget. A further £37.4m of uses of reserves was approved by Cabinet as part of the Outturn Report on June 29, 2021.

There was a net £6.8m of budgeted uses of reserves that was not required in 2021/22. The proposed total net contribution to reserves is £195.8m, as detailed in paragraphs 4.13 to 4.14 of the Cabinet Report. The largest contribution of which is £93.8m of Section 31 funding received from the Government to compensate for Business Rates relief in 2021/22 that will impact the Council in 2022/23.

Key performance indicators

Cabinet approved the Council's two-year Delivery Plan in November 2020. This plan set out the overall policy direction of the Council and the activities the Council would undertake alongside this. It included a detailed set of milestones and timescales for specific commitments that would be delivered over the life of the plan, along with accountable officers for each action and a comprehensive performance framework comprising three areas of key performance indicators:

- **Vital Signs** of service effectiveness and efficiency, which is reported quarterly to Cabinet
- Delivery and legacy of the **Commonwealth Games**, which is reported quarterly to Cabinet
- An annual report to Cabinet setting out the Council's view of the '**state of the City**' in relation to key issues that stretch beyond the Council's own performance, on which the Council will work with our partners to address.

A detailed and explanatory performance scorecard is included within these reports, which sets out RAG ratings for over 130 Vital Signs KPIs, 14 Commonwealth Games KPIs and over 50 State of the City KPIs.

The KPIs are set out by strategic priority, so Members are able to focus on those which are relevant to their individual portfolios.

The March 2022 report 'Birmingham City Council Performance and Progress against Delivery Plan during q3 2021-22' can be found within the 22 March Cabinet papers on the Council's website.

Opportunities and Challenges

A detailed breakdown of the opportunities and challenges to the delivery of the Financial Plan 2022-26 can be found in chapter 1, section 5 of the Plan, along with a list of budget pressures that can be found in appendix F.

Many of the challenges stem from historic and structural inequalities within our society and economy, and the Covid-19 pandemic has exposed and compounded the difficulties our most vulnerable citizens face in their daily lives. We must address the structural inequalities that exist within our city. For many of our citizens the opportunities in the city are out of reach. This is damaging for them and threatens the long-term cohesion of our city. The Council has already committed itself to address these inequalities, recently publishing "Everyone's Battle, Everyone's Business" – a call to action for the Council and the city. This commitment also lies at the heart of our approach to "levelling up".

Birmingham is the engine of the West Midlands economy and helped to deliver faster growth than the rest of the country in the period before the pandemic. The city is becoming a hub for advanced manufacturing, life sciences, creative industries, financial services, and technology. The city is well-placed to harness the economic opportunities of the future, including digital, automation, and decarbonisation. Some of the key opportunities are:

- The Commonwealth Games. The biggest sporting and cultural event ever to be held in the city. We will be hosting the third largest sporting event in the world, with thousands of visitors arriving for the event and more than 1 billion people watching from around the world, creating the opportunity to promote our city to new investors and visitors and strengthen our global links.
- Continued investment in the city. Despite the pandemic, major projects such as HS2, the £700 million Paradise Development and Smithfield have continued. These landmark projects will in turn create opportunities for further investment and job creation and HS2 has the potential to stimulate a transformation in the city's economy.
- The Council has made a strong case for Birmingham to be at the very heart of the Government's levelling up agenda and we will work in partnership with other public agencies and the private sector to improve the lives and life chances of people from across the city.
- Some of the UK's largest public and private sector organisations are proud to call the city home.
- The city has fantastic universities that are producing a strong pipeline of local talent.

Outlook

<u>The Financial Plan</u>

The Council in February 2021 adopted a Medium Term Financial Plan for 2021-2025 that set a balanced budget for 2021/22, set a target for the Delivery Plan to achieve £38.5m of savings to balance the budget for 2022/23 and highlighted a significant structural budget deficit for the financial years beyond 2023/24. The pandemic has continued to impact the people of Birmingham and has added further pressure to the Council's finances for both the financial position in 2021/22 and the medium term financial outlook. The Council has responded to this challenge and to the need to have a financially resilient Medium Term Financial Plan by mainly focusing on planning the delivery of transformative change. It is in this context that the Council has set out its 2022-2026 Financial Plan.

In October 2021 when the Medium Term Financial Plan was refreshed to give us the latest baseline position, the Council faced a substantial budget deficit over the next four years, ranging from £58.1m in 2022/23 to £125.7m by 2025/26, with a very uncertain outlook over the longer term. It is therefore more important than ever that we stabilise the Council's finances and balance the books, ensuring that we are well positioned to tackle those challenges and priorities highlighted above. This 2022-2026 Financial Plan achieves that, reducing the gap to around £32.8m by 2025/26.

The Local Government Settlement announced in December 2021 only provided funding for 2022/23 contrary to widespread hopes that the fact the government held a three-year spending review in October would signal similar long-term stability for Councils. The one-year settlement is largely a rollover settlement from 2021/22, with the focus very much on "stability" for the immediate year ahead. There remains significant uncertainty over the level of resources available to the Council beyond 2022/23, mainly due to the reforms to local government financing.

The Financial Plan assumes annual increases in Council Tax at the maximum permissible level of 1.99%. Given the significant pressure on Social Care services reflected in the budget proposals, the Council increased Council Tax further in 2022/23 by the 1% Adult Social Care Precept announced by the Government in the Local Government Settlement. Government's core spending power calculations assume authorities raise Council Tax by the maximum amount permissible without holding a referendum.

The Council will also continue to invest, through the Capital Programme, in priorities such as continuing to retain and improve Council owned assets, including its buildings and roads, and facilitating the growth in the Birmingham economy through major projects and supporting businesses in the city.

The Council's ambition is to have a "best in class" financial management process, having attained a 3-star CIPFA Financial Management rating in 2021. The position was up from the 1-star rating awarded in 2019 and delivered a year ahead of schedule. In outlining its assessment, CIPFA concluded that Birmingham had made great strides in addressing the issues that constrained overall financial management capability and indicated that this progression highlighted a highly commendable response to issues arising from their April 2019 assessment. Work will continue developing robust financial planning, improving our procurement and business partnering approaches, benchmarking performance, instilling strong governance, leveraging digital tools to automate manual tasks and facilitate analytics and embedding business case development practice across the organisation. A key enabler providing an efficient and effective back-office to the Council will be our investment in a new state-of-the-art Finance, Procurement and Human Resources system and additional investment in support teams so that there is the required co-ordination with service delivering functions.

Medium term financial outlook

Significant uncertainty remains over the Council's resources beyond 2021-22. There are a number of Government policy announcements and decisions that are expected in the near future that create significant uncertainty over forecasting the level of resources that the Council needs over the medium term, they include:

- The Comprehensive Spending Review;
- The Local Government Fair Funding Review;
- Local retention of Business Rates; and
- Brexit;

Birmingham will continue to input into the review of local government financing to ensure that its position and circumstances are taken into account. The Council has recognised the need for the effective management of savings programmes and has implemented a clear process for decision-making and monitoring delivery. There is active engagement by both Members and senior officers, including monthly meetings co-chaired by the Cabinet Member for Finance and Resources and the Chief Finance Officer and Section 151 Officer, as well as formal revenue budget monitoring reports considered by Cabinet. Additionally, the Council has instilled strict project discipline and a robust approach to tracking and monitoring delivery of the savings programme through the Project Management Office (PMO).

This approach has led to significant improvements in the delivery of its savings in recent years, as shown in the table below:

Year	Planned savings £m	Delivered savings £m	%
2016/17	88.2	32.4	37%
2017/18	70.9	48.3	68%
2018/19	52.9	42.8	81%
2019/20	46.2	38.7	84%
2020/21	22.1	16.0	72%
2021/22	36.7	33.6	92%

Covid-19 has had an impact on the ability of the Council to deliver some of its savings planned for 2021/22 and onwards. The Financial Plan reflects a realistic position for the savings programme going forward.

Basis of preparation and presentation

The Council's Financial Statements for 2021/22 have been prepared on the basis of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

Where the Council has exercised any judgement in the preparation of these financial statements details of those judgements are set out in Note 2, Critical Judgements in Applying Accounting Policies. Where estimates have been used in the determination of any material figures, an explanation of the estimation technique and the impact of variances from the estimate are set out in Note 4, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.

The pages which follow contain the Council's Financial Statements for the year ended 31 March 2022, with comparative figures for the previous financial year, and comprise:
The Core Financial Statements

The Comprehensive Income and Expenditure Statement (CIES) – provides the in-year cost of providing services in accordance with generally accepted accounting practices, rather than the amount reported monthly to the Cabinet which is based on an agreed budget to be funded from taxation, grants or from rents for Council dwellings.

In line with proper accounting practices under the Code the CIES incorporates transactions relating to:

- movements in the value of Property, Plant & Equipment and other non-current assets,
- the impact of updates in the valuation of pension liabilities under defined benefit arrangements
- changes in provisions set aside for the future, for example, for the costs of Equal Pay.

The CIES shows a surplus on the Provision of Services of £85.1m, with the impact of the items detailed above being less than the reductions in the cost of services as a result of savings plans implemented by the Council. The factors highlighted above do not impact on Council Tax or housing rents as they are reversed out through the Movement in Reserves Statement with the exception of an element of equal pay cost.

Supporting the CIES is the Expenditure and Funding Analysis (EFA) (Note 6), which shows the basis of the Council's annual expenditure and how it is funded from resources compared to how the resources are consumed and earned in line with generally accepted accounting practices. The EFA also shows how expenditure is allocated by the Council between directorates.

Movement in Reserves Statement (MiRS) – provides a reconciliation of the movement in year on the different reserves of the Council. The MiRS shows how the movements in the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax or housing rents for the year.

Balance Sheet – shows the value of assets and liabilities recognised by the Council as at 31 March 2022 and the level of reserves, split between usable and unusable.

The Council's net assets at 31 March 2022 are £1,024.1m compared to net liabilities of £394.2m at 31 March 2021, mainly as a result of:

- A significant reduction in the net liability associated with the Council's defined benefit pension scheme. Changes to actuarial assumptions have resulted in £537.5m reduction in net pension liabilities.
- An increase in the value of the Council's long term assets, principally its Property, which has seen an increase in value of £775.4m.

<u>Cash Flow Statement</u> – shows how the Council generates and uses cash during the year and the impact this has on the balances of cash and cash equivalents. Cash flows are classified into operating, investing and financing activities.
Supplementary Statements

<u>Notes to the Accounts</u> – additional detail supporting the information provided in the core financial statements is provided in the Notes to the Accounts.

<u>Housing Revenue Account</u> – records the financial position of the Council's statutory obligation to account separately for the cost of its housing provision.

Collection Fund – a statutory account that records the transactions in respect of the collection and distribution of Business Rates and Council Tax for which the Council acts as agent.

Group Accounts

The Council operates through a variety of undertakings, either through majority shareholding or sole membership of companies with the current ability to appoint the majority of directors (subsidiary undertakings) or in partnership with other organisations (associate undertakings and joint ventures). To provide a full picture of the activities of the Council, Group Accounts have been prepared which include those organisations where the interest and level of activity is considered material. The Group Accounts consolidate the Council's accounts with those of:

Subsidiaries
Acivico Limited
Birmingham Children's Trust Community Interest Company
Birmingham City Propco Limited
InReach (Birmingham) Limited
National Exhibition Centre (Developments) Plc
PETPS (Birmingham) Limited
PETPS (Birmingham) Pension Funding Scottish Limited Partnership

Associate
Birmingham Airport Holdings Limited

Joint Venture
Paradise Circus Limited Partnership

The Council also operates through or in conjunction with a number of organisations where the level of activity is not considered material to the overall Group Accounts. Details of these organisations are set out in Note 46, Related Parties.

Rounding

Because of rounding, some totals may not exactly agree with the sum of their component parts. These accounts are not adjusted for cross -casting immaterial differences between the main statements and disclosure notes.

Accountable Body Roles

In addition to the activities reflected in the Council's CIES and Balance Sheet, the Council also acts as an agent for 37 organisations with gross expenditure of £135.9m, the most significant being the Greater Birmingham and Solihull Local Enterprise Partnership. Further details are contained in Note 47.

Statement of Responsibilities for the Statement of Accounts

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 the responsibility for the administration of those affairs. In Birmingham City Council this is the Director of Council Management who also has the role of Section 151 officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Section 151 Officer's Responsibilities

The Section 151 Officer 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 2021/22 (the Code). In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

Certification of Accounts

I certify that the draft Statement of Accounts presents a true and fair view of the financial position of Birmingham City Council as at 31 March 2022 and of its income and expenditure for the year ended 31 March 2022.

…………………………………………………………………………………….
Rebecca Hellard, Director of Council Management and Section 151 Officer
28 March 2023

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 28 March 2023.

…………………………………………………………..

Councillor Fred Grindrod,
Chair of Audit Committee
Date

CORE FINANCIAL STATEMENTS 2021/22

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

2020/21 (Restated) Gross Expenditure	2020/21 (Restated) Gross Income	2020/21 (Restated) Net Expenditure		Note	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure
£m	£m	£m	**Continuing Operations**		£m	£m	£m
441.8	(209.8)	232.0	Adult Social Care		482.8	(160.5)	322.3
1,107.1	(811.5)	295.6	Children and Families		1,190.5	(838.3)	352.2
33.8	(26.7)	7.1	City Housing		47.6	(29.2)	18.4
259.5	(69.2)	190.3	City Operations		286.7	(73.4)	213.3
61.5	(45.5)	16.0	Place, Prosperity and Sustainability		88.9	(87.4)	1.5
638.8	(566.2)	72.6	Council Management		658.5	(584.8)	73.7
114.9	(139.4)	(24.5)	Strategy, Equalities and Partnerships		120.8	(114.5)	6.3
170.2	(75.5)	94.7	Centrally Managed		14.9	(87.2)	(72.3)
188.4	(282.2)	(93.8)	Housing Revenue Account		199.3	(288.5)	(89.2)
3,016.0	**(2,226.0)**	**790.0**	**Total Cost Of Services**		**3,090.0**	**(2,263.8)**	**826.2**
83.2	-	83.2	Other Operating Expenditure	10	124.4	-	124.4
281.3	(42.8)	238.5	Financing and Investment Income and Expenditure	11	270.1	(60.8)	209.3
258.1	(1,499.9)	(1,241.8)	Taxation and Non-Specific Grant Income	12	95.1	(1,343.4)	(1,248.3)
		(130.3)	**(Surplus) / Deficit on Provision of Services**				**(88.4)**
		(223.3)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	21,22,23			(583.8)
		740.2	Remeasurement of the net defined benefit liability	20			(749.4)
		516.9	**Other Comprehensive (Income) / Expenditure**				**(1,333.2)**
		386.6	**Total Comprehensive (Income) / Expenditure**				**(1,421.6)**

Movement in Reserves Statement

This Statement shows the movement in the year in the different reserves held by the Council, analysed into ‘usable reserves’ (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

	Total General Fund Balance	Total HRA Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2020	**656.8**	**10.0**	**223.3**	**24.4**	**142.6**	**1,057.1**	**(1,067.9)**	**(10.8)**
Surplus/(Deficit) on the provision of services	81.5	48.8	-	-	-	130.3	-	130.3
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(516.9)	(516.9)
Total Comprehensive Income and Expenditure	**81.5**	**48.8**	**-**	**-**	**-**	**130.3**	**(516.9)**	**(386.6)**
Adjustments between accounting basis and funding basis under regulations (Note 16)	324.0	(44.5)	30.1	-	(50.2)	259.6	(259.6)	**(0.0)**
Increase/(Decrease) in 2020/21	**405.5**	**4.3**	**30.1**	**-**	**(50.2)**	**389.8**	**(776.5)**	**(386.6)**
Balance at 31 March 2021	**1,062.3**	**14.3**	**253.4**	**24.4**	**92.4**	**1,446.9**	**(1,844.4)**	**(397.5)**
Movement in Reserves during 2021/22								
Surplus/(Deficit) on the provision of services	38.9	49.5	-	-	-	88.4	-	88.4
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	1,333.2	1,333.2
Total Comprehensive Income and Expenditure	**38.9**	**49.5**	**-**	**-**	**-**	**88.4**	**1,333.2**	**1,421.6**
Adjustments between accounting basis and funding basis under regulations (Note 16)	(29.4)	(41.6)	34.2	(6.5)	20.2	(23.1)	23.1	-
Increase/(Decrease) in 2021/22	**9.5**	**7.9**	**34.2**	**(6.5)**	**20.2**	**65.3**	**1,356.3**	**1,421.6**
Balance at 31 March 2022	**1,071.8**	**22.2**	**287.6**	**17.9**	**112.6**	**1,512.2**	**(488.1)**	**1,024.1**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

31 March 2021		Note	31 March 2022
			£m
6,209.6	Property, Plant and Equipment	21	6,990.5
249.9	Heritage Assets	22	249.9
5.2	Investment Property		15.7
4.2	Intangible Assets	23	3.7
37.8	Long Term Investments	37	37.4
107.5	Long Term Debtors	24	109.1
6,614.2	**Total Long Term Assets**		**7,406.3**
172.3	Short Term Investments	25	110.5
49.1	Assets Held for Sale	26	0.4
1.8	Inventories		2.2
400.9	Short Term Debtors	27	341.8
54.3	Cash and Cash Equivalents	28	57.4
678.4	**Total Current Assets**		**512.3**
(490.5)	Short Term Borrowing	32	(299.7)
(431.6)	Short Term Creditors	29	(484.9)
(176.0)	Short Term Provisions	30	(133.7)
(1,098.1)	**Total Current Liabilities**		**(918.3)**
(0.6)	Long Term Creditors		(0.5)
(7.7)	Long Term Provisions	30	(18.5)
(2,989.4)	Long Term Borrowing	32	(2,924.2)
(409.1)	Other Long Term Liabilities	37	(385.3)
(3,185.2)	Net liability on defined benefit pension scheme	20	(2,647.7)
(6,592.0)	**Total Long Term Liabilities**		**(5,976.2)**
(397.5)	**Net Assets/(Liabilities)**		**1,024.1**
	Usable Reserves	17	
197.7	Unearmarked Reserves		230.1
450.1	Earmarked Reserves		383.3
335.5	Grant Reserves		369.4
3.6	Unearmarked Non-Schools DSG		11.9
114.0	Ringfenced Reserves		117.2
346.0	Capital Reserves		400.3
1,446.9	**Total Usable Reserves**		**1,512.2**
(1,844.4)	Unusable Reserves	18	(488.1)
(397.5)	**Total Reserves**		**1,024.1**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

130.3	Net Surplus/(Deficit) on the provision of services		88.4
116.0	Adjustments to net Surplus/Deficit on the provision of services for non-cash movements	36	617.2
(209.1)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	36	(223.8)
37.2	**Net cash flows from Operating Activities**		**481.8**
(244.0)	Investing Activities	34	(262.3)
199.8	Financing Activities	35	(216.4)
(7.0)	**Net increase/(decrease) in cash and cash equivalents**		**3.1**
61.3	Cash and cash equivalents at the beginning of the reporting period		54.3
54.3	**Cash and cash equivalents at the end of the reporting period**	**28**	**57.4**

Note 1
Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2022 require the Council to prepare an annual statement of accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categorised non-current assets and financial instruments. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (that is, brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and if applicable is adjusted for subsequent depreciation or impairment.

ii. Accruals of Income and Expenditure

Service activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the sale of goods or provision of services satisfied over time is recognised if the Council can reasonably measure its progress towards complete satisfaction of the performance obligation;
- 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, for example, fuel and transport parts;
- 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;
- When income 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.

iii. Cash and Cash Equivalents

Cash and Cash Equivalents are represented by cash in hand and deposits with financial institutions, which must be repayable immediately without penalty on notice of not more than 24 hours. Any deposits with financial institutions that may be repaid after the immediate day are considered to be investments, not cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand, where there are pooling arrangements across the accounts with the same institution and form an integral part of the Council's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or events and conditions, on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non-Current Assets

Directorates and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. An adjustment is, therefore, made to remove depreciation, amortisation and revaluation and impairment losses from the General Fund and Housing Revenue Account through Note 16, Adjustments Between Accounting Basis and Funding Basis under Regulations, and the Movement in Reserves Statement and to replace them by the statutory contribution from the General Fund to the Capital Adjustment Account.

vi. Council Tax and Business Rates

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. The Collection Fund's key features relevant to the accounting for Council Tax and Business Rates in the core financial statements are:

- In its capacity as a Billing Authority the Council acts as an agent, collecting and distributing Council Tax on behalf of the major preceptors and as principal for itself;

- While the Council Tax and Business Rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus/(less) the Council's share of any surplus/(deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Comprehensive Income and Expenditure Statement

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. In addition, that part of Business Rates retained as the cost of collection allowance under regulation is treated as the Council's income and appears in the Comprehensive and Income Expenditure Statement as are any costs added to Business Rates in respect of recovery action.

Balance Sheet

Since the collection of Council Tax and Business Rates are in substance agency arrangements, any year end balances relating to arrears, impairment allowances for doubtful debts, overpayment and prepayments are apportioned between the major preceptors and the Council by the creation of a debtor/creditor relationship. Similarly, the cash collected by the Council belongs proportionately to itself and the major preceptors. There will, therefore, be a debtor/creditor position between the Council and the major preceptors since the cash paid to the latter in the year will not be equal to their share of the total cash collected. If the net cash paid to the major preceptors in the year is more than their proportionate share of the cash collected the Council will recognise a debit adjustment for the amount overpaid. Conversely, if the cash paid to the major preceptors in the year is less than their proportionate share of the amount collected then the Council will recognise a credit adjustment for the amount underpaid.

Cash Flow Statement

The Council's Cash Flow Statement includes in 'Operating Activities' cash flows only its own share of the Council Tax and Business Rates collected during the year, and the amount included for precepts paid excludes amounts paid to the major preceptors. In addition, that part of Business Rates retained as the cost of collection allowance under regulation appears in the Council's Cash Flow Statement. The difference between the major preceptors' share of the cash collected and that paid to them as precepts and settlement of the previous year's surplus or deficit on the Collection Fund, is included as a net increase/decrease in cash and cash equivalents.

vii. Employee Benefits

Benefits Payable During Employment

Short Term Benefits

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

Other Long Term Benefits

Other long term employee benefits are benefits, other than post-employment and termination benefits, that are not expected to be settled in full before 12 months after the end of the annual reporting period for which employees have rendered the related service. Within local authorities the value of these benefits is not expected to be significant. Such long term benefits may include:

- Long term paid absence or sabbatical leave;
- Long term disability benefits;
- Bonuses;
- Deferred remuneration.

Long term benefits would be accounted for on a similar basis to post-employment benefits.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee'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 appropriate Directorate at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

- The Local Government Pension Scheme, administered by the West Midlands Pension Fund offices at Wolverhampton City Council;
- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The NHS Pensions Scheme administered by NHS Pensions.

Each scheme provides defined benefits to members (retirement lump sums and pensions), earned during employment with the Council.

The arrangements for the Teachers' Pension Scheme and the NHS Pensions Scheme mean liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are, therefore, accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Midlands Local Government Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is, 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 earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% based on the indicative rate of return on high quality corporate bond yields;
- The assets of the West Midlands Local Government Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price;
    - unquoted securities – professional estimate;
    - unitised securities – current bid price;
    - property – market value.
- The change in the net pensions liability is analysed into the following elements:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the Directorates for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect related to years of service earned in earlier years – debited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- net interest on the net defined benefit liability/(asset), that is the net interest expense for the Council – the change during the reporting period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the West Midlands Local Government Pension Fund - cash paid as employer's contributions to the pension fund; not accounted for as an expense.

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

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers and public health employees, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Reporting Period

Events after the Balance Sheet date are those material events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of Audit Committee adoption of the accounts are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Non-borrowing creditors are carried at contract amount. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 to the instrument over the life of the instrument to the amount at which it was originally recognised.

For most of the Council's borrowings, this means the amount presented in the Balance Sheet is the outstanding principal repayable, plus accrued interest; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

However, the Birmingham City Council 2030 bonds, issued in exchange for NEC loan stock in 2005 and the NEC Development 2027 bonds, were issued at a fair value in excess of the principal repayable. Interest is being charged on an amortised cost accounting basis, which writes the value down to zero at maturity.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

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

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 does not currently have any financial assets designated at FVOCI.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (that is, 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 Comprehensive Income and Expenditure Statement (CIES) 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 CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Where it is possible to determine a fair value, measurement of the financial assets is 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 following three levels:

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

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 Comprehensive Income and Expenditure Statement.

Instruments Entered Into Before 1 April 2006

The Council has entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in section xxii on Provisions, Contingent Liabilities and Contingent Assets.

x. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution are satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 are unlikely to be satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied or expected to be satisfied, the grant or contribution is credited to the relevant Directorate (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account as they are applied to fund capital expenditure.

xi. Business Improvement Districts

In accordance with the provisions of the Business Improvement District Regulations (England) 2004 ballots of local businesses within specific areas of the City have resulted in the creation of distinct Business Improvement Districts. Business ratepayers in these areas pay a levy in addition to the Business Rate to fund a range of specified additional services which are provided by specific companies set up for the purpose.

In line with Code guidance the Council has determined that it acts as agent to the Business Improvement District authorities and therefore neither the proceeds of the levy nor the payment to the Business Improvement District Company are shown in the Council's accounts.

xii. Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the City.

CIL is received without outstanding conditions; it is, therefore, recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with section xi. Government Grants and Contributions of this note. CIL charges will be largely used to fund capital expenditure although an element may be used to support infrastructure maintenance and a small proportion of the charges may be used to fund the costs of administration associated with the CIL.

xiii. Heritage Assets

Heritage assets are assets that have historical, artistic, scientific, technological, geographical or environmental qualities that are held in trust for future generations because of their cultural, environmental or historical associations and contribution to knowledge and culture. They include museums' and libraries' heritage collections, historic buildings and the historical environment, public works of art and civic regalia and plate.

Where assets of a heritage nature are used in the ongoing delivery of the Council's services, such as historically interesting buildings and parks and open space, they have not been categorised as heritage assets but remain as other land and buildings or as community assets within Property, Plant and Equipment.

For the Museum, Library and Civic Plate Collections, insurance valuations are used due to the unique nature, diversity and quantity of the assets, and lack of historical cost information. For other types of Heritage Assets, historical cost information is used where available when compiling the Balance Sheet. In some cases, neither reliable valuation information nor historical cost information is available, in which case the asset has been excluded from the Balance Sheet.

The Council considers that heritage assets will have indeterminate lives and a high residual value; and therefore does not consider it appropriate to charge depreciation on the assets. Any impairment or disposal of heritage assets is recognised and measured in accordance with the Council's relevant policies (see section xxi. Property, Plant and Equipment in this note).

xiv. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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 and the depreciable amount is amortised over the useful life of the asset on a straight-line basis and charged to the relevant Directorate in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

xv. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint operations and proper accounting practices require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xvi. Investment Properties

Investment properties are those that are held by the Council solely to earn rentals and/or for capital appreciation. An asset does not meet the definition of being an investment property if it is used in any way to facilitate the delivery of services, for the production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently carried at fair value, measured at highest and best use. Investment properties are not depreciated but are revalued annually based on market conditions at the year-end. Gains/losses on revaluation, or on disposal, are posted to Financing Income and Expenditure in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains/losses on disposal.

Rentals received in relation to investment properties are credited to Financing Investment Income in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains/losses are not permitted by statutory arrangements on the General Fund Balance and are therefore reversed out through the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Whilst discharging its role the Council works to ensure that the stewardship of all property assets is such that they are managed in a way that is economic, efficient and effective. The Council has a site that meets the definition of 'Investment Properties'.

The Council has a number of lease arrangements with subsidiary companies that are not treated as investment properties in line with IAS 40, Investment Property.

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.

xvii. Joint Operations and Jointly Controlled Assets

Joint operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The

Council accounts for only its share of the jointly controlled assets, the liabilities and the expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. Leases

Leases are classified as either finance or operating leases at the inception of the lease. Classification as a finance lease occurs where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset from lessor to lessee and where the lease term is for the major part of the economic life of the asset in question, whether or not title is eventually transferred. Those leases not classified as finance leases are deemed to be 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.

<u>The Council as Lessee</u>

<u>Finance Leases</u>

Property, plant or equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premia paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies generally applied to such assets (see section xxi above).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

<u>Operating Leases</u>

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the Directorate benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain/loss on disposal, matched by a lease (long term debtor) asset in the Balance Sheet

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor; and
- Finance income - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to impact the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve through the Movement in Reserves Statement. Where the amount due in relation to the lease asset is settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve through the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease for an asset, it is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix. Overheads and Support Services

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

xx. 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 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 (for example, repairs and maintenance) is charged as an expense when it is incurred.

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 Council capitalises borrowing costs incurred whilst material assets are under construction. Material assets are considered to be those where total planned (multi-year) borrowing for a single asset (including land and building components) exceeds £20m, and where there is a 'substantial period of time' from the first capital expenditure financed from borrowing until the asset is ready to be brought into use. A substantial period of time is considered to mean in excess of two years. Both of these tests will be determined using estimated figures at the time of preparing the accounts in the first year of capitalisation. Should either test fail in subsequent financial years, the prior year's treatment will not be adjusted retrospectively.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (that is, 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.

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

- infrastructure assets, vehicles, plant, furniture and equipment (excluding Tyseley Energy Recovery Facility) – depreciated historical cost;
- community assets and assets under construction – historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- where cleared land has been designated for social housing use, that land is valued using the basis of EUV-SH;
- surplus assets – fair value; assessed in their highest and best use
- all other assets – current value, determined as the price that would be received to sell an asset in its existing use. 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.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in asset valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end for any indication that an asset may be impaired. Where indications exist and any possible difference is 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.

Revaluation and impairment losses

Where revaluation and impairment losses are identified, and where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the reduction in value is charged against that balance until it is used up. Thereafter, or if there is no balance of revaluation gains, the loss is charged against the relevant Directorate in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant Directorate in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

Useful Life

The Council estimates that assets, at new, have remaining useful lives within the parameters as detailed below:

- Council Dwellings – separated into the key components
  - Land – indefinite life;
  - Kitchens – 20 years;
  - Bathrooms – 40 years;
  - Doors/Windows/Rainwater, Soffits and Facias – 35 years;
  - Central Heating/Boilers – 15 to 30 years;
  - Roofs – 25 to 60 years;
  - Remaining components (Host) – 30 to 60 years;
- Buildings – up to 50 years;
- Vehicles, Plant, Furniture and Equipment – up to 50 years;
- Infrastructure – up to 40 years.

The useful life of each relevant asset is reviewed as part of the Council's five year cycle of revaluation by an appropriately qualified valuer.

Where a school is proposing to transfer to Academy School Trust status after the year end, the Council maintains the useful life of the school's assets on the basis of the last valuation undertaken.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets, including components, by the systematic straight line allocation of their depreciable amounts over their useful lives. Assets without a determinable finite useful life, and assets that are not yet available for use, are not depreciated. Depreciation is charged in the year of disposal but not charged in the year of purchase.

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

Componentisation

Where an asset is material (over £5m) 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. Also, additions are considered for components, whereby as components are added, any component being replaced is derecognised. Where the historical cost of the old component is not readily determinable, it has been estimated by comparing the remaining useful economic life of the component to the original useful economic life and the cost of the replacement component. A pro rata of both the depreciation and any applicable Revaluation Reserve is also derecognised.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and carrying value less the cost of sale. Where there is a subsequent decrease to carrying value less the cost of sale, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any previous losses recognised in the Surplus/Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Where assets are no longer used by a Directorate, these assets are offered to other Directorates for use. Those assets which are surplus are made available for sale and will be classified as Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet and the gain or loss on disposal is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Gains and losses on disposal of assets are 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 appropriated to the Capital Adjustment Account from the General Fund Balance through the Movement in Reserves Statement.

Amounts, in excess of £10,000, received from a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance through the Movement in Reserves Statement.

xxi. Service Concession Arrangements

Service concession arrangements (formerly classed as 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 contractor. As the Council is deemed to control the services that are provided under the arrangement, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Council includes the cost of establishing Special Purpose Vehicles in the calculation of the liabilities.

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

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

- Fair value of the services procured during the year – debited to the relevant Directorate in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent rent – inflationary 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 Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the contractor;
- Lifecycle replacement costs – usually recognised as an addition to Property, Plant and Equipment when the relevant works are carried out in line with the operator’s model spending profiles.

xxii. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate Directorate in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Provisions are not discounted to their value at current prices unless material.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant Directorate.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example, from an insurance claim), this is only recognised as income for the relevant Directorate if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Onerous Contracts

An onerous contract is a contract for the exchange of assets or service in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.

Onerous Contracts are accounted for under IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. A provision will be recognised for the unavoidable costs.

Provision for Back Pay Arising from Equal Pay Claims

The Equal Pay Act 1970 was enacted at a time when it was not uncommon for employers to openly give different rates of pay to men and women performing the same job, or to reserve certain jobs for men and other (lower-paid) jobs for women. The Equality Act 2010 repealed and replaced the Equal Pay Act 1970 from 1 October 2010 and implemented the principle that men and women should receive equal pay for equal work in Great Britain.

The Council has received capitalisation directions to support an element of the provision made. However, statutory arrangements allow settlements to be financed from the General Fund and Housing Revenue Account in the year that the payments actually take place, not when the provision is established, for all claims made up to 1 April 2020. The additional provision made above the capitalisation directions given is, therefore, balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year that the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund Balance through the Movement in Reserves Statement in future financial years as payments are made.

The ability to defer the reserves impact of new provisions ceased to be allowable from 1 April 2020. Liabilities, and changes in them, recognised before 1 April 2020 continue to be deferred until settlement. New Equal Pay liabilities recognised after 1 April 2020 are accounted for in line with Section 8 of the CIPFA code, and IAS37.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 31 to the accounts.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in Note 31 to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate Directorate in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxv. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but which does not result in the creation of a non-current asset, has been charged as expenditure to the relevant Directorate in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer through the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxiv. Accounting for Schools

Local authority maintained schools, in line with relevant accounting standards and the Code, are considered to be separate entities with the balance of control lying with the Council. As such the Council should consolidate the activities of schools into its group accounts. However, the Code requires that the income, expenditure, assets and liabilities of maintained schools be accounted for in local authority entity accounts rather than requiring the preparation of group accounts.

The Council has the following types of maintained schools under its control:

- Community schools;
- Voluntary Controlled schools;
- Voluntary Aided schools;
- Foundation schools.

Given the nature of the control of the entities and the control of the service potential from the non-current assets of the maintained schools, the Council has recognised buildings and other non-current assets on its Balance Sheet. The Council has recognised all land for Community Schools on its Balance Sheet and recognised that land for Voluntary Aided, Voluntary Controlled and Foundation Schools where it can be demonstrated that the Council has control over the land through restrictive covenants within site deeds or where there is reasonable evidence that restrictive covenants are in place.

Academies and Free Schools are not considered to be controlled by the Council and are not consolidated into the entity or group accounts.

xxvi. Value Added Tax

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

xxvii. Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus and investment properties, and some of its financial instruments, such as equity shareholdings, at fair value at each reporting date. Fair value is 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 fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council 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 Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised with the fair value hierarchy 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.

xxviii. Council Acting as Agent

The Council does not include transactions that relate to its role in acting as an agent on behalf of other bodies. In such cases the Council is acting as an intermediary and does not have exposure to significant risks and rewards from the activities being undertaken.

xxix. Dedicated Schools Grant Deficit Balances

Where the Council has a deficit in respect of its schools budget for a financial year beginning on 1 April 2020, the Council does not charge to a revenue account an amount in respect of that deficit. Instead, it charges the amount of the deficit to an account established, charged and used solely for the purpose of recognising deficits in respect of its schools budget.

These financial statements continue to be produced under IFRS with the DSG being accounted for in the normal way (through the CIES). An accounting adjustment is made via the MiRS to move any DSG deficit balances on a time limited basis to an unusable reserve established for that purpose.

xxxi. Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture, traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 – These amendment regulations provide that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (i.e. either a nil amount or to follow the Code). The Council has elected to make use of this statutory override.

Measurement

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. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.
Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Carriageways	25 years
Footways and cycle tracks	20 years
Highways Drainage	15 years
Street furniture	30 years
Street lighting	30 years
Structures (bridges, tunnels)	120 years
Traffic management systems	25 years
Other infrastructure assets	10 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the ‘Other operating expenditure’ line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

Note 2
Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements in respect of complex transactions or those transactions involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Going Concern

Local Authorities are required by the Code of Practice on Local Authority Accounting 2021/22 to prepare their accounts on the going concern basis, that is that the functions of the Council will continue in operational existence for the foreseeable future, as it can only be discontinued as a result of statutory prescription.

The financial reporting framework for local government presumes going concern in the event of anticipated continuation of provision of the services provided by the entity. Therefore a 'continued provision of service approach' applies, unless there is clear evidence to the contrary.

The Council continues to face financial challenges as a result of the ongoing reduction in central government support and the need to fund budget pressures, while also operating in an environment where the continued impact of, and costs related to, the Covid-19 pandemic are uncertain.

It is in this context that the Council has set out its 2022-2026 Financial Plan.

Through rigorous and diligent financial management, coupled with the additional funding provided by the Government the Council has spent within our budget in 2021-22. Two in year updates of the Medium-Term Financial Plan were undertaken and reported to Cabinet and the Overview and Scrutiny Resources Committee; the first being in July 2021 and the second in October 2021.

The local Government settlement announced in December 2021 only provided funding for 2022-23, despite the 3-year announcement of departmental settlements as part of the Spending Review. As such there is significant uncertainty over the level of resources available to the Council beyond 2022-23.

As a result of the continued uncertainty in outlook, the Financial Plan 2022-2026 should be considered an initial plan of how the Council intends to invest to reshape and transform services so that they provide for better outcomes and better value for money in the future.

The Council has successfully delivered significant savings plans previously and has appropriate contingency plans in place to provide protection against any timing differences in the generation of capital receipts or any shortfall in the delivery of savings plans. As such the Council has identified that it has sufficient General Fund Balances and can redesignate earmarked reserves to meet any shortfall. On this basis, the Council considers that it can continue to meet its liabilities as they fall due, supporting the preparation of the financial statements on a going concern basis irrespective of the statutory requirements.

Schools

The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied. The Council has considered its accounting arrangements for each school, on a case by case basis, under the terms of:

- IAS 16, Property, Plant and Equipment
- IAS 17, Leases
- IFRIC 4, Determining Whether an Arrangement Contains a Lease; and
- LAAP Bulletin 101, Accounting for Non-Current Assets Used by Local Authority Maintained Schools

The Council has determined that, within its Balance Sheet, for:

- Community Schools - all land and buildings should be recognised;
- Voluntary Controlled, Voluntary Aided and Foundation Schools - all buildings should be recognised and that land should be recognised where the Council can demonstrate that it has control over the asset through restrictive covenants within site deeds or there is reasonable evidence that restrictive covenants are in place;
- Academy Schools - no non-current assets should be recognised as they maintain their own financial records.

Local authority maintained schools, as independent entities, have responsibility for the management of their own resources. However, as their transactions are consolidated into the Council's financial statements, the Council has reviewed their activity to ensure consistency of accounting treatment. The Council has identified activity incurred as revenue expenditure by local authority maintained schools, which under the Council's policies would be considered to be capital expenditure. The Council has, therefore, treated expenditure which it can reasonably identify as being capital in nature as capital expenditure financed from revenue, which is then depreciated over an average useful economic life. Where it is not clear whether expenditure incurred relates specifically to capital, it has been left as revenue expenditure.

Whilst the Council is required to report the transactions of local authority maintained schools within its entity financial statements, it has not included details of employees of Voluntary Aided and Foundation Trust schools in Note 43, Officers' Remuneration, as they are employed by the relevant governing body.

The table below shows the number and type of schools within Birmingham at 31 March 2022.

Type of School	Nursery	Primary	Secondary	All Through	Alternative	16 to 19	Special	Pupil Referral Unit	Total
Community	27	105	8				8	1	**149**
Voluntary Controlled		4							**4**
Voluntary Aided		42	4						**46**
Foundation Trust		9	4				9		**22**
Academy		133	54	5			10		**202**
Free School		2	9	2	6	1			**20**
Studio School			1						**1**
UTC			1						**1**
Total	**27**	**295**	**81**	**7**	**6**	**1**	**27**	**1**	**445**

Where a school proposes to transfer to Academy status, the Council will continue to retain any asset subject to transfer on the basis of its last revaluation, which maintains both the asset value and the anticipated useful life until the date of transfer. The Council has taken the view that any asset transferring will continue, on the basis of the permitted use within the lease agreements, to be used for the provision of education services, thus supporting the Council's statutory obligation for the provision of education. On transfer to an Academy, assets are derecognised in the Council's financial statements for nil consideration.

Service Concession Arrangements – Highways PFI

On entering into the Highways PFI contract, the contractor's operational model of planned spend formed the basis of identifying levels of investment in the highways infrastructure, lifecycle and service costs from the unitary charge payable. This model is used to identify capital additions and associated liabilities that are reflected on the Council's Balance Sheet.

Assumptions within the original contract model have continued to be used with the model updated to reflect actual lifecycle costs incurred during the year.

An exercise is currently underway to procure a new subcontractor to deliver the remainder of the contract to 2035, whereby a new model will be created based upon affordability. The revised contract will include requirements for the contractor to report actual spending for accounting purposes.

Leases

The judgement is in determining whether the contract is an operating lease or a finance lease. Leases are categorised between operating and finance leases according to management judgement on the basis of relevant accounting standards, with the premise that long term land leases, typically greater than 110 years, and long term building leases, typically greater than 50 years, are accounted for on the basis of finance leases.

The Better Care Fund (including the improved Better Care Fund)

The judgement is in determining where control of the funds and expenditure decision lies. The Better Care Fund was announced in June 2013 with the intention to drive the transformation of local services and was to be operated through pooled budget arrangements between the Council and local Clinical Commissioning Groups. Specific resources were earmarked for the Better Care Fund by NHS England in its allocation to Clinical Commissioning Groups. The remainder of the fund was made up of the Social Care Capital Grant and the Disabled Facilities Grant which were paid to local authorities.

In accounting for the pooled resources, in agreement with the Clinical Commissioning Groups:

- Activity where funding was received and expended under the control of Clinical Commissioning Groups has been accounted for in their accounts
- Activity where funding was received and expended under the control of the Council has been accounted for in its accounts
- Activity where funding was under joint control has been accounted for on the basis of the share for each organisation.

Further details on the Better Care Fund are provided in Note 46, Related Parties.

The Council acting as Agent

The Council acts as agent for a range of funding resources. In its role as agent, transactions relating to agency activity are not included in the Council's financial statements. Three of the largest areas where the Council acts as agent are:

- Growing Places Fund
- Regional Growth Fund - Advanced Manufacturing Supply Chain Initiative
- Covid-19 grant funding

The resources for the Growing Places and Regional Growth Funds are under the control of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) with decisions taken by impartial and independent Investment Boards and Committees. All governance processes are overseen by the Council.

Whilst the Council has received the funding, it is on the basis of an Accountable Body to ensure that resources are spent in compliance with the grant offer letters. Decisions in respect of the use of funds are not in the hands of the Council apart from in its capacity as one of the voting members of the GBSLEP. The Council can be awarded resources by the GBSLEP but only through the normal resource application and allocation process.

Given the basis of control, the Council has determined that it acts as agent rather than principal for these resources which are, therefore, not included in the Council's financial statements.

Details of the Council's role as agent for external resources are included in Note 47 to these financial statements.

Early Payment to the Local Government Pension Scheme

The Council made a payment of £369.2m on 27 April 2020 to the Local Government Pension Scheme being the estimated sum due for the three year period 1 April 2020 to 31 March 2023 in respect of employer contributions. The Council has determined that the application of Section 30 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, requires the Council to charge to its revenue accounts the amount payable for the financial year for retirement benefit payments and contributions to the pension fund as set out in the actuary's certificate following the triennial valuation of 31 March 2019, namely 21.3% of pensionable pay plus £48.2m which was calculated to total £123m for 2021/22.

Equal Pay

The Council has continued to receive equal pay claims up to the sign off of these financial statements and has, as a result, made provision in its accounts for these potential future liabilities. The Council has continued to negotiate with claimants' representatives and settles where it is recognised that a claim would be successful. These accounts include the expected costs of settlement for claims received and all negotiations agreed as at 31 March 2022.

In England and Wales, the ability to defer the reserves impact of new provisions ceased to be allowable from 1 April 2020. These regulations previously gave discretion to a local authority not to charge to revenue a provision for back pay arising from unequal pay claims until the cash settlement took place. The Council had taken advantage of this, and the full extent of the equal pay provision recognised in prior years had all been offset against capital receipts. Liabilities recognised before 1 April 2020 will continue to be deferred until the equal back pay payment is actually made, whether or not this date is on or after 1 April 2020, in line with regulations.

However, this approach is not applicable for new equal pay liabilities recognised after 1 April 2020 and provision of these claims has been made in accordance with Section 8.2 of the Code, recognised and impacting on the General Fund.

Note 3
Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new or amended standard that has been issued, but is not required to be adopted by the Council for the 2021/22 accounting period.

The relevant amended or new standards are:

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards as follows:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

It is not envisaged that these will have a significant effect on the Council’s financial statements.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

There are no changes in accounting requirements for 2022/23 that are anticipated to have a material impact on the Council’s financial performance or position.

Note 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, balances cannot be determined with certainty, and actual results could be materially different if the assumptions and estimates were to change.

The Council is exposed to a degree of estimation uncertainty related to interest rate risk in its financial instruments, principally its borrowing and investments. More information on this can be found in Note 38.

IAS 1 requires the Council to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In respect of those assets and liabilities, the notes shall include details of:

(a) their nature, and
(b) their carrying amount as at the end of the reporting period.

While there are a number of areas of uncertainty that the Council manages, those that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year are as follows:

- Valuation of certain parts of the Council's Plant, Property and Equipment balances, specifically relating to the Council's dwellings, and other land and buildings; and
- The net defined benefit pension liability.

These are dealt with separately below:

Property, Plant and Equipment

The Council recognises a variety of land and buildings in its Balance Sheet, and applies a range of valuation methodologies, in line with the adopted accounting policies and required standards, to arrive at a valuation for the portfolio at each Balance Sheet date. A number of these approaches include specific estimates, and uncertainties. The areas for which a risk of material uncertainty is noted are included in the tables below - note that where a part of the balance is not included in a table, it is not considered to have a material uncertainty associated with it.

Council Dwellings – HRA (31 March 2022 £2,986.2m)

There are two approaches applied to the valuation of these assets, the beacon approach and discounted cashflow. The beacon approach covers the majority of the assets and is set out in the following tables:

Approach to valuation	Council dwellings are subject to a full revaluation every five years, with a desktop review in intervening years. The majority of assets are valued using a beacon approach, where a value is undertaken for the housing stock portfolio based on properties that are a representative sample of the Council's properties across the city. The beacon value is derived from sales of similar, ex Council or comparable properties, suitably adjusted by taking into account information from the land registry and other relevant sources, before being applied to the wider population of properties. In this instance, all beacon properties were revalued at the valuation date.
Nature of uncertainty	The Council recognises the value of nearly 59,000 properties in total (excluding garage sites). Of these properties, approximately 48,000 use this beacon valuation approach, which is the agreed, recommended approach where such large numbers of properties require a valuation. With such a large population of properties being valued

	there is naturally a degree of estimation uncertainty. A relatively small movement in the beacon values would, once extrapolated, result in a significant change in the overall value of the estate.
Amount recorded in the financial statements at 31 March 2022	£2,827.6m
Sensitivity	Should the property market value change over the 12 months following the Balance Sheet date, the beacon values would likely change as a result, and the overall valuation for these properties could change significantly. Land Registry data suggests that in the period from January 2021 to January 2022 property prices in Birmingham rose by an average of 7.8%. A 7.8% movement in the beacon valuations, applied as a general movement across all beacons, extrapolated across the full population would give rise to an increase in the valuation of these properties of £220.6m.

Other land and buildings (31 March 2022 £2,439.6m)

The Council recognises the value of almost 1,350 other land and buildings assets. The valuation approach for other land and buildings is to obtain valuations on the basis of a five year rolling programme, which is supplemented by annual reviews, to reflect significant changes in market value. This results in only a sample of assets being revalued each year. For asset classes that use a DRC valuation, the Council's valuer applies an appropriate index to those properties that don't have a full, detailed valuation performed, to obtain an estimated valuation.

A small subset of assets are not valued. The Council considers the extent to which applying the percentage movement in assets that have been valued, would impact those that have not been valued, to ensure that it is not material. Although this does introduce uncertainty to this component of the valuation, the Council does not believe it to be material and therefore has not included it in the table below.

The areas of this approach that give rise to a material uncertainty are as follows:

DRC assets, forming part of the five year cycle of valuations that have had indexation applied, rather than a detailed valuation performed

Approach to valuation	These assets form part of the rolling five year cycle of valuations but are not in the current year population to receive a specific valuation. The Council's valuer applies additional obsolescence and an uplift for movement in the Buildings Cost Information Service (BCIS) index to these assets, to arrive at an estimated, market driven change in the valuation based on building costs. Note that the indexation applied to assets excludes land, as the Council does not believe it appropriate to apply an index to the value of land.
Nature of uncertainty	A market based index is applied to achieve an overall movement in the asset value as a desktop exercise. Based on market movements in building costs, and therefore the index, and individual specific valuations of properties in this

	population, the 31 March 2023 Statement of Accounts may result in a change in the valuation recorded for these properties at that point.
Amount recorded in the financial statements at 31 March 2022	£1,057.1m
Sensitivity	Indexation is applied to these assets, as a proxy for the changes in likely building costs to replace them. As such, any indexation applied to the value of the assets will change them, during the year to 31 March 2023. The overall movement from 31 March 2021 to the Balance Sheet date equates to a net increase of 4.9%. If the same movement is applied to these assets in the year to 31 March 2023, the value would increase by £51.8m. With inflation increasing in the short term it is very likely that building costs will increase above this rate in 2022/23. As a proxy for overall market rises in costs, the ONS published CPI for the 12 months to March 2022 is 7.0%. If 7.0% is applied as the index for the year to 31 March 2023, then these asset values will increase by £74.0m.

Net defined benefit pension liability

The Council has a number of employees who are members of Pension schemes. One such scheme, the Local Government Pension Scheme (LGPS) is a defined benefit scheme, which can give rise to significant liabilities for the Council.
The liabilities are presented net in the Council's Balance Sheet, having considered both the total assets, and the potential return from them, and all liabilities associated with scheme members. Given the duration of the liabilities, and the complexity of both determining scheme returns, and expected future liabilities, the calculation of the Council's net liability is performed by a qualified actuary.

Approach to valuation	The Council, and the Council's actuary, follow an agreed and accepted process for completing the valuation, which is consistent across the sector. That is to complete a full, detailed valuation every three years, and then in the intervening years, complete a "roll-forward". This approach means that between full valuations, there is inherently a larger degree of uncertainty in the result. The estimate for the Local Government Pension Scheme liability has been performed by a qualified actuary and is based on the latest actuarial valuation and transaction information from 2021/22, which results in a net pension liability of £2,647.7m (2020/21 £3,185.2m). The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The Fund liabilities at 31 March 2022 are based on a roll-forward of the last triennial valuation at 31 March 2019. The methodology used in the intervening years follows

	generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 20.
Nature of uncertainty	The actual valuation results could be significantly different to those in Note 20 were the key assumptions to vary – given the nature of a roll-forward approach, where certain key inputs are updated, rather than formally reassessed, there is a larger inherent degree of uncertainty in any year (such as this one) for which a roll-forward approach is applied. Due to the complexity of the calculation, it is impracticable to disclose the full nature and extent of the change in these assumptions in the next twelve months, however a sensitivity analysis is provided in full in Note 20 which indicates the potential scale and impact of certain key assumptions.
Amount recorded in the financial statements at 31 March 2022	£2,647.7m
Sensitivity	See Note 20 for further details. However, this note and the sensitivity analysis included deals predominantly with the overall calculation itself, and not the uncertainty that relates specifically to the roll-forward approach. While the standard requires the Council to disclose this specific uncertainty, given the complexity of the calculation, the Council has concluded that it is impracticable to quantify it.

Note 5
Events After the Reporting Period

The draft Statement of Accounts was authorised for issue by the Chief Finance Officer and Section 151 Officer on 29 July 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Transfer of Academy Schools

Academy Schools are not accounted for within the Council's financial statements. Where a school transfers to Academy status, it is deemed to be disposed of within the financial statements for nil consideration. Between 1 April 2022 and 29 July 2022, 2 schools have transferred to Academy School Trust status with a carrying value of £6.7m at 31 March 2022. To date 4 schools, with assets having a net book value of £15.0m at 31 March 2022, have confirmed their proposals to transfer to Academy School Trust status for the remainder of 2022/23.

Chief Executive

On 12 July 2022, Deborah Cadman OBE was appointed as permanent Chief Executive for Birmingham City Council.

There were no other significant events after the reporting period.

Note 6
Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the Council allocates expenditure 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.

2021/22	As Reported to Cabinet	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA Balances	**Net Expenditure Chargeable to the General Fund and HRA Balances**	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
		(Note 7)		(Note 7)	
	£m	£m	**£m**	£m	£m
Adult Social Care	332.2	(23.6)	**308.6**	13.7	322.3
Children and Families	314.6	(33.1)	**281.5**	70.7	352.2
City Housing	14.1	2.2	**16.3**	2.1	18.4
City Operations	191.1	(20.1)	**171.0**	42.3	213.3
Place, Prosperity and Sustainability	63.9	(76.2)	**(12.3)**	13.8	1.5
Council Management	31.2	12.8	**44.0**	29.7	73.7
Strategy, Equalities and Partnerships	2.2	4.1	**6.3**	0.0	6.3
Centrally Managed	(120.7)	164.2	**43.5**	(115.8)	(72.3)
Housing Revenue Account	0.0	(47.7)	**(47.7)**	(41.5)	(89.2)
Net Cost of Services	**828.6**	**(17.4)**	**811.2**	**15**	**826.2**
Other Income and Expenditure	(828.6)	0.0	**(828.6)**	(86.0)	(914.6)
(Surplus) /Deficit	**0.0**	**(17.4)**	**(17.4)**	**(71.0)**	**(88.4)**
Opening General Fund and HRA Balance			**1,076.6**		
Surplus/ (Deficit) for the Year			**17.4**		
Closing General Fund and HRA Balance			**1,094.0**		

2020/21	As Reported to Cabinet (Restated)	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA Balances (Restated)	**Net Expenditure Chargeable to the General Fund and HRA Balances (Restated)**	Adjustments between Funding and Accounting Basis (Restated)	Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated)
		(Note 7)		(Note 7)	
	£m	£m	**£m**	£m	£m
Adult Social Care	322.1	(86.7)	**235.4**	(3.4)	232.0
Children and Families	284.0	(63.0)	**221.0**	74.5	295.5
City Housing	8.9	1.7	**10.6**	(3.5)	7.1
City Operations	196.0	(27.2)	**168.8**	21.5	190.3
Place, Prosperity and Sustainability	68.5	(59.9)	**8.6**	7.4	16.0
Council Management	65.7	(3.6)	**62.1**	10.5	72.6
Strategy, Equalities and Partnerships	1.8	(26.3)	**(24.5)**	0.0	(24.5)
Centrally Managed	(94.1)	(53.1)	**(147.2)**	241.9	94.7
Housing Revenue Account	0.0	(49.3)	**(49.3)**	(44.5)	(93.8)
Net Cost of Services	**852.9**	**(367.3)**	**485.5**	**304.4**	**789.9**
Other Income and Expenditure	(852.9)	(42.4)	**(895.3)**	(24.9)	(920.2)
(Surplus) /Deficit	**0.0**	**(409.8)**	**(409.8)**	**279.5**	**(130.3)**
Opening General Fund and HRA Balance			**666.8**		
Surplus/ (Deficit) for the Year			**409.8**		
Closing General Fund and HRA Balance			**1,076.6**		

Note 7
Note to the Expenditure and Funding Analysis

This analysis provides detail of the main adjustments from the Net Expenditure Chargeable to the General Fund and HRA balances to the Comprehensive Income and Expenditure Statement.

2021/22	Depreciation reported at Directorate level	Reserve Appropriations	Other Adjustments	**Total to arrive at amount charged to the General Fund and HRA**	Adjustments for Capital Purposes	Net Change for the Pensions Adjustment	Other Adjustments	**Total Adjustment Between Funding and Accounting Basis**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Adult Social Care	(1.7)	(24.6)	2.7	**(23.6)**	**9.9**	**3.8**	**0.0**	**13.7**
Children and Families	(67.0)	(15.8)	49.7	**(33.1)**	**66.6**	**10.8**	**(6.7)**	**70.7**
City Housing	(0.2)	(0.2)	2.6	**2.2**	**0.2**	**1.9**	**0.0**	**2.1**
City Operations	(39.6)	(3.7)	23.2	**(20.1)**	**36.8**	**5.4**	**0.1**	**42.3**
Place, Prosperity and Sustainability	(6.3)	(22.2)	(47.7)	**(76.2)**	**15.7**	**1.4**	**(3.3)**	**13.8**
Council Management	(1.4)	(11.6)	25.8	**12.8**	**22.4**	**6.6**	**0.7**	**29.7**
Strategy, Equalities and Partnerships	0.0	4.1	0.0	**4.1**	**0.0**	**0.0**	**0.0**	**0.0**
Centrally Managed	0.0	64.6	99.6	**164.2**	**30.4**	**118.4**	**(264.6)**	**(115.8)**
Housing Revenue Account	(56.5)	(8.0)	16.8	**(47.7)**	**93.0**	**(1.8)**	**(132.7)**	**(41.5)**
Net Cost of Services	(172.7)	(17.4)	172.7	**(17.4)**	275.0	146.5	(406.5)	**15.0**
Other Income and Expenditure	172.7	0.0	(172.7)	**0.0**	**38.1**	**(57.6)**	**(66.5)**	**(86.0)**
(Surplus) or Deficit	**0.0**	**(17.4)**	**0.0**	**(17.4)**	**313.1**	**88.9**	**(473.0)**	**(71.0)**

2020/21	Depreciation reported at Directorate level (Restated)	Reserve Appropriations (Restated)	Other Adjustments (restated)	**Total to arrive at amount charged to the General Fund and HRA (Restated)**	Adjustments for Capital Purposes (Restated)	Net Change for the Pensions Adjustment (Restated)	Other Adjustments (Restated)	**Total Adjustment Between Funding and Accounting Basis (Restated)**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Adult Social Care	(1.6)	(11.9)	(73.2)	**(86.7)**	7.1	(10.5)	0.0	**(3.4)**
Children and Families	(67.0)	(39.2)	43.2	**(63.0)**	104.1	(31.1)	1.5	**74.5**
City Housing	(0.5)	0.1	2.1	**1.7**	0.5	(4.0)	0.0	**(3.5)**
City Operations	(28.6)	(6.1)	7.5	**(27.2)**	39.9	(18.4)	0.0	**21.5**
Place, Prosperity and Sustainability	(4.0)	1.1	(57.0)	**(59.9)**	7.4	0.0	0.0	**7.4**
Council Management	(1.0)	(12.7)	10.1	**(3.6)**	28.2	(18.0)	0.3	**10.5**
Strategy, Equalities and Partnerships	0.0	(26.2)	(0.1)	**(26.3)**	0.0	0.0	0.0	**0.0**
Centrally Managed	(2.6)	(310.6)	260.1	**(53.1)**	16.0	118.3	107.6	**241.9**
Housing Revenue Account	(53.9)	(4.3)	8.9	**(49.3)**	75.3	(1.4)	(118.4)	**(44.5)**
Net Cost of Services	(159.2)	(409.8)	201.6	**(367.4)**	278.5	34.9	(9.0)	**304.4**
Other Income and Expenditure	159.2	0.0	(201.6)	**(42.4)**	**(64.5)**	**63.8**	**(24.2)**	**(24.9)**
(Surplus) or Deficit	**0.0**	**(409.8)**	**(0.0)**	**(409.8)**	**214.60**	**98.7**	**(33.2)**	**279.5**

Note 8
Expenditure and Funding Analysis by Nature of Activity

This analysis provides detail of the expenditure and income of the Council on a subjective basis.

2020/21 £m		2021/22 £m
	Expenditure	
941.7	Employee Benefits Expenses	923.8
2,207.0	Other Service Expenses	2,121.4
159.1	Depreciation, Amortisation and Impairment	172.7
233.6	Interest Payments	230.0
24.8	Movements in the value of financial assets	16.3
49.8	Precepts and Levies	49.6
6.4	Payments to Housing Capital Receipts Pool	6.3
16.0	Loss on Disposal of Non Current Assets	59.5
3,638.4	**Total Expenditure**	**3,579.6**
	Income	
(524.6)	Fees and Charges and Other Service Income	(609.4)
(821.3)	Income from Council Tax and Business rates	(825.0)
(2.2)	Movements in the value of financial assets	0.0
(2,400.8)	Government Grants and Contributions	(2,196.5)
(19.8)	Interest and Investment Income	(37.1)
(3,768.7)	**Total Income**	**(3,668.0)**
(130.3)	**(Surplus)/Deficit on Provision of services**	**(88.4)**

Note 9
Material Items of Income and Expense

As noted in the Narrative Report, the Covid-19 pandemic continued to have a significant impact on the operation and financial performance of the Council – including material streams of both income, and expense. The financial impact of Covid-19 has been noted in a number of places in these financial statements, most significantly in the following areas:

- The Narrative Report
- Note 2 – referencing that for some of the grant monies received, the Council is acting as an agent
- Note 14 – being those grants received in relation to Covid-19 where the Council acts as principal
- Note 47 – referencing the Council acting as an agent for grants received.

Separately, the impact of Covid-19 on the Council has been regularly reported in a number of separately available reports.

As such, although it is an area of material income, and expense in the Council's financial performance, the comprehensive nature of the wider reporting, in addition to the disclosure in these financial statements, means that the Council have not separately highlighted the aggregate impact of Covid-19 in the CIES.

Note 10
Other Operating Expenditure

Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure Statement is detailed below.

2020/21 £m		2021/22 £m
1.9	Parish Council Precepts	1.9
11.0	Enterprise Zone Growth Payment	9.0
44.9	Integrated Transport Authority Levy	44.7
0.3	Environment Agency Levy	0.3
2.7	Apprenticeship Levy	2.7
6.4	Payments re: Housing Capital Receipt Pool	6.3
15.8	(Gains)/Losses on the Disposal of non-current assets	59.5
83.0	**Total**	**124.4**

The Loss on the disposal of non-current assets recognises the difference between the payment for the sale of a non-current asset and the carrying value of that asset within the accounts, which may not be the same as the market value or the historical cost of that asset.

Note 11
Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure disclosed in the Comprehensive Income and Expenditure Statement (CIES) is detailed below.

2020/21 Gross Expenditure £m	2020/21 Income £m	2020/21 Net £m		2021/22 Gross Expenditure £m	2021/22 Income £m	2021/22 Net £m
164.6	-	164.6	Interest Payable and similar charges	164.6	-	164.6
61.0	-	61.0	Net Interest on the Net Defined Benefit Liability	65.4	-	65.4
2.9	-	2.9	Administration Expenses - Pensions	-	-	-
-	(18.9)	(18.9)	Interest Receivable and similar income	-	(25.6)	(25.6)
8.0	-	8.0	Income and expenditure in relation to investment properties and changes in their fair value	-	(10.6)	(10.6)
23.2	-	23.2	(Gains)/Losses on financial assets at amortised cost	16.3	-	16.3
1.6	-	1.6	(Gains)/Losses on financial assets at fair value through profit and loss	-	-	-
-	(2.2)	(2.2)	(Gains)/Losses on the Disposal of Financial Instruments	-	-	-
20.0	(20.8)	(0.8)	(Surplus)/Deficit on trading operations not consolidated within Service Expenditure Analysis in Comprehensive Income and Expenditure Statement	23.8	(23.7)	0.1
-	(0.9)	(0.9)	Other investment income and expenditure	-	(0.9)	(0.9)
281.3	**(42.8)**	**238.5**	**Total**	**270.1**	**(60.8)**	**209.3**

Note 12
Taxation and Non Specific Grant Income and Expenditure

Taxation and Non Specific Grant Income and Expenditure disclosed in the Comprehensive Income and Expenditure Statement comprises the following:

2020/21 Gross Expenditure £m	2020/21 Income £m	2020/21 Net £m		2021/22 Gross Expenditure £m	2021/22 Income £m	2021/22 Net £m
-	(367.6)	(367.6)	Council Tax Income - Collection Fund	-	(384.8)	(384.8)
-	(452.3)	(452.3)	Business Rates - Collection Fund	-	(427.2)	(427.2)
17.7	-	17.7	Share of Collection Fund - Council Tax	-	(2.3)	(2.3)
240.4	(1.3)	239.1	Share of Collection Fund - Business Rates	95.1	(10.6)	84.5
-	(558.3)	(558.3)	Non Ring Fenced Government Grants	-	(410.0)	(410.0)
-	(120.4)	(120.4)	Capital Grants and Contributions	-	(108.5)	(108.5)
258.1	**(1,499.9)**	**(1,241.8)**	**Total**	**95.1**	**(1,343.4)**	**(1,248.3)**

Further information on grant income received is provided in Note 14.

Note 13
Trading Operations

Trading operations are those activities where the service is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

The internal trading expenditure and income is incorporated within the relevant service line in the Comprehensive Income and Expenditure Statement. External trading income and expenditure is identified in Note 11, Financing and Investment Income and Expenditure. Details of units with significant trading activity are as follows.

2020/21				2021/22		
Turnover £m	Expenditure £m	(Surplus) / Deficit £m	**Trading activity**	Turnover £m	Expenditure £m	(Surplus) / Deficit £m
(17.0)	16.2	(0.8)	Cityserve (Direct Services)	(18.2)	19.5	1.3
(7.8)	7.4	(0.4)	Trade Refuse	(8.3)	7.3	(1.0)
(14.0)	12.4	(1.6)	Birmingham Parks and Nurseries	(14.7)	15.5	0.8
(0.9)	1.1	0.2	Pest Control	(1.0)	1.6	0.6
(0.6)	1.1	0.5	Procurement	(0.6)	1.7	1.1
(2.7)	2.1	(0.6)	Schools' Human Resources	(2.7)	2.4	(0.3)
(1.7)	1.5	(0.2)	Central Payroll	(1.7)	1.6	(0.1)
(5.1)	5.4	0.3	Other Trading Activities	(7.0)	7.0	0.0
(49.8)	**47.2**	**(2.6)**		**(54.2)**	**56.6**	**2.4**
			Allocation of Surplus/Deficit on Trading Operations			
(29.1)	27.3	(1.8)	- consolidated in CIES	(30.5)	32.8	2.3
(20.7)	19.9	(0.8)	- consolidated in Note 11, Financing and Investment Income and Expenditure	(23.7)	23.8	0.1
(49.8)	**47.2**	**(2.6)**		**(54.2)**	**56.6**	**2.4**

Details of Trading Activities

Cityserve

During 2021/22 Cityserve provided school meal services to around 160 schools within the Birmingham conurbation. These were mostly primary schools, where children received free school meals either through the benefit system, or via the Government's Universal Infant Free School Meal fund. All additional school meals were paid for by parents/guardians of the children who elected to receive a service from Cityserve. In addition to primary schools, Cityserve provided school meals to some secondary schools, special schools, community day centres and children's centres.

The Government sets the standard of school meals through the mandatory School Food Standards guidelines, issued by the Department for Education. Cityserve comply with all the recommended policies, practices and standards contained within this document. These standards are set so every child receives a healthy and nutritious meal every school day, by ensuring the correct portion controls are followed, as well as the nutritional standards and values. In addition to these standards, Cityserve provide a wide range of food to suit the communities in which schools are located. Every school will have a bespoke menu offered to them, which ensures that cultural and religious diet preferences can be delivered to meet the requisite needs of the community.

The school food market has been significantly eroded in the past 24 months due to a number of factors including the Covid-19 pandemic, supply chain issues caused by Brexit and high cost inflation around both transport, labour and products. In response to the Covid-19 pandemic, Cityserve worked to devise a “safety net” for children to continue to receive school meals, delivered either in the traditional way where schools remained open, or via a “packed lunch” offer, which some schools preferred. Cityserve staff were re-deployed across the Council where necessary to support community services where required. Some of this re-deployment was to receive food items, create food parcels and deliver them to vulnerable people.

Trade Refuse
Trade Refuse offers a competitive waste management service to businesses and provides containers and skips, prepaid sacks, hire of equipment and special collections.

Birmingham Parks and Nurseries
Birmingham Parks and Nurseries is responsible for the maintenance of all of the Council’s parks and open spaces, as well as the floral displays that have helped to promote the City over the years. In addition, it looks after all of the 'green' maintenance of Council estates, highway verges, traffic islands, schools, residential care homes, cemeteries and crematoria, playing fields, allotments and children's outdoor playgrounds.

Pest Control
The Pest Control service provides treatment to commercial and domestic properties for rats, mice, insect control including wasps, fleas and ants and control of squirrels and pigeons. Rat pest control services are free for domestic users.

Procurement Services
In addition to providing the Council’s in-house procurement service, schools may choose to subscribe to utilise the procurement service and are charged for work undertaken.

Schools’ Human Resources
Schools have a choice to make in deciding who will support them with a Human Resources function. The Schools’ Human Resources team has won competitive contracts to provide a range of schools with this function.

Payroll Services
In addition to providing the Council’s payroll service, Service Level Agreements or contracts are in place to provide payroll and pensions services to schools, academies and other external bodies.

Other
Other trading activities include Shelforce, Civic Catering, Birmingham City Laboratories and Schools’ Management. Shelforce is part of the Council’s employment support services to registered disabled people and through the direct employment of registered disabled people in the manufacture of PVCu windows and doors.

Note 14
Grant Income

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

2020/21		2021/22
£m		£m
	Credited to Taxation and Non Specific Grant Income	
55.3	Business Rates Top Up Grant	56.0
7.2	New Homes Bonus Grant	7.6
18.2	Schools PFI Grant	18.2
50.3	Highways Management and Maintenance PFI Grant	50.3
89.8	Covid Local Authority Support Grant	43.8
4.8	Troubled Families Grant	4.6
5.4	Housing Benefit Administration Grant	4.8
5.0	Discretionary Housing Payment	3.6
34.2	Small Business Rate Relief Grant	37.2
23.0	Business Rates S31 Grant	17.3
36.7	Adult Social Care Support Grant	43.9
183.5	Additional Business Rates Relief Grant	98.0
17.4	Covid Hardship Fund	14.5
23.5	Local tax income guarantee grant	(2.3)
-	Adults Social Care Grant	6.0
4.0	Other	6.5
558.3	**Revenue Grants credited to Taxation and Non Specific Grant Income**	**410.0**
	Credited to Cost of Services	
10.2	Adult Education	10.5
526.8	Housing Benefit Subsidy	522.1
644.9	Dedicated Schools Grant	662.3
7.5	Education Funding Agency	8.4
42.7	Pupil Premium Grant	41.0
4.2	Illegal Money Lending	4.3
9.4	Universal Infants Free School Meals Grant	6.6
7.8	NHS Trusts and CCG Adult Social Care Contributions	21.1
92.2	Public Health Grant	93.3
126.2	Better Care Fund (including improved Better Care Fund)	111.9
4.1	Independent Living Fund Grant	4.1
2.8	Youth Promise	2.9
5.1	Asylum Seekers	6.0
4.7	Flexible Homeless Support	4.7
4.8	Enterprise Zone - Projects	9.2
3.5	Primary PE and Sport Grant	3.3
16.9	Teachers' Pensions Grant	1.2
5.5	Teachers' Pay Grant	0.4
2.6	Vulnerable Persons Resettlement Grant	1.2
9.6	Business Support Grant	-
39.4	Test and Trace	11.3
33.0	Additional Restrictions Grant (ARG)	7.0
20.7	Sales, Fees, and Charges Support Grant	2.8
4.2	Infection Control Grant	4.6
6.2	Winter Grant	6.5
5.2	Local Restrictions Support Grant (Open)	(1.6)

3.7	Track & Trace Self Isolation Payments & Administration	4.0
4.1	Covid-19 Catch-up Premium	2.8
3.8	Asymptomatic Testing	2.4
3.1	Reimbursement of Covid related transport costs	2.2
-	Domestic Abuse New Burdens Duty	3.3
-	Workforce Recruitment and Retention Fund	7.5
-	Energy Bills Discretionary Fund	3.6
50.5	Grants and contributions of less than £3m	98.2
1,705.4	**Total Revenue Grants Credited to Cost of Services**	**1,669.1**
2,263.7	**Total Revenue Grants**	**2,079.1**

2020/21 £m		2021/22 £m
	Capital Grants	
28.4	Education Funding Agency	21.7
33.1	Commonwealth Games - DLUHC	-
4.6	Commonwealth Games - West Midlands Combined Authority	-
-	Department for Transport - Tame Valley Viaduct	20.8
-	West Midlands Combined Authority - Commonwealth Games	25.0
8.4	Department of Health - Better Care Fund	7.1
5.1	Integrated Transport Block	5.4
-	Levelling Up Fund & LEP Contribution - A457 Dudley Road	4.9
-	Department for Levelling Up, Housing & Communities	9.0
2.4	Homes & Community Agency	-
2.1	Department for Transport	3.9
29.6	Local Growth Fund	-
-	Local Authority Delivery (LAD)	2.1
-	Colmore BID - Snowhill Public Realm	2.7
6.7	Other Grants and Contributions	5.8
120.4	**Capital Grants credited to Taxation and Non Specific Grant Income**	**108.4**
	Capital Grants funding Revenue Expenditure under Statute credited to Cost of Services	
2.2	Local Growth Fund	-
3.8	Department for Transport - Hydrogen Buses	-
4.5	Department of Health - Better Care Fund	5.8
-	ERDF - Employment Services	2.4
3.3	European Regional Development Fund	-
3.0	Other Grants and Contributions	0.8
16.8	**Total Capital Grants funding Revenue Expenditure Under Statute**	**9.0**
137.2	**Total Capital Grants Received**	**117.4**

All Capital Grants received are either non-conditional or the conditions have been met, therefore there are no entries to the Capital Grants Receipts in Advance Account for 2021/22. The Capital Grants received have been credited to the Taxation and Non Specific Grant Income line on the Comprehensive Income and Expenditure Statement except where the grant is used to finance Revenue Expenditure funded from Capital under Statute (REFCUS) where the grant is credited to the service line in the Comprehensive Income and Expenditure Statement.

Note 15
Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/22 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2021/22 before Academy Recoupment	191.9	1,122.3	1,314.2
Academy figure recouped for 2021/22	-	(652.9)	(652.9)
Total DSG after Academy recoupment for 2021/22	**191.9**	**469.4**	**661.3**
Plus: Brought forward from 2020/21	3.6	-	3.6
Agreed initial budgeted distribution in 2021/22	**195.5**	**469.4**	**664.9**
Final budgeted distribution for 2021/22	**195.5**	**469.4**	**664.9**
Less: Actual Central Expenditure	(182.4)	-	(182.4)
Less: Actual ISB deployed to schools	-	(469.4)	(469.4)
Carry forward to 2022/23	**13.1**	**-**	**13.1**

The year end net surplus of £13.1m is composed of 4 elements:

- A surplus of £9.1m on the Schools Block funding is primarily composed of lower than anticipated commitments against prescribed centrally managed DSG budgets, specifically the pupil growth fund and falling pupils fund. Also, underspend in contingency fund as no deficit was funded by Birmingham City Council for primary or secondary school closures or academy conversions during FY 2021/22.

- A net deficit of £0.3m on the High Needs Block relating to i) a remaining £4.1m deficit (the deficit was £14.1m in 2019/20) driven and ii) £3.8m surplus on the High Needs Block. The deficit was driven by the previous year's demographic impact of increased numbers of placements with Special Educational Needs and Disabilities requiring high cost provision (compounded by increases in the costs of provision particularly where the placements are in the independent sector). The service has obtained Schools Forum agreement to repay the deficit back at £5m a year, in 2020-21 £5m was paid back and a further £5m was paid in 2021-22 with the remainder being repaid in 2022-23.

- A surplus of £1.7m on the Central Schools Services Block funding is primarily composed of lower than anticipated commitments against prescribed centrally managed DSG budgets. For example, minor underspends against historic commitments, such as equal pay and nursery redundancy costs, underspend due to recruitment delay in some services and deferral of IT development costs.

- A surplus of £2.4 m on the Early Years block is partially due to lower take up of places, also the actual clawback from DFE was £0.8m less than originally estimated.

Note 16
Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance
The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to fund Housing Revenue Account (HRA) services.

Housing Revenue Account Balance
The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or, where in deficit, that is required to be recovered from tenants in future years.

Major Repairs Reserve
The Council is required to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance on the reserve shows the resources that have yet to be applied at the year-end.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied
The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met or is expected to meet the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£m	£m	£m	£m	£m
Adjustments to Revenue Resources					
Adjustments by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	90.7	(1.8)	-	-	-
Financial Instruments (transferred to/from the Financial Instrument Adjustments Account)	(2.5)	-	-	-	-
Council Tax and Business Rates (transfers to/from the Collection Fund Adjustment Account)	(123.7)	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(3.7)	-	-	-	-
Equal Pay settlements (transferred to/from the Unequal Pay Backpay Account)	(29.0)	(0.3)	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	220.1	93.0	-	-	61.9
Total Adjustments to Revenue Resources	**151.9**	**90.9**	**-**	**-**	**61.9**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(73.6)	(50.9)	113.7	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0.8	-	(0.8)	-	-
Contribution to the costs of Equal Pay (funded by the Capital Receipts Reserve)	14.9	-	(14.9)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	6.3	-	(6.3)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(56.0)	-	56.0	-
Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(128.3)	(3.7)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1.4)	(21.8)	-	-	-
Total Adjustments between Revenue and Capital Resources	**(181.3)**	**(132.4)**	**91.7**	**56.0**	**-**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(50.2)	-	-
Use of the Capital Receipts Reserve to repay debt	-	-	(8.0)	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(62.5)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(41.7)
Cash payments in relation to deferred capital receipts	-	-	0.4	-	-
Other	-	-	0.4	-	-
Total Adjustments to Capital Resources	**-**	**-**	**(57.4)**	**(62.5)**	**(41.7)**
Total Adjustments	**(29.4)**	**(41.5)**	**34.3**	**(6.5)**	**20.2**

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£m	£m	£m	£m	£m
Adjustments to Revenue Resources					
Adjustments by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	100.1	(1.4)	-	-	-
Financial Instruments (transferred to/from the Financial Instrument Adjustments Account)	(0.1)	-	-	-	-
Council Tax and Business Rates (transfers to/from the Collection Fund Adjustment Account)	247.4	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	2.8	-	-	-	-
Equal Pay settlements (transferred to/from the Unequal Pay Backpay Account)	(2.7)	(0.0)	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	139.8	75.3	-	-	42.6
Total Adjustments to Revenue Resources	**487.2**	**73.9**	**-**	**-**	**42.6**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(33.1)	(31.7)	64.8	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	1.5	-	(1.5)	-	-
Contribution to the costs of Equal Pay (funded by the Capital Receipts Reserve)	0.8	-	(0.8)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	6.4	-	(6.4)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(53.3)	-	53.3	-
Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(137.7)	(10.7)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1.1)	(22.6)	-	-	-
Total Adjustments between Revenue and Capital Resources	**(163.2)**	**(118.3)**	**56.1**	**53.3**	**-**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(42.0)	-	-
Use of the Capital Receipts Reserve to repay debt	-	-	(13.8)	-	-
Capital Receipts arising from investment restructuring	-	-	-	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(53.3)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(92.7)
Cash payments in relation to deferred capital receipts	-	-	17.4	-	-
Other	-	-	12.4	-	-
Total Adjustments to Capital Resources	**-**	**-**	**(26.0)**	**(53.3)**	**(92.7)**
Total Adjustments	**324.0**	**(44.4)**	**30.1**	**-**	**(50.1)**

Note 17
Usable Reserves

Details of the major reserves held by the Council are set out below. Further information on the movements in reserves is shown in the Movement in Reserves Statement and Note 16.

The Reserves have been split into the following major categories:

- Unearmarked Reserves – Reserves that the Council can use for any purpose within the General Fund
- Earmarked Reserves – Reserves that the Council has set aside to meet specific future liabilities
- Grant Reserves – Reserves arising as a result of revenue grants received by the Council for specific projects that haven't been fully utilised by 31 March 2022 but will be used to offset expenditure incurred in subsequent years
- Ringfenced Reserves – Reserves that are required to be used for specific activities undertaken by the Council. These are mainly for schools or for the Housing Revenue Account and cannot be used to support general Council activity
- Unearmarked Non-Schools DSG – See Note 15
- Capital Reserves – Reserves that have been set aside to finance capital schemes. These reserves cannot be used to support revenue expenditure without the consent of the Secretary of State.

Usable Reserves	**Balance at 31 March 2021**	**Transfers Out 2021/22**	**Transfers In 2021/22**	**Balance at 31 March 2022**
	£m	£m	£m	£m
Unearmarked Reserves				
General Fund Balances	38.3	-	-	38.3
Delivery Plan Reserve	70.1	(7.8)	3.9	66.2
Financial Resilience Reserve	89.3	(32.8)	69.1	125.6
	197.7	**(40.6)**	**73.0**	**230.1**
Earmarked Reserves				
Insurance Fund	10.3	(0.6)	-	9.7
Sums set aside to finance Capital Expenditure	4.7	(9.3)	24.1	19.5
Housing Benefit Subsidy Reserve	10.1	(1.5)	-	8.6
Cyclical Maintenance Reserve	16.8	-	2.9	19.7
Equipment Renewal Reserve	4.1	(0.7)	3.7	7.1
Management Capacity for Change	18.0	(10.9)	4.2	11.3
Business Rates	20.3	(1.0)	4.3	23.6
Covid-19 Support	17.5	(17.5)	12.8	12.8
Education PFI	3.8	-	0.8	4.6
City Clean Up Reserve	12.1	(12.1)	-	-
Budget Smoothing Reserve	34.7	-	-	34.7
Community Recovery Plan Reserve	10.0	(0.2)	-	9.8

Funding Council Tax Hardship Payments	7.2	(7.2)	-	-
General Policy Contingency Reserve	5.5	(5.5)	-	-
Income Compensation re Collection Fund	23.5	(7.8)	-	15.7
Capital Receipts Flexibility Reserve	11.9	(11.9)	-	-
Support to the Business Plan	178.7	(177.3)	93.8	95.2
Commonwealth Games Reserve	11.3	-	15.9	27.2
Policy Contingency Enhanced Operations Commonwealth Games	9.1	(5.0)	-	4.1
Commonwealth Games Legacy Programme Reserve	-	-	2.2	2.2
Commonwealth Games Readiness Reserve	-	-	4.6	4.6
Clean Air Zone Reserves	-	-	22.3	22.3
Enterprise Resource Planning System Reserve	3.3	-	-	3.3
General Maintenance Tenants Reserve	3.1	(0.3)	0.8	3.6
Other Earmarked Reserves	34.1	(14.1)	23.7	43.7
Total Reserves Earmarked by the Council	**450.1**	**(282.9)**	**216.1**	**383.3**
Revenue Grant Reserves				
Section 256 Grant from the NHS (Adults & Communities)	1.1	-	14.8	15.9
Public Health	14.5	(0.1)	1.4	15.8
Better Care Fund (BCF) and Improved BCF	15.5	(15.5)	18.6	18.6
Highways PFI Grant	196.3	(14.2)	18.0	200.1
General Fund Section 106 Grants	26.1	(3.1)	3.4	26.4
HRA Section 106 Grants	3.1	-	3.9	7.0
Community Infrastructure Levy	14.8	(8.6)	6.7	12.9
Self Isolation Payments Grant	2.7	(0.3)	-	2.4
Additional Restrictions Support Grant Reserve	9.0	(8.9)	-	0.1
Public Health Test and Trace	15.7	(6.4)	-	9.3
Clean Air Zone Grant Reserve	8.6	(3.1)	1.8	7.3
Covid-19 Hardship Fund Reserve	3.5	(3.5)	18.0	18.0
Discretionary Support for Energy Bills Rebate Reserve	-	-	3.6	3.6
Other Grant Reserves	24.5	(8.3)	15.8	32.0
Total Revenue Grant Reserves	**335.4**	**(72.0)**	**106.0**	**369.4**
Non-Schools' DSG	**3.6**	**(3.3)**	**11.6**	**11.9**
Ringfenced Reserves				
Schools' Balances	78.4	(2.9)	8.4	83.9
Housing Revenue Account	11.3	-	4.1	15.4
HRA Major Repairs Reserve	24.4	(61.1)	54.6	17.9
Total Ringfenced Reserves	**114.1**	**(64.0)**	**67.1**	**117.2**
Capital Reserves				
Capital Receipts Reserve	253.6	(80.3)	114.4	287.7
Capital Grants Unapplied	92.4	(41.7)	61.9	112.6
Total Capital Reserves	**346.0**	**(122.0)**	**176.3**	**400.3**
Total Usable Reserves	**1,446.9**	**(584.8)**	**650.0**	**1,512.2**

Details of the major usable reserves as at 31 March 2022 are set out below.

Unearmarked Reserves comprising:

General Fund Balances - reflects the accumulated surpluses of income over expenditure from previous years and any resources set aside as general contingency against adverse future events.

The Delivery Plan Reserve (DPR) has been established to enable the necessary investment required by the Council's Delivery Plan. It also contains the previous Invest to Save Reserve.

Financial Resilience Reserve (FRR) – created in 2017/18 to provide contingency funding in case the Council faces financial difficulties in the future.

Earmarked Reserves comprising:

Insurance Fund – the Council is sufficiently large to be able to self-insure against all bar the most catastrophic business risks. A budget is held to cover insurance losses in-year and the Insurance Fund exists to act as a buffer should losses exceed budgeted expectations in any given financial year. The fund increases in those years where losses incurred do not exceed the budget and decreases where losses incurred exceed the budget.

Sums set aside to finance Capital Expenditure – has arisen from revenue contributions set aside to fund budgeted capital expenditure, Equal Pay settlements and associated costs in line with the Council's Capital Financing and Equal Pay funding plans.

Housing Benefit Subsidy – has been earmarked as a contingency reserve should there be any adjustments to funding arising from the audit of grant claims.

Cyclical Maintenance – has been earmarked to fund major maintenance work on the Council's assets including the Library of Birmingham.

Equipment Renewal – has been earmarked to fund equipment renewal for bus lane enforcement.

Management Capacity for Change – the net underspend identified on central accounts has been set aside for future year contingencies.

Business Rates – An overall reserve for Business Rates related activities, including:

- A contingency in case there is a requirement to make a payment under the Council's "no detriment" agreement with the other West Midlands Business Rates Retention Pilot authorities.

- To address the timing difference between grant received and when the Council has assumed it will be required.

Covid-19 Support – reflects the remaining balance of Government funding received to offset the additional costs incurred by the Council as a result of the Covid-19 pandemic.

Education PFI – reflects the sum set aside to meet the profiled schedule of future years payments.

City Clean Up Reserve – funding to provide resources for activity to help clean up the city.

Budget Smoothing Reserve – earmarked resources to provide flexibility in addressing the structural budget gap over the medium term.

Community Recovery Plan Reserve – resources earmarked to help communities recover from the effects of Covid-19.

Funding Council Tax Hardship Payments – earmarked resources from Government to be utilised to fund shortfalls in the Collection Fund relating to hardship fund reductions in Council Tax payments.

General Policy Contingency Reserve – earmarked funding to top up the contingency budget in 2021/22.

Income Compensation re Collection Fund - funding from Government to compensate for exceptional Collection Fund losses due to Covid-19.

Capital Receipts Flexibility Reserve – resource from the use of capital receipts flexibility to support the budget in future years.

Support to the Business Plan – earmarked funding to compensate for Business Rates refunds announced by the Government

Commonwealth Games Reserve – earmarked to deliver a successful Commonwealth Games

Policy Contingency Enhanced Operations Commonwealth Games - earmarked to deliver a successful Commonwealth Games

Commonwealth Games Legacy Programme Reserve- earmarked to deliver projects to ensure a positive legacy for the city and its citizens from the Games.

Commonwealth Games Readiness Reserve- earmarked to fund the City readiness programme before the Games.

Clean Air Zone Reserves – earmarked to fund projects from surplus, and to fund the eventual costs of decommissioning and compliance monitoring.

ERP System Reserve – earmarked to fund the costs of implementing the new ERP system.

General Maintenance Tenants Reserve- earmarked to fund repairs and maintenance on specific service chargeable buildings within the Council's property portfolio.

Other Earmarked Reserves – there are a large number of small value reserves which cover a wide range of services that have been set aside to support future years' service delivery. The reserves cover a wide range of areas and include, for example, resources earmarked for special educational needs reform, highways initiatives and subvention for major events including the Commonwealth Games,

Revenue Grant reserves comprising:

Grant Reserves – relate to the unused element of grant support for which the conditions of the grant are expected to be met or for which there are no conditions of grant. The reserves will be used to meet future years' expenditure for the service for which the grant was awarded.

In addition to the resources set aside in the Council's budget to meet the costs of the Highways PFI scheme, grant support is also received on an equal annual basis over the life of the contract. There was expected to be a budget surplus in the early years of the contract as the unitary charge payable to the contractor would increase during the initial core investment period until all milestones had been completed. The excess of available resources together with any deductions from unitary charge payments as a result of poor performance against the contract have been set aside in the Highways PFI reserve and will be used in the later period of the contract where the unitary charge payable is expected to exceed the budgeted resources and grant support. The reserve is expected to be fully utilised by the end of the contract.

Ringfenced reserves comprising:

Schools' Balances - are the net cumulative balances held by the local authority maintained schools which, under national school funding regulations, the schools are entitled to retain for unexpected commitments and/or for planned school curriculum/infrastructure improvements and investment. Within the total Schools' Balances there are 26 (2020/21: 28) local authority maintained schools with deficit balances totalling £4.8m (2020/21: £6.3m) and a deficit balance on the Non-Schools Dedicated Schools Grant of £4.1m (2020/21: £9.1m). The deficit balance of £4.1m is a reduction of £10.0m from 2019/20 due to a deficit recovery plan repayment agreed by Schools Forum to clear the deficit over a period of three years.

Housing Revenue Account (HRA) – the HRA is a statutory account, ringfenced from the rest of Council funds, so that rents charged to tenants in respect of dwellings cannot be subsidised from Council Tax. Similarly, rents collected from HRA tenants cannot be used to subsidise the General Fund. The balances on the HRA reflect the accumulated surpluses of income over expenditure.

HRA Major Repairs Reserve – the Council is required by The Accounts and Audit Regulations 2015 to maintain the Major Repairs Reserve. The reserve controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. Capital reserves comprising:

Capital Receipts Reserve – reflects the income received from the disposal of capital assets prior to being used to fund future capital expenditure or for the redemption of debt. Capital receipts cannot be used to fund revenue expenditure except where allowed by statute, for example to meet costs of Equal Pay.

Capital Grants Unapplied – reflect the unused element of capital grants or capital contributions awarded to the Council, for which the conditions of the grant support are expected to be met or for which there are no conditions. The reserve will be used to meet future years' capital expenditure.

Note 18
Unusable Reserves

The following table shows the value of reserve balances that have come about as a result of accounting adjustments and are not therefore available to spend.

31 March 2021 £m		31 March 2022 £m
2,117.2	Revaluation Reserve	2,587.1
(57.4)	Capital Adjustment Account	0.2
(66.9)	Financial Instruments Adjustment Account	(64.0)
(3,430.2)	Pensions Reserve	(2,769.7)
25.0	Deferred Capital Receipts Reserve	33.7
(262.1)	Collection Fund Adjustment Account	(138.4)
(150.4)	Equal Pay Back Pay Account	(121.1)
(19.6)	Accumulated Absences Account	(15.9)
(1,844.4)	**Total Unusable Reserves**	**(488.1)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment, and Heritage Assets. 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.

2020/21			2021/22	
£m	£m		£m	£m
	1,955.6	**Balance at 1 April**		**2,117.1**
423.8		Upward revaluation of assets	800.0	
(200.5)		Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(216.3)	
	223.4	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		583.7
(32.4)		Difference between fair value depreciation and historical cost depreciation	(36.5)	
(29.4)		Accumulated gains on assets sold or scrapped	(77.3)	
	(61.8)	Amount written off to the Capital Adjustment Account		(113.8)
	2,117.2	**Balance at 31 March**		**2,587.0**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement when depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account 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.

Note 16 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21			**2021/22**	
£m	**£m**		**£m**	**£m**
	(223.1)	Balance at 1 April		(57.4)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
(120.2)		Charges for depreciation and impairment of non current assets	(145.1)	
(35.7)		Revaluation losses on Property, Plant and Equipment	(25.4)	
(2.9)		Amortisation and impairment of intangible assets	(2.1)	
(8.0)		Changes in the Fair Value of Investment Properties	10.6	
(1.0)		Changes in the Fair Value of Financial Instruments	-	
(0.1)		Impairment of Capital Debtors/Grants	(0.4)	
(106.8)		Revenue expenditure funded from capital under statute	(83.5)	
(77.7)		Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(183.2)	
	(352.2)			(429.1)
	61.8	Adjusting amounts written out of the Revaluation Reserve		113.8

	(290.4)	Net written out amount of the cost of non-current assets consumed in the year		(315.3)
		Capital financing applied in the year:		
42.0		Use of the Capital Receipts Reserve to finance new capital expenditure	50.2	
53.3		Use of the Major Repairs Reserve to finance new capital expenditure	62.5	
94.7		Capital grants and contributions credited to the CIES that have been applied to capital financing	55.5	
92.7		Application of grants to capital financing from the Capital Grants Unapplied Account	41.7	
13.8		Application of capital receipts to repay debt	8.0	
148.4		Provision for the financing of capital investment charged against the General Fund and HRA balances	132.0	
23.7		Capital expenditure charged against the General Fund and HRA balances	23.2	
	468.6			373.1
	(12.3)	Repayment of long term debtors		(0.3)
	(57.4)	**Balance at 31 March**		**0.2**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions. The Council uses this account to manage premia paid and discounts received on the early redemption of loans and the recognised losses on loans advanced at less than a commercial interest rate. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, these values are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. For premia and discounts, this period is the unexpired term that was outstanding on the loans when they were redeemed.

In the 2021/22 financial year, the Council has not agreed early repayment of long term loans with the lenders (2020/21 no early repayment of long term loans with the lenders).

2020/21			2021/22	
£m	£m		£m	£m
	(67.0)	**Balance at 1 April**		**(66.9)**
-		Premia incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
0.1		Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	2.9	
	0.1	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		2.9
	(66.9)	**Balance at 31 March**		**(64.0)**

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 Comprehensive Income and Expenditure Statement 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 therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Generally, the Pensions Reserve will match exactly the Pension Liabilities recorded on the Balance Sheet at the end of each year. However, the Council made an advance payment of £369.2m in April 2020 to cover its estimated contributions for the three-year period to 31 March 2023. However, as indicated above, the Council is only required to account for the amount payable in year. The difference of £122.0m at 31 March 2022 between the Pensions Reserve and the Pension Liabilities reflects the anticipated contributions in 2022/23.

2020/21 £m		2021/22 £m
(2,591.3)	**Balance at 1 April**	**(3,430.2)**
(740.2)	Remeasurement of the net defined benefit liability	749.4
(246.0)	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(230.6)
147.3	Employer's pensions contributions and direct payments to retirees payable in the year	141.7
(3,430.2)	**Balance at 31 March**	**(2,769.7)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2020/21 £m		2021/22 £m
42.5	**Balance at 1 April**	**25.0**
-	Transfer of deferred sale proceeds credited to the General Fund under capital finance regulations	(1.9)
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10.8
(17.5)	Transfer to the Capital Receipts Reserve upon receipt of cash	(0.2)
25.0	**Balance at 31 March**	**33.7**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21 £m		2021/22 £m
(14.6)	**Balance at 1 April**	**(262.1)**
(247.5)	Amount by which Council Tax/Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax/Business Rates income calculated for the year in accordance with statutory requirements	123.7
(262.1)	**Balance at 31 March**	**(138.4)**

Equal Pay Back Pay Account

The Equal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2020/21 £m		2021/22 £m
(153.2)	**Balance at 1 April**	**(150.4)**
1.9	(Increase)/reduction in provision for back pay in relation to Equal Pay cases	13.8
0.9	Cash settlements paid in the year	15.5
2.8	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	29.3
(150.4)	**Balance at 31 March**	**(121.1)**

Accumulated Absences Account

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

2020/21 £m		2021/22 £m
(16.7)	**Balance at 1 April**	**(19.5)**
-	Settlement or cancellation of accrual made at the end of the preceding year	3.7
(2.8)	Amounts accrued at the end of the current year	(0.0)
(2.8)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3.7
(19.5)	**Balance at 31 March**	**(15.8)**

Note 19
Pension Schemes Accounted for as Defined Contribution Schemes

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

The scheme has in excess of 3,800 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 this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22, the Council paid £45.6m (2020/21: £46.7m) to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 23.68% (2020/21: 23.68%) of pensionable pay. The contributions due to be paid in the 2022/23 financial year are estimated to be £45.6m on the basis of employer contributions of 23.68%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 20.

The Council is not liable to the scheme for any other entities' obligations under the plan.
NHS Pension Scheme

Staff who joined the Council on 1 April 2014 upon the transfer of Public Health responsibilities from the National Health Service were members of the NHS Pension Scheme. The scheme provides its members with specified benefits upon their retirement and the Council has taken responsibility for making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme covering NHS employers, GP practices and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is unfunded and is not designed to be run in a way that would enable member organisations to identify their share of the underlying assets and liabilities. Actuarial valuations of the scheme are undertaken every four years with a valuation of the scheme liability carried out on an annual basis by the scheme actuary through an update of the result of the full actuarial valuation. For the purposes of this Statement of Accounts, the scheme is accounted for on the same basis as a defined contribution scheme.

In 2021/22, the Council paid £0.58m (2020/21: £0.69m) to the NHS Pension Scheme in respect of employees' retirement benefits, representing 14.38% (2020/21: 14.38%) of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the 2022/23 financial year are estimated to be £0.58m on the basis of an employer contribution rate of 14.68%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS Pension Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 20.

The Council is not liable to the scheme for any other entities' obligations under the plan.

Note 20
Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post-employment schemes accounted for as defined benefit schemes:

- The Local Government Pension Scheme, administered locally by the West Midlands Pension Fund offices at City of Wolverhampton Council – this is a funded defined benefit career average salary scheme for benefits accrued since 1 April 2014, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Benefits accrued to 31 March 2014 are based on final salary. An employer's future service contribution rate of 21.3% was set for the Council for 2021/22 (2020/21: 21.3%).

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Wolverhampton City Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are:

- the longevity assumptions
- statutory changes to the scheme
- structural changes to the scheme (for example, large-scale withdrawals)
- changes to inflation
- bond yields, and
- the performance of the equity investments held by the scheme.

These risks are mitigated, to a certain extent, by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to Post-employment benefits

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make 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 and Housing Revenue Account via the Movement in Reserves Statement.

The table below shows the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year. The major change from 2020/21 to 2021/22 in the table relate to a £537.5m movement in the net liabilities, driven by -

- £0.3bn decrease in obligations as a result of change in discount rate, and
- £0.2bn increase in asset returns, largely as a result of improved returns on equity

Change to Actuary and reporting of Local Government Pension Scheme and Teachers' Pension Scheme

The Actuary has changed from Barnett Waddingham to Hymans Robertson LLP during 2022. The figures for Local Government Pension Scheme and Teachers' Pension scheme are now merged into one figure for 2021/22 for both funded and unfunded. This is reflected in the disclosures below.

	Local Government Pension Scheme & Teacher's Pension Scheme	
	2020/21	2021/22
	£m	£m
Comprehensive Income and Expenditure Statement		
Cost of Services:		
current service cost	159.9	188.2
past service costs, including curtailments	13.2	1.4
effect of settlements	9.0	(24.4)
administration expenses	2.9	-
Financing and investment income and expenditure:		
Net interest expense	61.0	65.4
Total post-employment benefit charged to the (Surplus)/Deficit on the provision of services	**246.0**	**230.6**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus/Deficit on the provision of services for post-employment benefits in accordance with the Code	(98.7)	(88.9)
Net charge against the General Fund Balance for pensions in the year comprising:		
employer's contributions payable to scheme	**147.3**	**141.7**

Comprehensive Income and Expenditure Statement		
Total post-employment benefit charged to the (Surplus)/Deficit on the provision of services	246.0	212.0
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Remeasurements (liabilities and assets)	740.2	(749.4)
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	**986.2**	**(537.4)**

Fair Value of Assets & Liabilities	2017/18	2018/19	2019/20	2020/21	**2021/22**
	£m	£m	£m	£m	**£m**
Total Present Value of Liabilities	(6,988.2)	(6,768.8)	(6,613.3)	(8,301.9)	**(8,008.6)**
Fair Value of Assets	4,400.3	4,216.8	4,022.0	5,116.7	**5,360.9**
Net Liability arising from defined benefit obligation	(2,587.9)	(2,552.0)	(2,591.3)	(3,185.2)	**(2,647.7)**

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2020/21 £m	2021/22 £m
Benefit Obligation at 1 April	6,613.3	8,301.9
Current Service Cost	159.9	188.2
Interest on Pension Liabilities	139.3	165.5
Member Contributions	22.0	22.9
Actuarial (gains)/losses arising from changes in demographic assumptions	(89.6)	(48.3)
Actuarial (gains)/losses arising from changes in financial assumptions	1,671.5	(404.3)
Experience (gains)/losses on liabilities	(93.9)	19.8
Past Service Cost/ Curtailments	13.2	1.4
Settlements	76.3	(28.6)
Unfunded Pension Payments	(9.8)	-
Benefits paid	(200.3)	(209.9)
Benefit Obligation at 31 March	**8,301.9**	**8,008.6**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	2020/21 £m	2021/22 £m
Fair Value of Assets at 1 April	4,022.0	5,116.7
Interest on Plan Assets	78.3	100.1
Remeasurements (assets)	747.9	316.6
Administration expenses	(2.9)	-
Settlements	67.3	(4.3)
Employer contributions	392.2	18.8
Member contributions	22.0	22.9
Benefits/transfers paid	(210.1)	(209.9)
Fair Value of Assets at 31 March	**5,116.7**	**5,360.9**

Local Government Pension Scheme assets

An analysis of the Local Government Pension Scheme assets is set out below.

	2020/21		2021/22	
	Total	Percentage of Total	Total	Percentage of Total
	£m	%	£m	%
Equity	3,090.1	60%	2,891.2	54%
Gilts	424.1	8%	331.8	6%
Bonds	323.2	6%	872.1	16%
Property	382.5	8%	384.4	7%
Other	647.7	13%	667.8	13%
Cash	249.1	5%	210.5	4%
Derivatives	-	-	3.1	0%
Total Assets	**5,116.7**	**100%**	**5,360.9**	**100%**

Basis for estimating assets and liabilities

Liabilities for both the Local Government Pension Scheme and the unfunded Teachers' Pension Scheme have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The assessment has been on an actuarial basis using the projected unit credit method, an estimate of the pensions that will have to be paid in future years dependent on assumptions about mortality rates, salary levels etc. The estimates for the Local Government Pension Scheme have been based on the latest full valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary have been:

Assumptions	Local Government Pension Scheme	
	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	21.6	21.2
Women (years)	23.9	23.6
Longevity at 65 for future pensioners retiring in 20 years:		
Men (years)	23.4	22.9
Women (years)	25.8	25.4
Rate of CPI inflation	2.8%	3.2%
Rate of increase in salaries	3.8%	4.2%
Rate of increase in pensions	2.8%	3.2%
Rate for discounting of scheme liabilities	2.0%	2.7%

The duration of the Council's past service liability duration is estimated to be 20 years based on the membership data used for the most recent full valuation undertaken as at 31 March 2019.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, it is unlikely that isolated changes occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, that is, on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analyses below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme		
	Change in assumption	Impact on Council Liability	Impact on Council Deficit
	£m	%	%
Longevity assumptions (increase by 1 year)	320.3	4.0%	12.1%
Pension increase assumptions (increase by 0.1%)	116.3	1.5%	4.4%
Salary increase assumption (increase by 0.1%)	12.3	0.2%	0.5%
Discount scheme liability assumptions (increase by 0.1%)	(129.7)	(1.6%)	(4.9%)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. Funding levels are monitored on an annual basis. The next triennial valuation will be carried out as at 31 March 2022 and will set contributions for the period for 1 April 2023 to 31 March 2026.

The Council has made a one-off contribution of £369.2m to the scheme in 2020/21 to cover the anticipated contributions for the three year period from 1 April 2020 to 31 March 2023 on the basis of the equivalent employer's contribution rates plus additional payments to fund the pension deficit in respect of past service costs. Set out below are the contribution rates for the period to 31 March 2023.

Financial Year	Employer's Future Service Contribution Rate	Past Service Cost Deficit Payment
	%	£m
2022/23	21.3	51.8

Note 21
Property, Plant and Equipment

The following tables analyse movements in the carrying values of non-current assets during the year.

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment	PFI / Service Concession assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2021	**2,609.8**	**2,376.3**	**125.8**	**0**	**80.8**	**129.5**	**452.5**	**6,510.2**	**856.4**
Additions	89.2	35.7	10.6	0	2.9		301.1	**503.3**	95.3
Assets reclassified between categories	0.6	36.4	0.3	0	0.1	-	(67.3)	**(1.2)**	
Assets reclassified (to)/from Held for Sale	-	1.3	-	-	-	3.7		**5.1**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	325.4	164.7	-	-	-	2.5	-	**492.6**	3.5
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(21.1)	-	-	-	(14.8)	(0.1)	**(36.0)**	(5.8)
Derecognition - Disposals	(38.8)	(102.5)	(10.2)	0	-	(0.8)	-	**(155.5)**	(3.8)
Other movements in cost or valuation	-	(36.5)	-	-	-	36.5	-		
At 31 March 2022	**2,986.2**	**2,454.2**	**126.5**	**824.4**	**83.8**	**156.6**	**686.6**	**7,318.3**	**941.1**
Accumulated Depreciation and Impairment									
At 1 April 2021	**-**	**(14.9)**	**(48.8)**	**(236.9)**	**-**	**-**	**-**	**(300.6)**	**(237.9)**
Depreciation charge	(56.0)	(50.4)	(13.4)	0	-	(0.6)	-	**(146.9)**	(29.8)
Depreciation written out to the Revaluation Reserve	55.3	35.0	-	-	-	0.9	-	**91.2**	2.4
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	12.9	-	-	-	0.5	-	**13.4**	0.9
Derecognition - Disposals	0.7	2.1	10.1	0	-	-	-	**16.2**	3.3
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(0.2)	-	**(0.2)**	
Other movements in depreciation and impairment	-	0.6	-	-	-	(0.6)	-	**-**	
At 31 March 2022	**-**	**(14.6)**	**(52.1)**	**0**	**-**	**-**	**-**	**(327.8)**	**(261.1)**
Net Book Value									
At 31 March 2022	**2,986.2**	**2,439.6**	**74.4**	**0**	**83.8**	**156.6**	**686.6**	**6,990.5**	**680.0**
At 31 March 2021	**2,609.8**	**2,361.4**	**77.0**	**0**	**80.8**	**129.5**	**452.7**	**6,209.6**	**614.0**

Movements in Balances: 2020/21

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment	PFI / Service Concession assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2020	**2,458.1**	**2,339.3**	**129.2**	**0**	**79.3**	**170.8**	**258.6**	**6,131.1**	**814.9**
Additions	102.1	29.3	11.9	0	0.8	0.2	247.2	**412.6**	44.2
Assets reclassified between categories	6.9	22.6	1.4	0	0.7	-	(53.3)	**-**	
Assets reclassified (to)/from Held for Sale	-	(2.7)	-	-	-	(42.8)	-	**(45.5)**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	65.6	54.7	-	-	-	5.2	-	**125.7**	(2.6)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(27.9)	-	-	-	0.2	-	**(27.7)**	(0.3)
Derecognition - Disposals	(22.9)	(39.7	(16.7)	0	-	(3.4)	-	**(86.1)**	(4.3)
Other movements in cost or valuation	-	0.7				(0.7)			
At 31 March 2021	**2,609.8**	**2,376.3**	**125.8**	**0**	**80.8**	**129.5**	**452.5**	**6,510.2**	**851.9**
Accumulated Depreciation and Impairment									
At 1 April 2020	**-**	**(25.5)**	**(51.2)**	**0)**	**-**	**-**	**-**	**(291.4)**	**(215.3)**
Depreciation charge	(53.3)	(49.6)	(13.9)	(25.4)	-	(0.8)	-	**(143.1)**	(29.7)
Depreciation written out to the Revaluation Reserve	52.9	44.5	-	-	-	0.3	-	**97.7**	3.1
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	14.8	-	-	-	-	-	**14.8**	0.2
Derecognition - Disposals	0.4	1.3	16.3	0	-	-		**21.2**	3.8
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	0.3	-	**0.3**	
Other movements in depreciation and impairment	-	(0.2)			-	0.2		**-**	
At 31 March 2021	**-**	**(14.9)**	**(48.8)**	**0**	**-**	**-**	**-**	**(300.6)**	**(237.9)**
Net Book Value									
At 31 March 2021	**2,609.8**	**2,361.4**	**77.0**	**0**	**80.8**	**129.5**	**452.7**	**6,209.6**	**614.0**
At 31 March 2020	**2,458.1**	**2,313.8**	**78.0**	**0**	**79.3**	**170.8**	**258.6**	**5,839.7**	**599.6**

Revaluations

The Royal Institution of Chartered Surveyors (RICS) created a forum to consider the impact of Covid-19 on potential material uncertainty on asset valuations. The latest update recommends that material uncertainty remains for only a limited number of assets, namely those with trading potential such as hospitality assets. At the valuation date, property markets are functioning again, providing sufficient evidence to support opinions of value.

Operational Land and Buildings (other than Housing)
The Council carries out valuations of its property assets over a five year cycle and reviews those assets that are not in the valuation cycle for the year to ensure that carrying values remain materially correct at the Balance Sheet date. Azmat Mir, Member of the Royal Institution of Chartered Surveyors (MRICS), Head of Property Consultancy and other similarly qualified staff within the Council's Property Services section carried out the valuations. A Valuation Certificate was issued on 15 July 2022 in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

The effective date of the current year's valuation was 19 February 2022, with a review of any significant changes to assets to ensure that any material changes in asset values at the Balance Sheet date were identified. The review concluded that, for assets valued at Depreciated Replacement Cost (DRC), there had been a marginal overall decrease in building costs from valuation date to 31 March 2022.

A review was undertaken to assess the impact of obsolescence and the movement in building costs on the value of those assets not subject to revaluation in 2021/22. As a result, a desktop exercise was undertaken to update those values in the Balance Sheet, reflecting a more up to date value as at 31 March 2022 resulting in a relatively small decrease in relevant asset values.

Housing
The Council's housing stock was valued as at 19 February 2022 by Azmat Mir MRICS Registered Valuer, and similarly qualified staff within the Council's Property Services section, assisted by an external contractor (Sure Surveyors - Debbie Fawkner MRICS Registered Valuer) in line with the Ministry of Housing, Communities and Local Government's Guidance on Stock Valuation for Resource Accounting published in November 2016. The basis of the valuation for the housing stock element is in accordance with the Royal Institution of Chartered Surveyors using the Existing Use Value – Social Housing basis, which takes open market value for the underlying dwellings and applies a multiplier to reflect the reduced value as a result of the use for social housing for 2021/22 of 40% (2020/21: 40%). Part of the housing stock comprising mainly the high-rise blocks of flats and some defective properties have been valued on the basis of a Discounted Cash Flow method of valuation (DCF). A review was undertaken to consider any material movement between 19 February and 31 March 2022 and advised accordingly.

HRA dwellings have seen a net increase in value of £376.4m since 31 March 2021. Details are included in Notes H1 and H3 of the Supplementary Statements.

Surplus Assets
A small number of assets have been deemed surplus to the requirement of the Council but do not meet the criteria to be classified as Assets Held for Sale. As such they are classified as surplus assets and revalued during 2021/22 at fair value, assessing the assets in their highest and best use, using Level 2 inputs. The increase in value reflects the reclassification of assets previously identified as either Assets held for Sale or as Other Land and Buildings.

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2021 Fair Value £m	31 March 2022 Fair Value £m
Highest and Best Use	Level 2	The fair value of surplus properties has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Property Portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs is significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.	131.7	156.6

An analysis of the gross carrying value, by class of asset, broken down by the basis and date of valuation is set out on the following table.

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	**Total Property, Plant and Equipment**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Carried at Historical Cost					83.8		686.6	**770.4**
Carried at Depreciated Historical Cost			98.5	824.4				**922.9**
Valued at current value as at:								
31 March 2022	2,986.2	1,762.9				156.6		**4,905.7**
31 March 2021		242.4						**242.4**
31 March 2020		134.5	28.0					**162.5**
31 March 2019		194.2						**194.2**
31 March 2018		120.2						**120.2**
Total cost or valuation	**2,986.2**	**2,454.2**	**126.5**	**824.4**	**83.8**	**156.6**	**686.6**	**7,318.3**

Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years. The commitments are:

	£m
PFI Lifecycle Costs	459.2
HRA New Build & Investment	94.1
Perry Barr Residential Project	28.1
Bus Depot Relocation	15.5
Council House Refurbishment	12.5
Montague St Depot	11.5
A34 Perry Barr Highway	9.4
Perry Barr Depot	7.7
Paradise Circus Ent Zone	7.5
Birmingham City Centre Retail Core Public Realm	7.4
Works to Tyseley Energy Renewal Plant	6.5
Other Projects <£5m	24.1

Capitalisation of Borrowing Costs

The Council has adopted an accounting policy, detailed in Note1 - section xxi., of capitalising borrowing costs in relation to qualifying assets. In 2021/22 the amount of borrowing costs capitalised during the period was £9.1m (2020/21: £7.6m). The interest does not relate to a specific loan and was calculated using the Council's average borrowing rate in the year expenditure was incurred. This was 4.3% in 2021/22 (2020/21: 4.16%). For 2021/22, interest capitalised by scheme was as follows:

	£m
Enterprise Zone	1.7
Perry Barr Residential Scheme	7.4

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
The authority 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.

Net Book Value (modified historical cost)	2020/21 £m	2021/22 £m
at 1 April	481.1	498.5
Additions	21.1	63.6
Depreciation	(25.4)	(30.0)
Other movements in cost	21.7	28.6
Net Book Value at 31 March	**498.5**	**560.7**

Note 22
Heritage Assets

The Council has significant collections of assets that contribute towards the rich and diverse heritage of the city, reflecting two thousand years of historic development, across Museums, Historic Buildings, Public Art, Libraries and Civic Collections.

Where historical cost information is available, the Council has used this when compiling the Balance Sheet; otherwise insurance valuations, reviewed annually, have been used, where applicable. Where there is evidence of a movement in valuations as a result of material acquisitions or disposals, or a significant movement in comparable market values, a revaluation will be considered.

Heritage Assets held by the Council:

	Museum Collections	Historic Buildings	Public Art	Libraries and Archive collections	Civic Regalia and Plate	Total Assets
	£m	£m	£m	£m	£m	£m
01 April 2020						
- At Cost	1.8	11.1	0.5	-	-	13.4
- At Valuation	216.3	-	-	18.4	1.8	236.5
31 March 2021	***218.1***	***11.1***	***0.5***	***18.4***	***1.8***	***249.9***
01 April 2021						
- At Cost	1.8	11.1	0.5	-	-	13.4
- At Valuation	216.3	-	-	18.4	1.8	236.5
31 March 2022	***218.1***	***11.1***	***0.5***	***18.4***	***1.8***	***249.9***

Museum Collections

The Council holds collections of artworks, ceramics, jewellery and items of archaeological and scientific significance. The vast majority of the Museum's Loan collection is held within the Birmingham Museum and Art Gallery, which holds one of the finest collections of art, history and science in the UK and the best collection of Pre-Raphaelite works in the world. There are significant exhibits and artwork comprising the Permanent Collection on display in community museums, for example Aston Hall and Soho House, together with items held in storage at the Museum's Collection Centre. The value of the collection has been adjusted to reflect updated insurance valuations. In addition, there is a collection of Boulton silverware, a set of 24 pieces in silver jointly owned by the Council and the Birmingham Assay Office.

Historic Buildings and the Historical Environment

The Council either owns or holds on trust in excess of 150 listed buildings and structures, with Grade I and Grade II properties being the most significant. These include Aston Hall, a Grade I listed Jacobean manor house completed in 1635, Blakesley Hall, an Elizabethan timber house built by a local merchant in 1590 and Soho House, home of Birmingham industrialist and entrepreneur Matthew Boulton, all of which are included as Heritage Assets.

Public Art

The Council owns over 80 pieces of public art, including statues, sculpture and fountains, some of which are listed structures. Victoria Square fountain and the King Edward VII statue are included in the Balance Sheet as reliable information is available for these works of art.

Libraries and Archive Collections

The Library of Birmingham is unique amongst UK public libraries for the range and depth of the collections it houses. The library houses a large photography collection and the Council also holds over 6,000 archive collections including major collections of national importance, such as those relating to the industrial innovators James Watt and Matthew Boulton. There are significant collections of early and fine printing, incorporating over 8,000 books printed before 1701, and an extensive collection of literature and rare books, including Audubon's 19th Century work, The Birds of America, and one of the world's most comprehensive Shakespeare collections.

Civic Regalia and Plate

The Council owns in excess of 230 items of civic regalia and plate, kept either on display, in storage or used on ceremonial and other formal occasions. There is a large variety of items within the collection, the main ones being the Mayoral Chains of Office and Mace, which was cast in silver, in the late 19th Century, by Elkington and Co.

The Council has developed a Heritage Strategy, which provides a framework and context for how it preserves, manages, interprets and promotes the Council's Heritage Assets, and how they are taken forward during the 21st Century. This is supported by a more detailed collecting policy within the Museums service, which informs the Council's policy on acquisition, management and disposal, together with Documentation and Conservation policies, which detail how the service manages and cares for the collections. These are all available on the Council's website, or via the relevant service area. Both Libraries and Museums use database systems to manage their collections.

Access to heritage assets is provided through permanent displays of historical material, temporary exhibitions and events, publications, catalogues and digital and web-based resources. In addition the Museum’s Collection Centre schedules occasional open days allowing public access to some of the Museum’s stored historical artefacts. For the wider historical environment, guided tours, printed leaflets and publications, heritage trails and interpretive panels are effective in enabling intellectual access.

Birmingham Museums Trust exists to promote heritage within Birmingham, with the aims of advancing education through the operation, maintenance, development and promotion of museums, galleries and libraries in Birmingham. The Council continues to retain ownership of the buildings and collections.

Note 23
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, Furniture and Equipment.

The carrying amount of intangible assets is amortised on a straight-line basis over a five year period, which is deemed to be the period that intangible assets are expected to be of use to the Council.

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

	2020/21			2021/22		
	Internally Generated Assets £m	Other Assets £m	Total £m	Internally Generated Assets £m	Other Assets £m	Total £m
Balance at start of year:						
- Gross carrying amounts	-	13.1	13.1	-	9.0	9.0
- Accumulated amortisation	-	(6.0)	(6.0)	-	(4.8)	(4.8)
Net carrying amount at start of year	**-**	**7.1**	**7.1**	**-**	**4.2**	**4.2**
Additions:						
- Internal development	-	-	-	-	1.5	1.5
Other disposals	-	(4.1)	(4.1)	-	(4.2)	(4.2)
Amortisation for the period	-	(2.9)	(2.9)	-	(2.1)	(2.1)
Amortisation written out for disposals/transfers	-	4.1	4.1	-	4.2	4.2
Net carrying amount at end of year	-	4.2	4.2	-	3.6	3.6
Comprising:						
Gross carrying amounts	-	9.0	9.0	-	6.3	6.3
Accumulated amortisation	-	(4.8)	(4.8)	-	(2.7)	(2.7)
	-	**4.2**	**4.2**	**-**	**3.6**	**3.6**

Note 24
Long Term Debtors

The table below shows amounts owed to the Council that are due for payment more than 12 months after the Balance Sheet date. An estimate has been made on the collectability of outstanding debt. The outstanding balances have been split by type of debt.

31 March 2021 £m		31 March 2022 £m
80.3	External Loans	72.9
0.8	Employee Loans	0.7
0.3	Mortgages: former Council House Tenants	0.3
26.1	Other Debtors	35.2
107.5	**Total**	**109.1**

Note 25
Short Term Investments

Details of the amounts invested by the Council that are due for repayment within 12 months of the Balance Sheet date are detailed below.

31 March 2021 £m		31 March 2022 £m
171.0	Money Market Funds	33.8
1.3	Financial Institutions	2.7
-	Other Investments (DMADF and Local Authorities)	74.0
172.3	**Total**	**110.5**

Note 26
Assets Held for Sale

The table below details the value of assets whose carrying amount will be recovered principally through a sale transaction rather than through their continuing use.

	2020/21 £m	2021/22 £m
Balance outstanding at start of year	**16.7**	**49.1**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	45.2	-
Assets declassified as held for sale:		
- Property, Plant and Equipment	-	(4.8)
- Assets sold	(12.8)	(43.9)
Other Movements	-	-
Balance outstanding at year end	**49.1**	**0.4**

Assets held for sale are those assets where the expectation is that their disposal will occur within twelve months. During 2021/22 eight assets were disposed, with a further three assets recategorised to either surplus or land and building assets as they no longer fulfil the criteria to be classed as held for sale assets.

Assets carried within the Council's financial statements are valued using either Depreciated Replacement Cost (DRC) in the case of specialist assets or the value to the Council of the asset in existing use. The value of capital receipts may differ from the carrying value of the assets and is heavily dependent on how much the market is willing to pay for a particular asset at any one time and this can fluctuate.

Note 27
Short Term Debtors

The table below shows the amounts owed to the Council at the end of the year that are due for payment within 12 months. An allowance has been made, within the overall level of debt due, to reflect an element of non-recovery.
The amounts owed have been analysed by type of debtor to allow an assessment of the risk of non-recovery.

31 March 2021		31 March 2022
£m		£m
131.5	Central government bodies	84.5
39.0	Other local authorities	17.8
7.9	NHS bodies	8.3
6.1	Public corporations and trading funds	5.4
216.4	Other entities and individuals	225.8
400.9	**Total**	**341.8**

Note 28
Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the elements detailed below.

31 March 2021		31 March 2022
£m		£m
4.5	Cash held by the Council	3.6
49.8	Bank current accounts	53.8
54.3	**Total**	**57.4**

Note 29
Short Term Creditors

The table below shows amounts owed by the Council at the end of the year that are due for payment within 12 months. The amounts due have been analysed by type of creditor.

31 March 2021		31 March 2022
£m		£m
(102.3)	Central government bodies	(179.6)
(10.4)	Other local authorities	(8.4)
(2.9)	NHS bodies	(5.1)
(45.3)	Public corporations and trading funds	(35.5)
(270.7)	Other entities and individuals	(256.3)
(431.6)	**Total**	**(484.9)**

Note 30
Provisions

The following table shows the value of the Council's liabilities that will probably result in a transfer of economic benefits in line with the Accounting Policy for Provisions.

	Balance at 31 March 2021	Additional provisions made in 2021/22	Amounts used in 2021/22	Transfer between current and non-current provisions	Unused amounts reversed in 2021/22	Unwinding of discounting in 2021/22	**Balance at 31 March 2022**
	£m	£m	£m	£m	£m	£m	£m
Short Term							
Equal Pay	153.8	8.2	(15.5)	(13.2)	(20.6)	-	**112.7**
Business Rates Appeals	14.1	8.9	(13.2)	-	-	-	**9.8**
Other Provisions	8.1	3.8	-	-	(0.7)	-	**11.2**
Total	**176.0**	**20.9**	**(28.7)**	**(13.2)**	**(21.3)**	**-**	**133.7**
Long Term							
Equal Pay	-	-	-	13.2	-	-	**13.2**
Business Rates Appeals	7.7	4.8	(7.1)	-	(0.1)	-	**5.3**
Other Provisions	-	-	-	-	-	-	**0.0**
Total	**7.7**	**4.8**	**(7.1)**	**13.2**	**(0.1)**	**-**	**18.5**

<u>Equal Pay</u>

The Equal Pay Act 1970 was enacted at a time when it was not uncommon for employers to openly give different rates of pay to men and women performing the same job, or to reserve certain jobs for men and other (lower-paid) jobs for women. The Equality Act 2010 repealed and replaced the Equal Pay Act 1970 from 1 October 2010 and implemented the principle that men and women should receive equal pay for equal work in Great Britain.

The Council has set aside a provision of £125.9m (2020/21: £153.8m) in respect of its estimate of liability for Equal Pay. The provision reflects the assessed position as at 31 March 2022.

The Secretary of State for Communities and Local Government issued regulations allowing Local Authorities to use capital receipts received on or after 1 April 2013 to meet back payments associated with issued and valid equal pay claims. The Council has included both the capital and revenue impacts of equal pay claims in the Council’s 2022-2026 Financial Plan.

<u>Business Rates Appeals</u>
As a result of the change in the funding of Local Government in 2013/14, local authorities have assumed part of the liability for refunding Business Rates payers who have successfully appealed against the rateable value of their properties in the rating list. This liability includes amounts that were collected in respect of both the current year and prior years.

The Council, as Billing Authority, is required to make a provision for this liability on behalf of the major preceptors and itself. From 1 April 2017 the Council became part of a 100% Local Business Rates Retention Pilot. Under the pilot the Council retains 99% of the Business Rates it collects including 99% of any amounts due to be collected in future. The other 1% is retained by the West Midlands Fire and Rescue Authority (WMFRA). Prior to 1 April 2017 the Council's share was 49% with 1% due to the WMFRA and the other 50% being due to Central Government. Under the pilot the Council has assumed responsibility to pay for 99% of backdated appeals, even those prior to 1 April 2017. However, the Council has also been allowed to take the Government's 50% share of the provision set aside for backdated appeals prior to 1 April 2017.

These accounts include a provision of £15.1m representing 99% of the total provision (2020/21: £21.8m representing 99% of the total provision) set aside to cover the Council's share of the total estimated unpaid liability relating to the settlement of all appeals received up to 31 March 2022. The remaining 1% share of the liability is attributable to the WMFRA.

The Council has assessed the likely cost of settling appeals, based upon the history of appeals settled to date and details of those appeals that are still outstanding. The information used in this modelling has been provided by the Valuations Office Agency (VOA).

Other Provisions

Details of the major items included in other provisions are:

Subsidiaries

As part of the relationship with its subsidiary companies, the Council may have to provide a guarantee that it will support a company to enable it to continue meeting its liabilities as they fall due. The Council continues to review the likelihood of any call on the guarantees that it has given to determine whether it needs to set aside resources to meet any future liabilities. The Council has set aside a provision of £3.6m (2020/21: £4.1m).

Equal Pay Legal Costs

The Council has set aside a provision for legal costs associated with the handling or defending of Equal Pay claims. The provision will be used when legal fees are agreed for each case and may be subject to assessment; the timing of which is uncertain.

Note 31
Contingent Liabilities and Contingent Assets

Contingent Liabilities

These relate to pending legal or contractual claims not included in the accounts and guarantees given by the Council for repayment of loans taken out by certain associated companies. The Council currently has the following contingent liabilities:

1. The Council's final Housing Benefit claim for 2021/22 is still being considered by the Department for Work and Pensions. There may be clawback of subsidy from the Council which would reduce the level of benefit income shown and reduce the General Fund balance carried forward.

2. The Council is facing a number of compensation claims from former employees for employment related and current health issues, from people who attended Council schools and from other service users. Currently the validity of any outstanding claims is being assessed.

3. The Council enters into a number of arrangements with external partners for the delivery of services or as part of infrastructure developments within the city. There are occasions where the Council faces claims from external partners where it is believed that specific outcomes have not been delivered. Currently the validity of any outstanding claims is being assessed.

4. Under the Equality Act 2010, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equality Act and, as a result, has set aside a provision of £125.9m (31 March 2021: £153.8m) which incorporates all claims received and negotiations agreed by 31 March 2022.

   Whilst the provision reflects the forecast impact of claims made to date, there remain a number of uncertainties regarding any additional liabilities that the Council may face. There are uncertainties surrounding the volume and timing of any future claims and the determination of any settlements.

Contingent Assets

At 31 March 2022 the Council has identified the following material contingent assets.

When disposing of non-current assets which may be the subject of further development by the purchaser, the Council may include clauses within the disposal agreement that require the purchaser to make additional payments to the Council depending on the outcome of the development. The Council does not recognise such potential additional consideration at the time of disposal as its receipt and amount is too uncertain. The Council has included such clauses in the agreement for the disposal of a number of developments and anticipates generating additional capital receipts in future years.

Due to the commercially sensitive nature of the agreements, detailed information on further anticipated receipts has not been disclosed.

Note 32
Council Borrowing

A breakdown of the Council's borrowings is summarised below:

2020/21			2021/22	
Long Term	Short Term		Long Term	Short Term
£m	£m		£m	£m
(30.4)	(42.1)	Lender's Option Borrower's Option (LOBO) loans	(30.4)	(42.1)
(462.0)	(8.3)	Local Bonds	(454.3)	(8.6)
(2,459.2)	(49.0)	Public Works Loan Board	(2,439.2)	(74.1)
(37.8)	(391.1)	Other Borrowing (mainly Other Local Authorities)	(0.3)	(174.9)
(2,989.4)	(490.5)	Total	(2,924.2)	(299.7)

Note 33
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2020/21		2021/22
£m		£m
(18.9)	Interest received	(25.6)
164.6	Interest paid	164.6
(0.9)	Dividends received	(0.9)
144.8		**138.1**

Note 34
Cash Flow Statement - Investing Activities

The cash flows from investing activities include the following:

2020/21		2021/22
£m		£m
(391.0)	Purchase of property, plant and equipment, investment property and intangible assets	(445.9)
(5,237.9)	Purchase of short-term and long-term investments	(2,858.3)
82.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	114.0
5,302.6	Proceeds from short-term and long-term investments	2,927.9
(244.0)	**Net cash flows from investing activities**	**(262.3)**

Note 35
Cash Flow Statement - Financing Activities

The cash flows from financing activities include the following:

2020/21 £m		2021/22 £m
120.4	Other receipts from financing activities	108.4
1,147.1	Cash receipts of short-term and long-term borrowing	386.7
(31.3)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(70.7)
(1,043.0)	Repayments of short-term and long-term borrowing	(642.1)
6.6	Other payments for financing activities	1.3
199.8	**Net cash flows from financing activities**	**(216.4)**

Note 36
Cash Flow Statement – Other Adjustments

The cash flow adjustments to the net surplus/deficit on the provision of services include:

2020/21 £m		2021/22 £m
143.1	Depreciation/Impairment charge	147.8
	Assets reclassified between categories	1.3
2.9	Amortisation of Intangible Assets	2.1
(0.5)	Derecognition of Available for Sale Assets	0.4
20.9	Revaluation of Non-Current Assets	12.0
77.4	Derecognition of Non-Current Assets	183.2
(17.7)	(Increase)/Decrease in Debtors	49.8
41.4	Increase/(Decrease) in Creditors	40.6
(0.2)	(Increase)/Decrease in Inventories	(0.4)
(5.0)	Increase/(Decrease) in Provisions	(31.5)
(146.3)	Pensions Liability	211.9
116.0	**Net Cash Flow - Other Adjustments**	**617.2**

The cash flow adjustments included in the net surplus/deficit on the provision of services that are investing or financing activities include:

(120.4)	Capital Grants	(108.4)
(82.3)	Capital Receipts	(114.0)
(6.4)	Council Tax and Business Rates Adjustments	(1.4)
(209.1)		**(223.8)**

Note 37
Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprise:

- long-term loans from the Public Works Loan Board and commercial lenders
- bonds issued
- long-term LOBO loans
- loans from other local authorities
- Private Finance Initiative contracts
- lease payables
- transferred debt
- trade payables for goods and services received
- overdraft with banks

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
  - loans to organisations made for service purposes
  - current and deposit bank accounts
  - cash in hand
  - trade receivables for goods and services provided

- Fair value through profit and loss (all other financial assets) comprising:
  - money market funds
  - equity investments in companies
  - loans to organisations where the cash flows are not solely payments of principal and interest

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

The following categories of financial instrument are carried in the Balance Sheet.

	Long Term		Short Term	
	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Investments				
Fair Value through Profit or Loss	2.1	1.7	172.3	36.5
Amortised Cost	-	-	-	74.0
Investments that are not financial instruments	35.7	35.7	-	-
Total investments	**37.8**	**37.4**	**172.3**	**110.5**
Debtors				
Fair Value through Profit or Loss	3.4	3.8	-	-
Amortised Cost	80.0	79.3	262.0	206.6
Total	**83.4**	**83.1**	**262.0**	**206.6**
Debtors that are not financial instruments	24.1	26.0	138.9	135.2
Total debtors	**107.5**	**109.1**	**400.9**	**341.8**
Cash				
Cash in Hand			54.3	57.4
Total cash: asset			54.3	57.4
Cash Overdrawn			(0.0)	-
Total cash: liability			(0.0)	-
Borrowings				
Fair Value through Profit or Loss	-	-	-	-
Fair Value at Amortised Cost	(2,989.4)	(2,924.2)	(490.5)	(299.7)
Total borrowings	**(2,989.4)**	**(2,924.2)**	**(490.5)**	**(299.7)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(369.2)	(352.3)		
Total	(369.2)	(352.3)		
Transferred Debt and Other Liabilities	(39.9)	(33.1)		
Total long term liabilities	**(409.1)**	**(385.4)**		
Creditors				
Fair Value at Amortised Cost	(0.6)	(0.5)	(265.5)	(239.6)
Total	(0.6)	(0.5)	(265.5)	(239.6)
Creditors that are not financial instruments	-	-	(166.1)	(245.3)
Total creditors	**(0.6)**	**(0.5)**	**(431.6)**	**(484.9)**

Material Soft Loans Made by the Council

The Council has made the following material soft loans:

Warwickshire County Cricket Club was granted a loan of £20m in 2009 to support the major ground refurbishment undertaken. The loan is deemed to be a material soft loan and is carried in the accounts at £17.2m, paying a fixed interest rate of 5%. During the development phase of the project, interest was rolled up in the loan. In 2016/17, Warwickshire County Cricket Club exercised its right, under the terms of the loan agreement, to defer interest and principal repayment for two quarters from March 2013 and extend the loan maturity to make these payments. The club applied for a further 18 month interest and principal deferral, which was granted by the Council. All interest on the deferred payments is rolled up and the term of the loan has been extended to 2045.

On the creation of Birmingham Children's Trust CIC it was offered loan facilities to ensure that it had sufficient cash resources to operate efficiently given that the company was a company limited by guarantee and had no equity. The Council advanced a loan of £4m in April 2018 at an interest rate of 2.41% and a further loan of £6m in April 2019 at an interest rate of 1.87%. The Trust exercised its right under the contract and repaid the £6m loan in full in January 2022. The remaining loan of £4m is due to be repaid as a single repayment in March 2028 but the Trust has the right to repay at an earlier date. The loan is deemed to be a material soft loan and is carried in the accounts at £3.2m

The treatment of soft loans in the financial statements is as follows:

	2020/21 £m	2021/22 £m
Opening balance at 1 April	**25.3**	**25.3**
Loans repaid	(0.2)	(6.1)
Movement in Expected Credit Loss per IFRS9	(0.1)	(0.0)
(Increase)/Reduction in discount	0.3	1.2
Closing Balance at 31 March	**25.3**	**20.4**
Nominal value at 31 March	32.0	25.1

Valuation Assumptions

The interest rate at which the fair value of soft loans has been made at recognition is arrived at by taking the Council's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid.

As with all loans made by the Council, reviews of the repayment schedule are undertaken with the borrowing counterparties, particularly in the light of the impact of Covid-19 to determine whether the level of risk has increased sufficiently to make any changes to the assessment the carrying value of the loans.

Income, Expenses, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are shown in the following table. The losses on financial instruments recognise that some debts will not be recovered and includes an allowance for an increase as a result of the difficulties arising from the spread of Covid-19.

	2020/21 Surplus/Deficit on the Provision of Services	2021/22 Surplus/Deficit on the Provision of Services
	£m	£m
Net (Gains)/Losses on financial instruments:		
Financial assets measured at fair value through profit/loss	1.6	0.0
Financial assets measured at amortised costs	23.2	16.3
Total Net (Gains)/Losses on financial instruments	**24.8**	**16.3**
Income/Expenditure in (Surplus)/Deficit on the Provision of Services		
Interest Receivable from financial assets measured at amortised costs	(18.9)	(25.6)
Investment income from financial assets measured through profit and loss	(0.9)	(0.9)
Interest Expense	164.6	164.5
Net Income/Expenditure in (Surplus)/Deficit on the Provision of Services	144.8	138.0
Net (gain)/loss for the year	**169.6**	**154.3**

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the Council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds and shares in money market funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the PWLB’s new annuity loan certainty rates.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Details of the impact of fair value assessments on specific categories of financial liabilities are set out below.

Financial Liabilities	**Input level in Fair Value Hierarchy**	**Valuation inputs and assumptions used to measure Fair Value**	**31 March 2021**	**31 March 2021**	**31 March 2022**	**31 March 2022**
			Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial Liabilities held at amortised cost:						
PWLB loans	Level 2	PWLB new maturity loan certainty rate	2,508.1	3,378.3	2,513.2	3,120.1
Bonds issued (BIRCTY 9.675% 21/04/2030)	Level 2	market rate for similar instruments	302.0	380.2	295.9	343.7
Bonds issued (NECF 7.5625% 30/09/2027)	Level 1	Quoted price from Bloomberg	82.2	97.9	81.0	90.2
LOBO loans	Level 2	market rate for similar instruments	72.5	140.3	72.5	124.6

Other long-term loans	Level 2	market rate for similar instruments	137.0	156.9	124.5	130.2
Lease payables and PFI Liabilities	Level 2	PWLB new annuity loan certainty rate	383.2	586.3	370.2	522.4
Transferred debt *	Level 2	market rate for similar instruments	34.7	38.5	29.0	30.8
Other long-term liabilities/creditors	N/A	Fair value is approximated at their carrying amount	11.5	11.5	10.9	10.9
Short term loans (mainly from other local authorities)	N/A	Fair value is approximated at their carrying amount	378.0	378.0	136.8	136.8
Short term creditors	N/A	Fair value is approximated at their carrying amount	245.9	245.9	215.4	215.4
TOTAL Financial Liabilities			**4,155.1**	**5,413.8**	**3,849.4**	**4,725.1**

**The Transferred Debt information is provided by Dudley Metropolitan Borough Council, who have responsibility for the West Midlands County Council Debt Administration Fund. The fair values were provided to them by their Treasury Advisors.*

The fair value of financial liabilities held at amortised cost is higher than their Balance Sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

As part of the Highways PFI settlement arrangements with Birmingham Highways Limited (BHL), the Council's overpayment claim against BHL was converted into a loan agreement of £64m at an interest rate of 8% per annum. It is expected that the value of the loan will only be recognised towards the end of the Highways PFI contract in June 2035 and will be dependent on the successful restructuring of the project, the continuance of the PFI contract and the successful performance of the contract over the remaining term.

PWLB Loans

The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. If the Council were to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £3,581.6m.

Details of the impact of fair value assessments on specific categories of assets are set out below.

Financial Assets	**Input level in Fair Value Hierarchy**	**Valuation inputs and assumptions used to measure Fair Value**	**31 March 2021**	**31 March 2021**	**31 March 2022**	**31 March 2022**
			Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial assets held at fair value:						
Money Market Funds/equity - short term	Level 1	market price	172.3	172.3	36.5	36.5
Shares in companies - long term	Level 3	with significant unobservable inputs	2.1	2.1	1.7	1.7
Loans to organisations for service purposes - long term	Level 2	with significant unobservable inputs	3.4	3.4	3.8	3.8
Financial assets held at amortised cost:						
Deposits (DMADF and other local authorities) - short term	N/A	Fair value is approximated at their carrying amount	-	-	74.0	74.0
Loans to organisations for service purposes	Level 3	with significant unobservable inputs	79.4	83.9	72.3	74.4
Long term asset/long term debtors	N/A	Fair value is approximated at their carrying amount	2.7	2.7	9.5	9.5
Short term debtors	N/A	Fair value is approximated at their carrying amount	262.0	262.0	204.1	204.1
Cash/bank deposits - short term	N/A	Fair value is approximated at their carrying amount	54.3	54.3	57.4	57.4
Total Financial Assets			**576.2**	**580.7**	**459.3**	**461.4**

The fair value of financial assets held at amortised cost is higher than their Balance Sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Note 38
Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of risks relating to its financial instruments, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council may not have funds available to meet its payment commitments;
- Market risk – the possibility of financial loss due to changes in interest rates and market prices.

These risks are mainly managed by a central Treasury Management team in accordance with policies and approvals set by the Council in its annual Budget Report, Treasury Management Strategy, and Treasury Management Practices in particular. The Council complies with CIPFA's Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities, both of which regulate the use of financial instruments and establish a treasury risk management framework.

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

This risk is measured and managed primarily through the investment policies and strategy in the approved Budget, which requires that deposits are made in accordance with approved credit criteria and limits, including minimum credit ratings as follows:

'Specified' short term loan investments (all in Sterling)	Minimum Short term rating*	Minimum Long term rating*	Maximum investment per counterparty
Banks (including overseas banks) and Building Societies	F1+ /A1+ /P1	AA- /AA- /Aa3	£25m
	F1+ /A1+ /P1	A- / A- /A3	£20m
	F1 /A1 /P1	A- / A- /A3	£15m
	F2 /A2 /P2	BBB+ /BBB+ /Baa1	£10m
Sterling commercial paper and corporate bonds	F1+ /A1+ /P1	A- / A- /A3	£15m
Sterling Money Market Funds (short term and Enhanced)	AAA (with rating indicating lowest level of volatility where applicable)		£40m
Local authorities	n/a	n/a	£25m
UK Government and supranational bonds	n/a	n/a	None
UK Nationalised Banks and Government controlled agencies	n/a	n/a	£25m
Secured investments including repo and covered bonds	Lending limits determined as for banks (above) using the rating of the collateral or individual investment		

* Fitch / S&P / and Moody's rating Agencies respectively. Institutions must be rated by at least two of the Agencies, and the lowest rating will be taken into account.

This risk is minimised through the Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies. The Treasury Management Policy also imposes a maximum sum to be invested with a financial institution located within each rating category and country. The Treasury Management Policy is contained within the Council's approved Financial Plan.

The Council will not invest more than £400m in long term investments as follows:

- Government stocks (or "Gilts") and other supranational bonds, with a maturity of less than five years.
- Corporate Bonds, Certificates of Deposit (CD) or Commercial Paper (CP) with a maturity of less than three years, subject to a long term credit rating of not less than AA (in addition to the restrictions in the table above). CD or CP shall not exceed 20% of long-term investments (i.e. those maturing in one year or more).

The Council also uses information from a variety of other sources in reaching a view about the suitability of particular investments.

The Council also makes a variety of investments in support of its service objectives. These investments are not subject to the above credit quality requirements, but are individually appraised and approved in relation to their support for service outcomes as well as their financial consequences and risks.

The Council's maximum exposure to credit risk, in relation to its investments in financial institutions, cannot be assessed generally, as the risk of any institution failing to make due payments will be specific to each individual institution. In relation to the Council's outstanding treasury deposits with financial institutions, local authorities and other institutions, no such deposits have defaulted in the year or are impaired. A risk of recoverability applies to all deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

The Council does not hold collateral as security on its treasury deposits.

<u>Liquidity Risk</u>
Liquidity risk arises from the need to borrow to finance capital expenditure, loan maturities and other payments. The Council has a comprehensive cash flow management system that measures liquidity and seeks to ensure that cash is available as needed. The Council has ready access to loans from the Public Works Loan Board (PWLB) in accordance with the PWLB circulars currently in force, and there is no significant risk that it will be unable to raise finance to meet its commitments. The Council sets limits on the proportion of its fixed rate borrowing maturing in specified periods. The maturity analysis of financial liabilities is as follows:

	31 March 2021 £m	31 March 2022 £m
Less than 1 year	(756.0)	(539.3)
Between 1 and 2 years	(120.1)	(84.4)
Between 2 and 5 years	(281.6)	(313.0)
Between 5 and 20 years	(1,617.1)	(1,617.3)
Between 20 and 40 years	(1,280.3)	(1,255.3)
Over 40 years	(100.1)	(40.1)
Total	**(4,155.2)**	**(3,849.4)**

All trade and other payables are due to be paid in less than 1 year, except £0.5m long term creditors.

LOBO loans
The LOBO maturity profile assumes that the lender will not exercise their option until maturity. The LOBOs are of fixed rates, ranging between 3.8% and 11.5%. Of the total amount, £30m have a break clause of every 5 years, £30m have a break clause twice a year and £11.1m have a break clause any day at one month's notice. However, in the current low interest rate environment, it is unlikely that the lender will exercise their option to request early repayment of these LOBOs.

Market Risk

Interest rate risk
The Council is exposed to significant risk in relation to interest rate movements on its borrowing and investments.

The Council is exposed to changes in interest rates as a result of most of its borrowings being at long-term fixed rates and investment being short-term or at variable rates of interest. Consequently, falls in interest rates will have an adverse impact on the Council's finances.

For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus/(Deficit) on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the liabilities for borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus/(Deficit) on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus/(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/(Deficit) on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

These risks are measured and managed in accordance with the Council's Treasury Management Strategy, including the setting and monitoring of risk limits on the level of variable rate instruments and on the amount of borrowing maturing in future years.

At 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	1.9
Increase in interest receivable on variable rate investments	(1.5)
Impact on Surplus/(Deficit) on the Provision of Services	0.4
Share of overall impact charged to the HRA	1.5
Decrease in fair value of fixed rate investment assets	4.9
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus/(Deficit) on the Provision of Services or Other Comprehensive Income and Expenditure)	(428.1)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The above sensitivities have been prepared and based on loan debt and loan investments outstanding at 31 March 2022.

Price Risk

The Council's holdings of shares are all unquoted shares held primarily to support service objectives rather than as financial investments. The financial value of these shares will vary according to general market conditions and the particular circumstances of the share issuers. Active prices for these investments are not available. Any temporary fluctuations in the market value of such investments would have no significant impact on the Council's finances.

Note 39
Capital Expenditure and Capital Financing

The Council's capital expenditure on an accruals basis, analysed between types of asset, is summarised below. This also includes revenue expenditure funded from capital under statute.

	31 March 2021 £m	31 March 2022 £m
Opening Capital Financing Requirement	4,501.9	4,556.1
Capital Investment		
Property, Plant and Equipment	412.5	465.6
Intangible Assets	-	1.5
Revenue Expenditure funded from Capital under Statute	86.8	97.6
Secretary of State Direction - Flexible use of Capital Receipts	20.1	22.3
Long Term Loans	1.9	-
Increase in Share Equity	1.5	-
Sources of Finance		
Capital Receipts	(42.0)	(50.2)
Government Grants and other Contributions	(187.4)	(97.2)
Sums set aside from Revenue:		
- Direct Revenue Contributions	(23.7)	(23.2)
- Use of Major Repairs Reserve	(53.3)	(62.5)
- Revenue Provision for Debt Redemption	(148.4)	(132.0)
- Capital Receipts set aside for debt redemption	(13.8)	(8.0)
Closing Capital Financing Requirement	**4,556.1**	**4,770.0**
Explanation of Movements in Year		
Movement in underlying need to borrow	33.7	156.3
Assets acquired under finance leases	0.7	0.9
Assets acquired under PFI contracts	19.8	56.7
Increase/(decrease) in Capital Financing Requirement	**54.2**	**213.9**
Movement in Year	**54.2**	**213.9**

Note:
The Secretary of State direction relates to the permission given to local authorities to use capital receipts generated between 1 April 2016 and 31 March 2022 to finance the revenue costs of transformation that deliver savings to the public sector. this flexibility has been subsequently further extended for a further three years.

Note 40
Leases

The Council has a significant number of leases, as summarised below.

Council as the lessee

Finance leases
The Council has acquired a number of buildings and other assets under finance leases. The assets acquired under these leases are carried in the Balance Sheet at the following net amounts.

31 March 2021 £m		31 March 2022 £m
30.0	Other Land and Buildings	31.5
3.0	Vehicles, Plant, Furniture & Equipment	3.0
33.0	**Total**	**34.5**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2021 £m		31 March 2022 £m
	Finance lease liabilities (net present value of minimum lease payments):	
1.1	- current (not later than 1 year)	0.9
1.2	- non-current (later than 1 year)	1.2
1.9	Finance costs payable in future years	1.9
4.2	**Minimum Lease Payments**	**4.0**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Not later than 1 year	1.2	1.0	1.1	0.9
Later than 1 year and not later than 5 years	1.1	1.1	1.0	1.0
Later than 5 years	1.9	1.9	0.2	0.2
Total	**4.2**	**4.0**	**2.3**	**2.1**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 contingent rents of £nil were payable (2020/21: £nil).

The Council has not sublet any of the assets held under these finance leases.

Operating leases
The Council has acquired a number of administrative buildings under operating leases. The future minimum lease payments due under non-cancellable leases where the length of lease was greater than 1 year at inception are:

31 March 2021 £m		31 March 2022 £m
0.3	Not later than 1 year	0.8
0.5	Later than 1 year and not later than 5 years	1.1
1.2	Later than 5 years	1.1
2.0	**Total**	**3.0**

The Council has not sublet any of the assets held under these operating leases.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2021 £m		31 March 2022 £m
0.2	Minimum lease payments	0.4
0.1	Contingent rents	0.0
0.3	**Total**	**0.4**

Council as the lessor

Finance leases
The Council has leased out property to a number of parties on finance leases. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee, and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2021 £m		31 March 2022 £m
	Finance lease debtor (net present value of minimum lease payments):	
24.1	- non-current (later than 1 year)	26.0
203.5	Unearned finance income	212.5
(28.3)	Less – Unguaranteed residual value of property	(30.1)
199.3	**Gross investment in the lease**	**208.4**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Finance Lease debtor		Minimum Lease payments	
	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Not later than 1 year	0.0	0.0	1.6	1.5
Later than 1 year and not later than 5 years	0.1	0.1	6.3	6.0
Later than 5 years	24.0	25.9	191.4	200.9
Total	**24.1**	**26.0**	**199.3**	**208.4**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 £1.5m contingent rents were receivable by the Council (2020/21 £1.5m).

Operating leases
The Council has leased out property to a number of parties as operating leases.

The future minimum lease payments receivable under non-cancellable leases where the length of lease was greater than 1 year at inception are:

31 March 2021 £m		31 March 2022 £m
9.5	Not later than 1 year	9.1
27.9	Later than 1 year and not later than 5 years	26.5
64.1	Later than 5 years	59.4
101.5	**Total**	**95.0**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 £3.4m contingent rents were receivable by the Council (2020/21 £3.1m).

Leases - contingent rent
Contingent rents are determined from the comparison of the property lease rental system to the accounts leasing system.

Note 41
Service Concession Arrangements

The Council has entered into a number of Service Concession arrangements, formerly classed as Private Finance Initiative (PFI), through which assets are constructed or refurbished and services are provided under long-term contracts with private sector firms. The main contracts cover Schools and Highways Management and Maintenance.

The main terms of the material arrangements are as follows:

- Schools. There are four separate arrangements in place for the rebuild / refurbishment and management of a total of 26 schools within Birmingham. These arrangements are of varying duration and service providers: 10 schools from 2001/02 (for 32 years), 11 schools from 2004/05 (for 35 years), four schools from 2011/12 (for 25 years) and a single secondary school from 2013/14 ending 2038/39. The service provider is paid a Unitary Charge monthly for the duration of the contracts, with indexation applied annually as per the terms of each contract. Within each contract the Council retains both the schools' assets and the liability for future contract commitments in the Balance Sheet, with the exception of when schools gain Academy status. There are a number of PFI managed schools that have gained Academy status, a total of nine schools to date across the four separate school PFI contracts. Whilst the assets no longer belong to the Council and are thus removed from the Balance Sheet, the ongoing liability remains as a Council responsibility.

- Birmingham Highways Management and Maintenance Public Finance Initiative (PFI). This contract provides for the management and maintenance of all public highway and other contractually designated areas within the Birmingham boundary by the contractor; Birmingham Highways Limited (BHL). The original contract commenced on 7 June 2010, with a contract period of 25 years and was originally designed so that the initial five year period was for capital improvement to the highways network followed by a 20 year period during which the improved highway condition was maintained. These financial statements are based on a continuance of the current contract arrangements.

  Indexation is applied annually on 1 April by reference to movements in the Retail Price Index. Deductions can be levied for non-performance of the contractual deliverables as specified within the contract. As the size and scale of the highway network varies, the contract provides for these changes to be accrued into the network maintained by the Service Provider, Birmingham Highways Limited, attracting an increase/decrease in payments made as appropriate.

  The Council continues to have full use of the roads and roadside furniture during the period of the arrangement, at the end of which all rights revert to the Council. There are no early terminations or period clauses within the PFI arrangement.

  Following poor performance and subsequent legal action, a settlement agreement was reached which addressed the dispute between the Council and the contractor. As a result, the original subcontractor, Amey Plc, exited the contract on 31 March 2020 and a new interim sub-contractor; Kier Highways Ltd was appointed by BHL from 1 April 2020 for an initial period of 15 months, in order to develop a way forward with the contract. An extension to the arrangement with Kier has been negotiated pending procurement of a long-term replacement subcontractor.

On the basis of a transfer of responsibilities under the contract to a new provider, these financial statements are based on a continuance of the current contract arrangements.

Payments Remaining as at 31 March 2022	**Interest**	**Repayment of Liability**	**Payment for Services**	**Total**
	£m	**£m**	**£m**	**£m**
Within 1 year	29.0	17.0	47.0	93.0
Between 2 and 5 years	101.5	77.4	205.6	384.5
Between 6 and 10 years	87.1	128.3	300.4	515.8
Between 11 and 15 years	29.5	129.2	216.2	374.9
Between 16 and 20 years	1.7	16.1	18.7	36.5
	248.8	**368.0**	**787.9**	**1,404.7**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The movement in the liabilities to repay the contractors for capital expenditure incurred is as follows:

2020/21		2021/22
£m		£m
392.4	Liability outstanding at the start of the year	381.0
(31.9)	Repayment of liability	(69.6)
20.5	Lifecycle and further capital expenditure	56.6
381.0	**Liability outstanding at the year end**	**368.0**

Service Concessions - contingent rent
Contingent rents in respect of service concession arrangements total £4.8m (£1.5m 20/21).

Note 42
Members' Allowances

Allowances paid to Members of the Council in 2021/22 totalled £2.5m (2020/21: £2.3m). These figures include Members' allowances and expenses. Further information can be found on the Council's website.

Note 43
Officers' Remuneration

The posts forming the Council’s Senior Leadership Team changed between the financial years 2020/21 and 2021/22 due to the implementation of a new structure.

The remuneration paid to or receivable by the Council’s senior employees in the new structure is detailed in the table below.

		Salary, fees and allowances	Compensation for loss of office	Expense allowances	Pension contributions	Total
		£	£	£	£	£
Deborah Cadman, Chief Executive (1)	2020/21	-	-	-	-	-
	2021/22	184,374	-	-	39,272	223,646
Assistant Chief Executive (2)	2020/21	119,368	-	-	25,425	144,793
	2021/22	44,495	-	-	9,477	53,972
Professor Graeme Betts, Director, Adult Social Care (3)	2020/21	173,060	-	-	-	173,060
	2021/22	176,133	-	-	-	176,133
Acting Director, Adult Social Care (4)	2020/21	27,290	-	-	5,813	33,103
	2021/22	28,623	-	-	6,097	34,720
Director, Council Management (5)	2020/21	-	-	-	-	-
	2021/22	70,983	-	-	15,119	86,102
Managing Director, City Housing (6)	2020/21	-	-	-	-	-
	2021/22	136,921	-	-	29,164	166,085
Managing Director, City Operations	2020/21	139,068	-	-	29,621	168,689
	2021/22	148,102	-	-	31,546	179,648
Strategic Director, Place, Prosperity and Sustainability (7)	2020/21	-	-	-	-	-
	2021/22	40,027	-	-	8,526	48,553
Acting Strategic Director, Place, Prosperity and Sustainability (8)	2020/21	139,068	-	315	29,621	169,004
	2021/22	82,745	-	-	17,625	100,370
Director, Children and Families (9)	2020/21	-	-	-	-	-
	2021/22	72,047	-	-	15,346	87,393
Director, Strategy, Equalities and Partnerships (10)	2020/21	-	-	-	-	-
	2021/22	46,013	-	-	9,801	55,814
Director, Public Health	2020/21	103,975	-	-	22,147	126,122
	2021/22	107,645	-	-	22,928	130,573
Interim Director, Council Management (5)	2020/21	N/A	N/A	N/A	N/A	N/A
	2021/22	N/A	N/A	N/A	N/A	N/A
Commonwealth Games Programme Director (11)	2020/21	N/A	N/A	N/A	N/A	N/A
	2021/22	N/A	N/A	N/A	N/A	N/A
Transformation Director (12)	2020/21	N/A	N/A	N/A	N/A	N/A
	2021/22	N/A	N/A	N/A	N/A	N/A
Director, Education and Skills (13)	2020/21	N/A	N/A	N/A	N/A	N/A
	2021/22	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Deborah Cadman was appointed as Interim Chief Executive from 14 June 2021 and on 6 July 2022 her permanent appointment was announced.

(2) The Assistant Chief Executive left the Council on 8 August 2021.

(3) Professor Graeme Betts, Director, Adult Social Care took responsibility for the post of Acting Chief Executive on 7 March 2021 until 13 June 2021.

(4) The Acting Director, Adult Social Care took up the role on 7 March 2021 until 13 June 2021.

(5) The Director, Council Management was appointed on a permanent basis on 1 November 2021. The payroll costs of the permanent appointment are shown within the table above. Prior to the permanent appointment they were employed as Interim Director, Council Management, through a third party, the costs of which were £185,263 in 2021/22 (2020/21: £316,750). The third party amount is not the amount that would have been received by the postholder.

(6) The Managing Director, City Housing took up the role on 17 May 2021.

(7) The Strategic Director, Place, Prosperity and Sustainability took up the role on 4 January 2022.

(8) The Acting Strategic Director, Place, Prosperity and Sustainability covered the role until 30 October 2021.

(9) The Director, Children and Families took up the role on 1 November 2021.

(10) The Director, Strategy, Equalities and Partnerships took up the role on 15 November 2021.

(11) The Commonwealth Games Programme Director was employed through a third party, the costs of which were £279,600 in 2021/22 (2020/21: £261,600 commencing from 11 May 2020). This amount is not the amount that would have been received by the postholder.

(12) The Transformation Director was employed through a third party from 10 May 2021, the costs of which were £207,776 in 2021/22. This amount is not the amount that would have been received by the postholder.

(13) The Director, Education and Skills was employed through a third party from 4 May 2021 to 30 November 2021, the costs of which were £112,000 in 2021/22. This amount is not the amount that would have been received by the postholder.

Coverage of statutory posts during periods of annual leave or sickness absence was by officers within the relevant teams under delegated responsibilities.

Other Council employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the amounts detailed in the table below. Staff within Voluntary Aided and Foundation schools are employed by the governing body of the school and have therefore been excluded from the table below.

2020/21 Teaching Staff & Staff in Schools	2020/21 Other Council Employees	2020/21 **Total**	Remuneration band	2021/22 Teaching Staff & Staff in Schools	2021/22 Other Council Employees	2021/22 **Total**
No	No	**No**		No	No	**No**
173	140	**313**	£50,000 - £54,999	169	150	**319**
102	129	**231**	£55,000 - £59,999	98	142	**240**
61	31	**92**	£60,000 - £64,999	71	69	**140**
68	40	**108**	£65,000 - £69,999	64	39	**103**
38	22	**60**	£70,000 - £74,999	46	27	**73**
18	17	**35**	£75,000 - £79,999	15	24	**39**
13	3	**16**	£80,000 - £84,999	12	11	**23**
14	8	**22**	£85,000 - £89,999	11	6	**17**
7	5	**12**	£90,000 - £94,999	8	8	**16**
4	2	**6**	£95,000 - £99,999	6	6	**12**
2	8	**10**	£100,000 - £104,999	2	-	**2**
-	3	**3**	£105,000 - £109,999	-	9	**9**
1	-	**1**	£110,000 - £114,999	1	2	**3**
-	-	**-**	£115,000 - £119,999	1	2	**3**
1	1	**2**	£120,000 +	-	2	**2**
502	**409**	**911**		**504**	**497**	**1,001**

Remuneration includes salary, allowances, bonuses and compensation for loss of employment.

The figures for both years include those employees with planned termination payments, 20 in 2021/22 (9 in 2020/21). Excluding employees in receipt of planned termination payments, 477 employees in 2021/22 (400 in 2020/21) received remuneration of £50,000 or more.

The number of Teaching Staff and Staff in Schools reflect those staff employed by the Council and has been affected by the conversion of a number of schools to Academy Status. Academy schools are independent of the Council and their employees are therefore excluded from the Council's financial statements.

The number of staff in Voluntary Aided and Foundation Schools, with a remuneration of more than £50,000 per annum, was 195 in 2021/22 (2020/21: 235).

Note 44
Exit Packages

The costs of exit packages are amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. The following table provides information on the number of exit packages payable by the Council for the year, with total cost per band and total cost of both compulsory and other redundancies.

2020/21							2021/22					
Compulsory		Voluntary		**Total**		Value of	Compulsory		Voluntary		**Total**	
No.	£m	No.	£m	**No.**	**£m**	individual package £000	No.	£m	No.	£m	**No.**	**£m**
-	-	-	-	**-**	**-**	£250+	-	-	-	-	**-**	**-**
1	0.2	1	0.2	**2**	**0.4**	£200 - £250	-	-	1	0.2	**1**	**0.2**
-	-	-	-	**-**	**-**	£150 - £200	-	-	1	0.2	**1**	**0.2**
2	0.2	2	0.3	**4**	**0.5**	£100 - £150	-	-	3	0.4	**3**	**0.4**
2	0.2	-	-	**2**	**0.2**	£80 - £100	1	0.1	3	0.3	**4**	**0.4**
2	0.1	1	0.1	**3**	**0.2**	£60 - £80	2	0.2	5	0.3	**7**	**0.5**
2	0.1	1	0.1	**3**	**0.2**	£40 - £60	2	0.1	10	0.5	**12**	**0.6**
6	0.2	11	0.3	**17**	**0.5**	£20 - £40	10	0.2	25	0.7	**35**	**0.9**
51	0.4	57	0.2	**108**	**0.6**	less than £20	59	0.4	86	0.5	**145**	**0.9**
66	**1.4**	**73**	**1.2**	**139**	**2.6**	**Total**	**74**	**1.0**	**134**	**3.1**	**208**	**4.1**

In addition to the costs of exit packages identified above, the Council incurred costs of £0.020m in 21/22 (£0.018m in 20/21) relating to the provision of transitional support and training to employees whose further employment was considered to be at risk.

Exit packages include the costs of compulsory and voluntary redundancy, pension fund strain payments and other departure costs.

Note 45
Auditor Remuneration

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's external auditors.

2020/21 £m		2021/22 £m
0.5	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	0.4
0.0	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year	0.0
0.5	Total	0.4

Note 46
Related Parties

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

Central Government
Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example, Council Tax bills, Business Rates, Housing Benefits). Grants received from Government departments are set out in Note 14. Grant receipts outstanding at 31 March 2022 are included in the balances within Note 27.

Members
Members of the Council have direct control over the Council's financial and operational policies. The total of Members' allowances paid in 2021/22 is shown in Note 42.

Officers
There were no transactions between Senior Officers of the Council and the Council and its related parties, other than the receipt of emoluments due as employees of the Council and payments of Council Tax due as appropriate.

School Governors
All school governors and staff should complete the school's Register of Business Interests. This register should be kept up-to-date and be freely available for inspection by governors, staff and parents.

Other Public Bodies

Aligned Budgets

The Council is party to an aligned commissioning agreement with the Clinical Commissioning Groups (CCGs) covering the Birmingham area, namely, Birmingham & Solihull CCG and West Birmingham and the Black Country CCG. Under this arrangement the strategic commissioning of Mental Health (MH) services is overseen by the Mental Health System Strategic Board. The Adults with Learning Disabilities (LD) Integrated Commissioning Board performs the same function for LD services. Each Board has representation from the City Council and NHS bodies and reviews the expenditure plans for the services but there is no arrangement in place to pool City Council and NHS budgets for the services. The objective of the arrangement is to improve services for users through closer working and co-operation in the commissioning of services and have been established pursuant to Section 75 of the NHS Act 2006 and related Regulations with the Council hosting the Learning Disability element and the combined CCGs hosting Mental

Health Services provision. The table below summarises the financial activity relating to the BCC hosted Learning Disability element for the year.

	2020/21 £m	2021/22 £m
Funding provided to the pooled budget		
Birmingham City Council	109.2	114.4
Combined Clinical Commissioning Groups	71.6	75.7
	180.8	**190.1**
Expenditure met from the pooled budget		
Birmingham City Council	109.2	114.4
Combined Clinical Commissioning Groups	71.6	75.7
	180.8	**190.1**
Net surplus arising from the pooled budget during the year	**-**	**-**

The Better Care Fund (including the improved Better Care Fund)

The Better Care Fund (BCF) was announced in June 2013 with the intention of driving the transformation of local care services and is operated through pooled budget arrangements between the Council and local Clinical Commissioning Groups (CCGs). Specific resources were earmarked for the BCF by NHS England in its allocation to CCGs. The remainder of the fund was made up of the Social Care Capital Grant and the Disabled Facilities Grant which were paid to local authorities. No new money was made available at the time to the health and care system, but the BCF provided an opportunity for joint working between local authorities and health organisations to deliver better outcomes for service users. The funding the Council receives through the BCF replaces the Section 256 transfer from the NHS that had been made in previous years.

As part of the Government's response to Covid-19 the Hospital Discharge Service Operating Model was established and provided funding, via the NHS, to help cover the cost of post-discharge recovery and support services, rehabilitation and reablement for up to 6 weeks following discharge from hospital. From September 2020 this was replaced with the Discharge to Assess Pathways model and for the 2021/22 financial year a total of £3.4m was received by the Local Authority to support these clients.

The improved Better Care Fund (iBCF) was introduced in 2016/17. It was implemented through two statements, the first – iBCF1 in November 2016 and the second - iBCF2 in Spring 2017. This Section 31 Grant is received by local authorities and is included in the BCF Pool. iBCF Funding received in 2021/22 remained at £65.9m.

The Council endorsed the principle of a BCF joint pooled budget for Older Adult Social Care and Health integrated provision between the Council and local CCGs, namely Birmingham & Solihull CCG and West Birmingham and the Black Country CCG. Joint proposals were developed during 2014/15 for implementation from 1 April 2015, which included the Council acting as host for the BCF.

In 2021/22 funding of £101.3m (2020/21: £116.3m) was earmarked for the BCF by the Department of Health via the CCGs as detailed in the table below. The main variation from 2020/21 is due to a reduction of £9.9m on the Discharge to Assess Pathway support. The Council's contribution was made up of the Disabled Facilities Grant, iBCF Grant, together with £12.4m of additional support to the wider Health and Social Care System.

Contribution to the BCF Pooled Fund	2020/21 £m	2021/22 £m
Birmingham & Solihull CCG	103.1	87.7
Sandwell and West Birmingham CCG	13.2	13.6
NHS Contribution	**116.3**	**101.3**
Birmingham City Council	21.1	25.3
iBCF Section 31 Grant	65.9	65.9
Total BCF Pooled Fund	**203.3**	**192.5**

The BCF is used to fund various schemes as identified in the agreed joint plan. The management arrangements for the individual projects depend on the services being provided and include:

- Sole control of the activities by CCGs;
- Sole control of the activities by the Council;
- Joint control of the activities with CCGs or the Council acting as host;
- Lead commissioning by CCGs or the Council on behalf of the other organisations.

Details of the specific projects are set out below.

Service Provision	**Budgeted Activity**		**Nature of Arrangement**
	2020/21	**2021/22**	
	£m	**£m**	
Bed Based Additional Provision	1.5	1.3	Lead Commissioning – Council
Social Care Based Additional Provision	1.7	1.8	Sole Control – Council
Reablement – Kenrick Centre	1.7	2.1	Sole Control – Council
Care Act	3.4	3.6	Lead Commissioning – Council
Carers Strategy	1.4	1.5	Joint Control
Eligibility Criteria	22.8	24.0	Sole Control – Council
Management of Programme	0.1	0.0	Joint Control
Community Services	50.9	40.6	Sole Control – CCGs
Reablement – Rapid Assessment, Interface and Discharge	1.8	0.3	Sole Control – CCGs
Outpatient Antimicrobial Therapy	0.1	0.1	Sole Control – CCGs
End of Life Personal Health Budgets	0.0	0.1	Sole Control – CCGs
Dementia	2.9	2.9	Sole Control – CCGs
Assertive Outreach	0.3	0.3	Sole Control – CCGs
Equipment Contracts	5.5	5.0	Lead Commissioning – Council
Disabled Facilities Grant and Capital	12.9	12.9	Sole Control – Council
Health & Social Care System Improvements	16.7	26.2	Joint Control
Hospital Discharge Service	13.7	3.9	Joint Control
	137.4	**126.6**	
improved Better Care Fund (iBCF)	65.9	65.9	Sole Control – Council
Total BCF	**203.3**	**192.5**	

Other Related Parties

During 2021/22 payments to the value of £471.4m, inclusive of VAT, were payable to related parties of which £42.8m remained outstanding at 31 March 2022. Additionally, £90.4m inclusive of VAT, was receivable during 2021/22 from companies in which the Council had a related party interest, of which £18.5m remained outstanding at 31 March 2022. The majority of the value of expenditure is in relation to companies where elected members are acting in their official capacity within the Group.

Other balances at 31 March 2022 are: assets of £37.4m of investments and £78.9m of loans (of which £74.5m is repayable after 31 March 2023); liabilities of £81.0m of funding guarantee (NEC Developments Plc), £17.5m held as cash invested by Birmingham Children's Trust and £2.5m of borrowings (all of which is repayable by 31 March 2023).

Entities Controlled or Significantly Influenced by the Council

The Council maintains involvement with a number of associated and subsidiary companies where the assets and liabilities of these companies are not included in the Council's core financial statements. Group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

The subsidiaries that have been consolidated into the group financial statements are listed below:

	Exp. £m	Income £m	Loans Council as Grantor Granted £m	Loans Council as Grantor Repaid £m	Council Assets at year end £m	Council Liabilities at year end £m
Acivico Limited	28.5	2.5	1.0	2.6	7.4	5.9
Birmingham Children's Trust CIC	231.3	14.5	-	6.0	5.7	29.4
Birmingham City Propco Limited	-	2.2	-	-	20.2	-
InReach (Birmingham) Limited	-	-	0.8	1.4	14.2	-
National Exhibition Centre (Developments) Plc	5.5	-	-	-	-	81.0
PETPS (Birmingham) Limited	-	-	-	-	-	-
PETPS (Birmingham) Pension Funding Scottish Limited Partnership	2.5	-	-	-	-	2.5

Separate to the numbers in the table above: The Council has made a provision of £3.6m in its accounts for potential reimbursement right support to its subsidiaries.

The associate and joint venture that have been consolidated into the group financial statements are listed below:

	Expenditure £m	Income £m	Council Assets at year end £m	Council Liabilities at year end £m
Birmingham Airport Holdings Limited (BAH)	-	0.4	1.0	-
Paradise Circus Limited Partnership	4.8	0.6	0.4	-

The Council also has relationships with a number of other companies and third party organisations where the assets and liabilities of the Council's holding is not material to the Group Accounts or where the Council has representation and influence on the board of the organisation but has no claim on the assets and liabilities of the organisation. Details of the organisation and its relationship to the Council are set out in the tables below.

Organisations where the Council has 100% share ownership of the company, but the level of activity is not material to the Council's Group Accounts, are detailed below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2021/22.

Birmingham Charities Limited
Birmingham Curzon Regeneration Company Limited
Birmingham Endeavour Limited
Birmingham Municipal Housing Limited
Birmingham Museums Trust *
Birmingham Venture Capital Limited *
Birmingham Wheels Ltd
Creative Advantage West Midlands Limited
Fields Millennium Green Trust (Kings Norton)
Finance Birmingham Limited
Forward Homes (Birmingham) Limited
Frontier Development Holding Limited
Greater Birmingham and West Midlands Brussels Office *
NEC Pension Trustee Company Limited *
NEC Pension Trustee Company No.2 Limited
Performances (Birmingham) Limited *

Entities where the Council has some influence

Organisations, including associated subsidiaries, where the Council is a minority shareholder of the company and the level of activity is not material to the Council's Group Accounts are detailed below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2021/22.

Ascarii Limited
Ascension Ventures
Auctus
Big Button
Birmingham LEP Company (also known as Birmingham Lend Lease Partnership) *
Birmingham Schools SPC Phase 1A Limited *
Birmingham Schools SPC Phase 1B Limited *
Birmingham Wholesale Market Company Limited *
Bridge Street Management Ltd
Central Technology Belt
Crowd Technologies
CSR City Limited
Ex Cathedra
Eyoto Group Limited
Friends of Rectory Park
Frontier Development Capital Limited
Goodfish Limited
Learning Labs Limited
Midlands Industrial Association Ltd
Mutt Motorcycles Limited
Natural HR Limited
Opinsta Limited
Owned It
Stockfield Community Association
UK Municipal Bonds Agency PLC
Veolia Environmental Services Birmingham Ltd *
Vision Technologies
West Midlands Growth Company Limited *
Wetakestock Limited

The Council also has representation on the board of a number of organisations but has no associated shareholding or entitlement to returns from the organisation. Details of the relevant companies are set out below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2021/22.

Acocks Green Carnival Committee
Acocks Green Primary School Academy *
Active Wellbeing Society Limited *
Bartley Green School Academy *
Betel UK
Birmingham Asian Resource Centre
Birmingham Citizens Advice Bureau Service Ltd
Greater Birmingham and Solihull LEP Ltd.
Gurdwara Baba Deep Singh Ji Shaheed
Harborne Parish Lands Charity
Holloway Hall Community Association
King Edward VI Academy Trust *
Midlands Arts Centre
Millennium Point Property Ltd *

Birmingham Disability Resource Centre *
Birmingham Opera Company
Birmingham Organising Committee for the 2022 Commonwealth Games Limited *
Birmingham Repertory Theatre *
Birmingham Royal Ballet *
Birmingham Settlement Ltd *
Birmingham Voluntary Service Council *
Bournville Village Trust *
Canal & River Trust *
Care Plus
City of Birmingham Symphony Orchestra *
Clifton Road Youth Centre
Cottesbrooke Infant and Nursery School Academy *
Culture Spectrum
Dance Xchange *
Fox Hollies Community Association *
Friends of Acocks Green Recreation Ground
Millennium Point Trust
New Local Ltd
Pen Museum
Rowheath Pavilion
Sikh Council UK
St Barnabas School (Academy)
St. Basil's *
St. Michael's Primary School Academy
St. Paul's Community Development Trust
Warwickshire County Cricket Club *
Waverley School Academy *
West Midlands Ambulance Service
West Midlands Combined Authority *
West Midlands Fire and Rescue Authority *
Wilson Stuart School Academy *
Witton Lodge Community Association Ltd *
Yenton Primary School (Academy) *

Business Improvement Districts (BID) are business led partnerships, created to deliver additional services to local businesses. A BID covers a defined area in which a levy is charged on all business rate payers, which is then used to develop projects that will benefit business within the area. The Council has representation on BID boards within the Birmingham area as detailed below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2021/22.

Acocks Green Village BID
Colmore Business District BID*
Erdington Town Centre Partnership
Harborne Village BID Limited
Jewellery Quarter Development Trust CIC
Kings Heath BID
Northfield Town Centre BID
Retail Birmingham Limited*
Soho Road BID
Southside BID
Sutton Coldfield Town Centre BID*
Westside Partnership Limited

Tenant Management Organisations (TMO) – The Council, whilst not having shareholding, entitlement to returns, nor board representation, does still hold significant influence over these bodies. Those highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2021/22.

Bloomsbury Estate Management Board*
Four Towers TMO*
Holly Rise Housing Co-operative
Manor Close Residents' Management Org.
Roman Way Estate CIC*

Other Related Parties

In addition to the companies where the Council has influence through its share ownership or representation on the board, set out above, the Council has had transactions of over £0.1m within 2021/22 with the following organisations which fall within the definition of related parties:

- Ashley Community Housing (ACH)
- Birmingham and Solihull Mental Health Trust
- Birmingham Community Healthcare NHSFT
- Birmingham Women's and Children's NHSFT
- Black Country Housing Group Limited
- Chamberlain Highbury Trust (The)
- National Centre for Conductive Education (NICE)
- Norton Hall Children and Family Centre
- Sandwell and West Birmingham Hospitals NHST
- Sandwell College
- Sir Josiah Mason Trust
- South and City College (Birmingham) Limited
- Thompsons Solicitors
- University Hospital Birmingham Foundation Trust
- Yardley Great Trust

The value of transactions for other, non-consolidated, related parties, individually less than £0.1m within 2021/22 was net expenditure of £0.5m (£1.0m expenditure and £0.5m income).

Note 47
The Council Acting as Agent

The Council acts as an intermediary in its role as agent for a number of external bodies. The Council processes transactions through its financial ledger but does not include them in its financial statements as there is no exposure to significant risk or reward associated with the transactions. Details of the major activities where the Council acts as agent are detailed below:

Agency Role	**No**	**Level of Reserve** £m	**Gross Expenditure** £m
Accountable Body	37	134.5	135.9
Provision of External Payrolls	110		272.2
Arrangements supporting Housing activities	1	2.9	5.7
Reporting of Trust activities	18	27.9	0.4
Subsidiary Companies	5	20.0	1.3
Other transactions	11	0.8	0.8

External Payrolls

The Council provides payroll services to external organisations, including Academy Schools and Colleges of Further Education, using capacity within its payroll system. Whilst the cost of providing the service is charged to the external organisation and forms part of the CIES, the payroll records for the external organisations do not form part of the Council's financial statements.

Accountable Body Role

The Council acts as accountable body for a number of external activities, including the Greater Birmingham & Solihull Local Enterprise Partnership (the LEP), Local Enterprise Zones and the England Illegal Money Lending Team.

The Council records and reports the financial activities of the bodies for which it is accountable and may directly receive the funds allocated to the activities and incur expenditure as directed by the external party. The Council may also receive funds in its own right from the arrangement to support eligible projects, which will form part of the Council's financial statements.

Greater Birmingham & Solihull Local Enterprise Partnership

Resources have been made available through a number of Government sources, including the Regional Growth Fund where the Council has been identified as the accountable body. In its role as accountable body, under the terms and conditions of the funding arrangements, the Council has no entitlement to:

- retain any interest generated as a result of the provision of state funds;
- use the state funds in any way other than as provided for in the offer letter.

The Council acts as the accountable body for the resources provided on behalf of the LEP. The Council may receive direct funding to support eligible projects as determined by the LEP's independent investment boards and committees.

The Council acts as the accountable body for a number of Covid-19 Grants and these are now included in the figures in the table above, rather than disclosed separately as they were in 2020/21.

Enterprise Zones

The Council provides accountancy support, collecting Business Rate contributions through its role as agent for the Collection Fund and making payments on its behalf against LEP approved projects as contained in the Enterprise Zone Investment Programme.

England Illegal Money Lending Team

The England Illegal Money Lending Team seizes and holds cash from third parties temporarily as part of its accountable body activities on behalf of the Courts.

Housing Activities

For a number of mixed tenure housing developments on Council owned land, the Council receives payment for any market sales prior to distribution between the Council and the developer.

Trusts

The Council provides administrative and accountancy support to a number of trusts and some of those are transacted through the Council's bank accounts. Included within this group are activities related to the collection of rent and management of properties on behalf of Housing Trusts and Community Associations.

Subsidiary Companies

The following are consolidated into the Council's Group Accounts:

- **The National Exhibition Centre(Developments) Plc**
  Following the sale of the City Council's interests in the NEC Group, the sole function of The National Exhibition Centre(Developments) Plc is servicing the finance originally raised to fund the construction of Halls 17 to 20 at the National Exhibition Centre. Expenses are incurred in administering the debt.
- **PETPS(Birmingham) Limited, PETPS(Birmingham) Capital Limited, PETPS(Birmingham) General Partner limited and PETPS (Birmingham) Pension Funding SLP**
  Following completion of the sale of the City Council's interests in the NEC Group in 2015, PETPS(Birmingham) Limited became principal employer and assumed the ongoing funding obligations of the NEC Limited Pension Fund (the "Fund") and the NEC Executive Pension Scheme with the agreement of the pension trustees. At the same time the City Council gave guarantees to meet the current and future contingent funding obligations that may arise in respect of the liabilities.

  PETPS(Birmingham) Capital Limited and PETPS(Birmingham) General Partner limited were incorporated as part of a funding structure to facilitate the City Council making payments to the Fund. As part of this structure, a Scottish Limited Partnership called PETPS (Birmingham) Pension Funding SLP was established.

Other

The Council provides accountancy support to:
- a number of national and regional bodies, collecting contributions and making payments on their behalf
- service users who require support in managing their resources.

Note 48
Trust Funds

The Council administers a number of trust funds which have been established from donations and bequests made to it to meet a variety of objectives and purposes. The total funds held at 31 March 2022 were £ 32.6m (2020/21: £ 31.4m). The trust funds do not represent assets of the Council and have not been included in the Consolidated Balance Sheet. The major trust funds are detailed below.

	Balance at 31 March 2021	Income	Expenditure	**Balance at 31 March 2022**
	£m	£m	£m	£m
Council acting as Sole Trustee				
Birmingham Municipal Charity - general charitable objectives	0.7	0.1	0.0	0.8
Charles Baker Trust – for the elderly and disabled	0.3	0.0	0.0	0.3
Cropwood Estate – management of the estate	15.0	0.1	0.0	15.1
Elford Trust – healthy recreation for Birmingham citizens	4.5	0.2	0.0	4.7
Harriet Louisa Loxton Charity – for the aged and infirm	1.9	0.3	0.0	2.2
Highbury Trust – for the benefit of the citizens of Birmingham	2.1	0.1	0.2	2.0
Other	0.2	0.0	0.0	0.2
Total Council acting as Sole Trustee	**24.7**	**0.8**	**0.2**	**25.3**

Council acting as Custodian				
Alderson – to let dwelling houses to ex-servicemen and other persons in need	0.6	0.1	0.1	0.6
Bodenham Trust – for children with special educational needs	0.7	0.1	0.0	0.8
Clara Martineau Trust – for children with special educational needs	5.1	0.7	0.2	5.6
Moseley Road Friends Institute – provision and maintenance	0.2	0.1	0.1	0.2
Other	0.1	0.0	0.0	0.1
Total Council acting as Custodian	**6.7**	**1.0**	**0.4**	**7.3**
Total Trust Balances	**31.4**	**1.8**	**0.6**	**32.6**

Analysis of the assets of the main funds:

	Restricted Funds at 31 March 2022 £m	Unrestricted Funds at 31 March 2022 £m	**Total Funds 31 March 2022 £m**
Council acting as Sole Trustee			
Birmingham Municipal Charity - general charitable objectives	0.8	0.0	0.8
Charles Baker Trust – for the elderly and disabled	0.2	0.1	0.3
Cropwood Estate – management of the estate	0.7	14.4	15.1
Elford Trust – healthy recreation for Birmingham citizens	4.2	0.5	4.7
Harriet Louisa Loxton Charity – for the aged and infirm	2.1	0.1	2.2
Highbury Trust – for the benefit of the citizens of Birmingham	1.8	0.2	2.0
Other	0.1	0.1	0.2
Total Council acting as Sole Trustee	**9.9**	**15.4**	**25.3**
Council acting as Custodian			
Alderson – to let dwelling houses to ex-servicemen and other persons in need	0.0	0.6	0.6
Bodenham Trust – for children with special educational needs	0.8	0.0	0.8
Clara Martineau Trust – for children with special educational needs	5.3	0.3	5.6
Moseley Road Friends Institute – provision and maintenance	0.2	0.0	0.2
Other	0.1	0.0	0.1
Total Council acting as Custodian	**6.4**	**0.9**	**7.3**
Total Assets	**16.3**	**16.3**	**32.6**

SUPPLEMENTARY FINANCIAL STATEMENTS 2021/22

Housing Revenue Account - Income and Expenditure Statement

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The Account is required to be self-financing and cannot subsidise or be subsidised by the General Fund. 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 regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2020/21 £m		Note	2021/22 £m
	Income		
(253.5)	Dwellings rents		(255.3)
(8.6)	Non-dwellings rents		(11.5)
(20.1)	Charges for services and facilities		(21.7)
(282.2)	**Total Income**		**(288.5)**
	Expenditure		
58.4	Repairs and maintenance		62.3
71.5	Supervision and management		72.5
4.6	Rent, rates, taxes and other charges		8.0
53.6	Depreciation and impairment charge	H3 & H6	56.4
0.3	Debt management costs		0.1
188.4	**Total Expenditure**		**199.3**
(93.8)	**Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement and Net (Income) / Cost of HRA Services**		**(89.2)**

2020/21	**HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:**	2021/22
4.7	Change in fair value of financial instruments	3.0
46.7	Interest payable and similar charges	46.5
0.7	Amortisation of premia and discounts	0.7
(0.6)	HRA interest and investment income	(0.2)
(8.8)	(Gains)/ Losses on the disposal of HRA non-current assets	(12.1)
3.6	Pensions interest cost and expected return on pensions assets	4.0
(1.3)	Capital Grants and Contributions Receivable	(2.2)
(48.8)	**(Surplus)/Deficit for the Year on HRA Services**	**(49.5)**

Movement on the Housing Revenue Account Statement

2020/21		2021/22
£m		£m
(48.8)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(49.5)
44.5	Adjustments between accounting basis and funding basis under statute (Note 16)	41.6
(4.3)	Net (increase) / decrease before transfers to / (from) reserves	**(7.9)**
1.6	Transfer to / (from) reserves	3.9
(2.7)	(Increase) / decrease for the year on HRA balance	**(4.0)**
(8.5)	HRA Balance Brought Forward	**(11.2)**
(11.2)	HRA Balance Carried Forward	**(15.2)**

	Total HRA Reserve	
(11.2)	HRA Balance	(15.2)
(3.1)	HRA Earmarked Reserve	(7.0)
(14.3)	**Total HRA Reserve**	**(22.2)**

Notes to the Housing Revenue Account

H1. Housing Stock

The types of properties (including Shared Ownership properties) owned by the Council at 31 March comprise:

31 March 2021		31 March 2022
3,702	1 bedroom bungalows	3,691
14,785	1 bedroom flats	14,697
56	1 bedroom houses	55
293	2 bedroom bungalows	293
10,426	2 bedroom flats	10,289
8,275	2 bedroom houses	8,151
30	3 or more bedroom bungalows	29
3,769	3 or more bedroom flats	3,685
18,374	3 or more bedroom houses	18,012
59,710	**Total housing stock**	**58,902**

The change in the property numbers is analysed below:

2020/21		2021/22
60,185	Stock at 1 April	59,710
(418)	Sales	(675)
(160)	Demolitions / transfers	(174)
103	Acquisitions	41
59,710	**Stock at 31 March**	**58,902**

The Balance Sheet values of HRA non-current assets are as follows:

31 March 2021		31 March 2022
£m		£m
2,609.8	Council dwellings/garages	2,986.2
12.1	Assets under Construction	5.7
56.1	Other land and buildings	30.3
2,678.0	**Total operational assets**	**3,022.2**
10.9	Non-operational assets	49.0
2,688.9	**Total**	**3,071.2**

The housing stock, land and other property within the HRA are valued in line with the Ministry of Housing, Housing and Communities and Local Government (MHCLG) Guidance on Stock Valuation for Resource Accounting published in November 2016. The basis of the valuation for the housing stock element is in accordance with the Royal Institution of Chartered Surveyors using the Existing Use Value - Social Housing basis, which takes open market value for the underlying dwellings and applies a discount factor to reflect the reduced value as a result of use for social housing for 2021/22 of 40%. The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £112.7m was spent on HRA dwellings during the year.

As at 31 March 2022, the Council also owned 199 dwellings (31 March 2021: 189) that were occupied by trespassers following the death or departure of the tenant of that property. These properties are, therefore, not available for social housing. These properties are not considered to have a value whilst they are occupied in this way, but if they were to become available for social housing, their value, on the basis of an Existing Use Value – Social Housing (EUV-SH) would be £10.1m (31 March 2021: £8.2m).

The value of the Council dwellings is broken down into components as follows:

31 March 2021	`	31 March 2022
£m		£m
632.9	Land	706.3
16.5	Kitchens	15.5
21.7	Bathrooms	21.2
43.6	Windows	40.8
49.7	Heating	46.5
11.8	Roofs	9.9
1,833.6	Remaining Structure	2,146.0
2,609.8	**Total**	**2,986.2**

H2. Value of Dwellings on Vacant Possession

(a) The vacant possession value of dwellings within the Council's HRA, valued in accordance with the Guidance, as at 31 March 2022 is £6,924.2m.

(b) The difference between the above figure and the figure of £2,986.2m in the Balance Sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the MHCLG's stock valuation model as explained in Supplementary Note H1.

H3. Revaluations and Impairment Charges

Revaluations and impairment charges reflect an increase or reduction in the value of property due to the economic environment or an event that has occurred to the assets. This could include a decline in demand, obsolescence, and commitments to make significant changes to housing. There has been an impairment in HRA asset values in 2021/22 of £0.1m (2020/21: £nil). The net value of HRA dwellings has increased by £376.4m to £2,986.2m.

H4. Major Repairs Reserve

A transfer is made to the Major Repairs Reserve each year of a value equivalent to the amount charged to the HRA for depreciation of dwellings based on the componentised valuation of the dwellings and individual component residual lives, to make provision for ongoing elemental renewal over the longer term.

The main movements on the Major Repairs Reserve are set out below

2020/21 £m		2021/22 £m
24.4	Balance on Major Repairs Reserve at 1 April	24.4
53.3	Amount transferred to Major Repairs Reserve during the year	56.0
(53.3)	Charge to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the Council's HRA	(62.5)
24.4	**Balance on Major Repairs Reserve at 31 March**	**17.9**

H5. Capital Expenditure on HRA Assets

Expenditure on HRA assets was funded from the following sources:

2020/21 £m		2021/22 £m
21.9	Usable Capital Receipts (Right to Buy/Land)	28.0
53.3	Major Repairs Reserve	62.5
22.6	HRA Revenue contributions	21.8
7.0	Prudential Borrowing	0.0
1.3	Other resources	0.4
106.1		**112.7**

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £50.9m (land £3.0m, houses £47.9m). The values for 2020/21 were £31.7m (land £5.3m and houses £26.4m). The Government operates a capital receipts pooling framework and of these amounts £6.3m was paid to Central Government (2020/21: £6.4m).

H6. Depreciation Charges

The total charge for depreciation for the houses and other property within the Council's HRA is £56.3m (2020/21: £53.6m). The depreciation charge is calculated by reference to an assessment of the remaining useful life of the key components of each individual dwelling valued on a depreciated replacement cost basis.

H7. Contribution from Pension Reserve

The Comprehensive Income and Expenditure Statement includes pension costs calculated in accordance with International Accounting Standard 19 as described in detail in Note 20 to the Financial Statements. To ensure that these costs do not affect the level of HRA balances and council house rents, an appropriation is made from the Pensions Reserve so that the movement in balances only reflects the actual employer's pension contribution.

H8. Rent Arrears

Rent arrears from current tenants at 31 March 2022 totalled £17.8m (2020/21: £16.9m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £23.8m at 31 March 2022 (2020/21: £24.5m).

A provision for bad debts has been made to meet possible future write offs of rent and other services/leaseholder/benefit overpayments. The provision was £37.2m at 31 March 2022 (2020/21: £36.7m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

31 March 2021 £m		31 March 2022 £m
16.9	Current tenants	17.8
11.9	Housing benefit overpayment	10.8
12.6	Other debt (services/leaseholders)	13.0
41.4	**Total arrears**	**41.6**
36.7	Provision for bad debts	37.2

Collection Fund Income and Expenditure Account

The Collection Fund Income and Expenditure Account reflects the statutory requirement for the Council to maintain a separate Collection Fund for Council Tax and Business Rates or National Non Domestic Rates (NNDR). The statement shows transactions in relation to the collection of income from tax payers and the distribution to major preceptors and the Council itself, as principal. The resulting balance is apportioned between the Council and major preceptors.

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m	**Income**	£m	£m	£m
(431.6)		(431.6)	Collectable Council Tax	(451.9)		(451.9)
(431.6)		**(431.6)**		**(451.9)**		**(451.9)**
	(282.2)	(282.2)	Collectable Business Rates		(374.7)	(374.7)
	4.3	4.3	Transitional Payment Payable to Government		3.0	3.0
	(277.9)	**(277.9)**			**(371.7)**	**(371.7)**
	(10.0)	**(10.0)**	**Enterprise Zone Deficit Repayable to the Collection Fund**		**(5.0)**	**(5.0)**
			Apportionment of Prior Year Deficit:			
-	(0.6)	(0.6)	Birmingham City Council	(11.4)	(195.2)	(206.6)
	0.6	0.6	Central Government		-	-
-	-	-	West Midlands Fire & Rescue Authority	(0.5)	(2.0)	(2.5)
-		-	West Midlands Police and Crime Comm.	(1.3)		(1.3)
-	**-**	**-**	**Total Apportionment of Prior Year Deficit**	**(13.2)**	**(197.2)**	**(210.4)**
(431.6)	**(287.9)**	**(719.5)**	**TOTAL INCOME**	**(465.1)**	**(573.9)**	**(1,039.0)**

2020/21	2020/21	2020/21		2021/22	2021/22	2021/22
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m	Expenditure	£m	£m	£m
			Precepts Demands & Shares Incl Prior Years Surplus:			
371.8	436.0	807.8	Birmingham City Council	382.9	426.4	809.3
0.0		0.0	New Frankley in Birmingham Parish Council	0.0		0.0
1.9		1.9	Sutton Coldfield Town Council	1.8		1.8
	-	-	Central Government		0.9	0.9
16.0	4.3	20.3	West Midlands Fire & Rescue Authority	16.0	4.2	20.2
42.1		42.1	West Midlands Police and Crime Comm.	45.1		45.1
			Charges:			
27.3	27.9	55.2	Increase/(Decrease) in Provision for Bad and Doubtful Debts	3.3	8.7	12.0
	34.5	34.5	Increase/(Decrease) in Provision for Appeals		25.8	25.8
	1.8	1.8	Cost of Collection		1.8	1.8
459.1	**504.5**	**963.6**	**TOTAL EXPENDITURE**	**449.1**	**467.8**	**916.9**
27.5	**216.6**	**244.1**	**(Surplus)/Deficit for the year**	**(16.0)**	**(106.1)**	**(122.1)**
(3.9)	**17.0**	**13.1**	**(Surplus)/Deficit brought forward**	**23.6**	**233.6**	**257.2**
23.6	**233.6**	**257.2**	**(Surplus)/Deficit carried forward**	**7.6**	**127.5**	**135.1**

Notes to the Collection Fund
C1. Contributions from Council Taxpayers

The Council's tax base at January 2021 (the number of chargeable dwellings in each valuation band net of discounts) converted to an equivalent number of Band D dwellings was calculated as follows:

Band	Number of Properties	Ratio	Band D equivalent dwellings
AR	163	5/9	90
A	88,213	6/9	58,809
B	90,098	7/9	70,076
C	62,296	8/9	55,374
D	33,129	1	33,129
E	18,722	11/9	22,883
F	8,196	13/9	11,839
G	5,491	15/9	9,152
H	792	18/9	1,584
Total	**307,100**		**262,936**
Less adjustment for collection rate			(8,941)
			253,995

The level of Council Tax is calculated at the beginning of the year and is calculated so as to ensure that the Council has enough money to pay for the services it provides. The amount of tax paid by local residents is based on how much it is estimated that the property they live in would have been worth in 1991. There are nine property valuation bands, AR to H.

The total required by the Collection Fund is divided by the Council Tax base. The Tax base represents the number of properties in the City, expressed as equivalent Band D properties. The level of Council Tax paid for a Band D property is the total income required divided by the Council Tax base, subject to any discounts to which a Council Tax payer may be entitled. The amount is adjusted for discounts and exemptions that particular residents in the City are entitled to.

The figures for the New Frankley in Birmingham Parish are:

Band	Number of Properties	Ratio	Band D equivalent dwellings
AR	1	5/9	1
A	681	6/9	454
B	1,000	7/9	778
C	85	8/9	76
D	53	1	53
E	1	11/9	1
F	0	13/9	0
G	0	15/9	0
H	1	18/9	2
Total	**1,822**		**1,365**
Less adjustment for collection rate			(46)
			1,319

The figures for Sutton Coldfield Town Council are:

Band	Number of Properties	Ratio	Band D equivalent dwellings
AR	0	5/9	0
A	1,602	6/9	1,068
B	3,914	7/9	3,044
C	6,224	8/9	5,532
D	8,296	1	8,296
E	7,850	11/9	9,595
F	3,871	13/9	5,592
G	2,447	15/9	4,078
H	360	18/9	720
Total	**34,564**		**37,925**
Less adjustment for collection rate			(1,289)
			36,636

C2. Business Ratepayers

The Council collects Business Rates (NNDR) receipts for its area, which are based on local rateable values multiplied by a uniform rate which is set by the Government (49.9p for 2021/22: 49.9p for 2020/21). The total non-domestic rateable value at 31 March 2022 was £1,128.1m (31 March 2021: £1,133.9m).

Since 1 April 2017, the Council is included in a 100% Local Business Rates Retention pilot. The amount raised each year, less certain reliefs and adjustments, is distributed on the following basis:

- 99% - Birmingham City Council
- 1% - The West Midlands Fire and Rescue Authority.

Previously Business Rates was distributed on the following basis:

- 50% - Central Government
- 49% - Birmingham City Council
- 1% - The West Midlands Fire and Rescue Authority.

C3. Precept Payments

The preceptors on the Council Tax element of the Collection Fund are the Council, New Frankley in Birmingham Parish Council, Sutton Coldfield Town Council, the West Midlands Fire and Rescue Authority and the West Midlands Police and Crime Commissioner.

The preceptors on the NNDR element of the Collection Fund are the Council and the West Midlands Fire and Rescue Authority.

C4. Debtors Outstanding but not Impaired

Balances outstanding for both Council Tax and Business Rates including amounts net of an allowance for impairment are apportioned between the Council and its major preceptors as follows:

Analysis of Council Tax debtors past due but not impaired

	2020/21 BCC £m	2020/21 Fire £m	2020/21 Police £m	2021/22 BCC £m	2021/22 Fire £m	2021/22 Police £m
Council Tax Arrears	117.5	4.9	13.7	133.8	5.9	16.1
Impairment Allowance for doubtful debts	(52.5)	(2.2)	(6.1)	(55.0)	(2.4)	(6.6)
Amounts Past Due but not Impaired	**65.0**	**2.7**	**7.6**	**78.8**	**3.5**	**9.5**
Represented by Amounts:						
Less than 1 Year	29.8	1.2	3.5	28.9	1.3	3.5
1-2 Years	14.5	0.6	1.7	17.3	0.8	2.1
2-6 Years	20.1	0.8	2.3	25.2	1.1	3.0
Over 6 Years	0.6	0.1	0.1	7.4	0.3	0.9
TOTAL	**65.0**	**2.7**	**7.6**	**78.8**	**3.5**	**9.5**

Analysis of Business Rates debtors past due but not impaired

	2020/21 BCC £m	2020/21 Fire £m	2020/21 CG £m	2021/22 BCC £m	2021/22 Fire £m	2021/22 CG £m
Business Ratepayer Arrears	126.7	1.3	0.0	119.9	1.2	0.0
Impairment Allowance for doubtful debts	(71.9)	(0.7)	0.0	(80.6)	(0.8)	0.0
Amounts Past Due but not Impaired	**54.8**	**0.6**	**0.0**	**39.3**	**0.4**	**0.0**
Represented by Amounts:						
Less than 1 Year	28.7	0.3	0.0	18.3	0.2	0.0
1-2 Years	13.5	0.2	0.0	8.1	0.1	0.0
2-6 Years	12.6	0.1	0.0	12.9	0.1	0.0
Over 6 Years	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**54.8**	**0.6**	**0.0**	**39.3**	**0.4**	**0.0**

Statement of GROUP Accounts 2021/22

NARRATIVE REPORT

Introduction

In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases, it has created separate companies with its partners to deliver those services. The use of separate companies means that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture of the Council's activities.

This section presents the statutory financial statements for Birmingham City Council Group (the Group) for the period from 1 April 2021 to 31 March 2022. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

These Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of its subsidiaries, associates and joint ventures have been aligned with the policies of the Council, for the purposes of Group Accounts, where materially different. Such adjustments as are necessary to align the Group Accounting Policies are made as consolidation adjustments.

This narrative report provides a summary of the Group's financial position and details of material items that have impacted on the accounts during the year.

The financial statements contain a number of technical accounting terms and concepts. A glossary of the major accounting terms has been provided at the end of the financial statements to help the reader's understanding.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2022, with comparative figures for the previous financial year.

Consolidation of Subsidiaries, Associate Companies and Joint Ventures

The Council operates through a variety of undertakings, either exercising full control of an organisation (subsidiary undertakings) or in partnership with other organisations (associate undertakings or joint ventures). To provide a full picture of the activities of the Council, Group Accounts have been prepared which include those organisations where the interest and the level of activity is considered material to the Group as a whole.

There have been no changes to the Group structure within the financial year 2021/22.

The entities consolidated into the Council's Group Accounts are:

<u>Subsidiaries</u>
Acivico Limited
Birmingham Children's Trust Community Interest Company (CIC)
Birmingham City Propco Limited
InReach (Birmingham) Limited
National Exhibition Centre (Developments) Plc
PETPS (Birmingham) Limited
PETPS (Birmingham) Pension Funding Scottish Limited Partnership

Associate
Birmingham Airport Holdings Limited

Joint Venture
Paradise Circus Limited Partnership

Further detail regarding the Council's relationship with the above companies is given in notes G20 and G21.

The Council maintains involvement with a number of other related entities where the assets and liabilities of the companies are not included in these Group Financial Statements, either on the basis of materiality or that the Council does not exercise control or has no significant influence over the operation of the entity. Further details are set out in Note 46, Related Parties to the Council entity accounts.

Covid-19

Covid-19 continues to have an impact on the Financial performance of Group Companies, specifically Birmingham Airport. The Airport is still showing a net loss although this has reduced significantly from 2020/21.

The Council will continue to monitor the performance of its companies. It has given no additional letters of comfort to its companies as a result of Covid-19.

The Main Financial Statements

The following statements consolidate the accounts of the Council with those of its subsidiaries, associate and joint venture. Transactions between the Council and its Group entities are eliminated on consolidation. Details of the inter-company transactions are set out in Note 46, Related Parties, to the entity accounts.

The Group Comprehensive Income and Expenditure Statement (GCIES) – provides the accounting cost in year recognised by the Group, in a specified format, in accordance with generally accepted accounting practices. Details of the net (surplus)/deficit on the provision of services is detailed below.

	2020/21		2021/22	
	Entity £m	Group £m	Entity £m	Group £m
(Surplus)/Deficit on Provision of Services	(134.7)	(116.1)	(85.1)	(71.7)

The 2021/22 GCIES shows an adverse movement of £44.4m from £116.1m to £71.7m in the movement on the net Surplus/(Deficit) on Provision of Services compared to 2020/21 as shown in the table above. Details of the major movements are set out in the Narrative Report in the Council entity accounts.

Group Movement in Reserves Statement (GMiRS) – provides a reconciliation of the movement in year on the different reserves held and how the balance of resources generated or used in the year reconciles to the Council's statutory requirements for raising Council Tax.

Group Balance Sheet – shows the value of assets and liabilities recognised by the Group at 31 March 2022 and the level of reserves, split into usable and unusable.

	2020/21		2021/22	
	Entity £m	Group £m	Entity £m	Group £m
Long Term Assets	6,619.7	6,607.7	7,406.3	7,390.4
Current Assets	676.2	675.2	512.3	516.1
Current Liabilities	(1,098.1)	(1,091.7)	(918.3)	(919.8)
Long Term Liabilities	(6,592.0)	(6,756.2)	(5,976.2)	(6,086.5)
Net Assets/(Liabilities)	**(394.2)**	**(565.0)**	**1,024.1**	**900.2**
Represented by:				
Usable Reserves	1,446.9	1,260.8	1,512.2	1,375.2
Unusable Reserves	(1,841.1)	(1,825.8)	(488.1)	(475.0)
Total Reserves	**(394.2)**	**(565.0)**	**1,024.1**	**900.2**

The Net Group assets have increased to £900.2m in 2021/22 from a liability of £565.0m in 2020/21, a movement of £1,465.2m. This is mainly due to reductions in the pension liabilities in the Council's Accounts, Acivico Ltd Accounts and Birmingham Children's Trust CIC Accounts. Further details on this can be found in Note 20 of the Entity Accounts and Note G18 of the Group Accounts.

The difference in the level of usable reserves attributable to Group entities has increased from £1,260.8m in 2020/21 to £1,375.2m in 2021/22, a movement of £114.4m. This is mainly due to movements in the Council reserves, details of which can be found in Note 17 of the Entity Accounts.

Group Cash Flow Statement – shows how the Group generates and uses cash during the year and the impact this has on the balances of cash and cash equivalents.

The notes below will provide information only where there are material differences between the entity and Group Accounts.

Group Comprehensive Income and Expenditure Statement

This statement shows the income and expenditure recognised by the Group during the reporting period.

2020/21 (Restated) Gross Expenditure	Gross Income	Net Expenditure		Note	2021/22 Gross Expenditure	Gross Income	Net Expenditure
			Continuing Operations				
£m	£m	£m			£m	£m	£m
441.8	(209.8)	232.0	Adult Social Care		482.8	(160.5)	322.3
1,104.5	(799.8)	304.7	Children and Families		1,214.0	(823.0)	391.0
33.8	(26.7)	7.1	City Housing		47.6	(29.2)	18.4
260.7	(70.1)	190.6	City Operations		286.2	(74.4)	211.8
56.4	(39.3)	17.1	Place, Prosperity and Sustainability		81.4	(80.1)	1.3
638.8	(566.2)	72.6	Council Management		658.5	(584.8)	73.7
114.9	(139.4)	(24.5)	Strategy, Equalities and Partnerships		120.8	(114.5)	6.3
170.3	(75.5)	94.8	Centrally Managed		15.2	(87.2)	(72.0)
188.4	(282.2)	(93.8)	Housing Revenue Account		199.3	(288.5)	(89.2)
3,009.6	**(2,209.0)**	**800.6**	**Total Cost of Services**		**3,105.8**	**(2,242.2)**	**863.6**
83.2	0.0	83.2	Other Operating Expenditure		92.5	0.0	92.5
283.7	(41.8)	241.9	Financing and Investment Income and Expenditure	G4	278.0	(57.5)	220.5
258.1	(1,499.9)	(1,241.8)	Taxation and Non-Specific Grant Income		95.1	(1,343.4)	(1,248.3)
		(116.1)	**(Surplus)/Deficit on Provision of Services**				**(71.7)**
		16.3	Share of the (surplus)/deficit on the Provision of Services of Associates				3.5
		-	Tax Expense/(credit) of Subsidiaries				(0.8)
		(2.4)	Tax Expense/(credit) of Associates				-
		(102.2)	**Group (Surplus)/Deficit**				**(69.0)**
			Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(222.1)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets				(583.8)
		0.5	Changes in non-current assets charged to the revaluation reserve				0.8
		825.6	Remeasurement of the net defined benefit liability	G18			(814.7)
		-	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures				-
		604.0					**(1,397.7)**
			Items that may be reclassified to the (Surplus)/Deficit on the Provision of Services				
		0.5	(Surplus) / deficit on revaluation of financial assets				1.5
		0.5					**1.5**
		604.5	**Other Comprehensive (Income) / Expenditure**				**(1,396.2)**
		502.3	**Total Comprehensive (Income) / Expenditure**				**(1,465.2)**

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

	General Fund Balance	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures	**Total Group Reserves**
	£m	£m	£m	£m	£m	**£m**	£m	**£m**	£m	**£m**
Balance at 1 April 2020	**656.8**	**10.0**	**223.3**	**24.4**	**142.6**	**1,057.1**	**(1,067.9)**	**(10.8)**	**(51.9)**	**(62.7)**
Movement in Reserves during 2019/20										
Surplus/(Deficit) on the provision of services	309.4	48.8				358.2		358.2	(256.0)	102.2
Other Comprehensive Income and Expenditure						0.0	(518.1)	(518.1)	(86.4)	(604.5)
Total Comprehensive Income and Expenditure	309.4	48.8	0.0	0.0	0.0	358.2	(518.1)	(159.9)	(342.4)	(502.3)
Adjustments between Group Accounts and Council Accounts	(223.5)					(223.5)		(223.5)	223.5	-
Net Increase/(Decrease) before Transfers	85.9	48.8	0.0	0.0	0.0	134.7	(518.1)	(383.4)	(118.9)	(502.3)
Adjustments between accounting basis and funding basis under regulations (Note 16)	319.6	(44.5)	30.1	0.0	(50.2)	255.1	(255.1)	-		-
Increase/(Decrease) in 2020/21	405.5	4.3	30.1	0.0	(50.2)	389.8	(773.2)	(383.4)	(118.9)	(502.3)
Balance at 31 March 2021	**1,062.3**	**14.3**	**253.4**	**24.4**	**92.4**	**1,446.9**	**(1,841.1)**	**(394.2)**	**(170.8)**	**(565.0)**
Movement in Reserves during 2021/22										
Surplus/(Deficit) on the provision of services	270.6	49.5				320.1		320.1	(251.1)	69.0
Other Comprehensive Income and Expenditure						0.0	1,333.2	1,333.2	63.0	1.396.2
Total Comprehensive Income and Expenditure	270.6	49.5	0.0	0.0	0.0	320.1	1,333.2	1,653.3	(188.1)	1,465.2
Adjustments between Group Accounts and Council Accounts	(235.0)					(235.0)		(235.0)	235.0	-
Net Increase/(Decrease) before Transfers	35.6	49.5	0.0	0.0	0.0	85.1	1,333.2	1,418.3	46.9	1,465.2
Adjustments between accounting basis and funding basis under regulations (Note 16)	(26.1)	(41.6)	34.2	(6.5)	20.2	(19.8)	19.8	-		-
Increase/(Decrease) in 2021/22	9.5	7.9	34.2	(6.5)	20.2	65.3	1,353.0	1,418.3	46.9	1,465.2
Balance at 31 March 2022	**1,071.8**	**22.2**	**287.6**	**17.9**	**112.6**	**1,512.2**	**(488.1)**	**1,024.1**	**(123.9)**	**(900.2)**

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

31 March 2021 £m		Note	31 March 2022 £m
6,215.3	Property, Plant and Equipment		6,990.5
249.9	Heritage Assets		249.9
36.9	Investment Properties	G5	42.5
9.3	Intangible Assets		8.2
5.9	Long Term Investments		4.1
82.8	Long Term Debtors		89.3
7.6	Investments in Associates	G21	5.9
6,607.7	**Total Long Term Assets**		**7,390.4**
172.3	Short Term Investments		110.5
46.9	Assets Held for Sale		0.4
1.9	Inventories		2.2
397.9	Short Term Debtors	G7	341.5
56.2	Cash and Cash Equivalents		61.5
675.2	**Total Current Assets**		**516.1**
-	Cash and Cash Equivalents		-
(458.5)	Short Term Borrowing		(282.2)
(457.1)	Short Term Creditors	G8	(503.9)
(176.1)	Provisions		(133.7)
(1,091.7)	**Total Current Liabilities**		**(919.8)**
(73.6)	Long Term Creditors		(73.5)
(5.4)	Provisions		(15.9)
(2,902.1)	Long Term Borrowing		(2,840.7)
(409.1)	Other Long Term Liabilities		(385.3)
(3,366.0)	Net Liability on Defined Benefit Pension Scheme	G18	(2,771.1)
(6,756.2)	**Total Long Term Liabilities**		**(6,086.5)**
(565.0)	**Net Assets/(Liabilities)**		**900.2**
1,260.8	Usable Reserves	G9	1,375.2
(1,825.8)	Unusable Reserves	G10	(475.0)
(565.0)	**Total Reserves**		**900.2**

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period.

2020/21 £m		Note	2021/22 £m
102.2	Net Surplus/(Deficit) on Continuing Operations		69.0
102.2	**Net Surplus/(Deficit) on the provision of services**		**69.0**
154.4	Adjustments to net Surplus/(Deficit) on the provision of services for non-cash movements	G14	601.2
(209.1)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities		(223.8)
47.5	**Net cash flows from Operating Activities**		**446.4**
(256.7)	Investing Activities	G12	(267.9)
203.2	Financing Activities	G13	(173.2)
(6.0)	**Net increase/(decrease) in cash and cash equivalents**		**5.3**
62.2	Cash and cash equivalents at the beginning of the reporting period		56.2
56.2	**Cash and cash equivalents at the end of the reporting period**		**61.5**

NOTES TO THE GROUP ACCOUNTS

Note G1
Accounting Policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2021/22 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

Members within the Group have been classified as either subsidiaries, associates or joint ventures with details included in respect of the classification within Notes G20 and G21. Subsidiaries have been consolidated into the Group Financial Statements on a line by line basis, with associates and joint ventures consolidated under the equity method.

Investments in subsidiaries and associates in the Council's entity accounts are carried at cost rather than fair value less any provision for losses unless there is evidence of impairment.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 1 to the Council entity accounts, with additional policies specific to the Group set out below.

Disposal of a Subsidiary Company

When a subsidiary company is disposed of, the assets and liabilities of the subsidiary are derecognised at their carrying value at the time of disposal and the value of any consideration received is recognised. The transactions plus any resulting differences are identified in the Profit/Loss on disposal of a subsidiary and form part of the Surplus/Deficit on Provision of Services within the Group Comprehensive Income and Expenditure Statement.

Defined Contribution Pension Schemes

The NEC Limited Group funded two defined benefit schemes, which ceased to provide future service accrual with effect from 30 June 2010 and operated two contributory benefit schemes comprising a Stakeholder Scheme to which only members contribute, and a Group Personal Pension Plan where the company matched member contributions to an agreed maximum. The schemes transferred to PETPS (Birmingham) Limited on 1 May 2015 on the Council's disposal of NEC Ltd. Further information may be found in Note G18.

Defined Benefit Pension Scheme

Acivico Limited and Birmingham Children's Trust CIC participate in the Local Government Pension Scheme (LGPS). The scheme is a funded defined benefit scheme based upon career average salary for benefits accrued since 1 April 2014 and on final pensionable salary for benefits accrued to 31 March 2014. Further information may be found within the Council's entity accounting policies and Note G18.

Note G2
Critical Judgements in Applying Accounting Policies

In addition to the Critical Judgements, set out in Note 2 of the entity accounts, the Council has considered the following judgement in respect of the application of its accounting policies.

The Council has created a number of companies that are limited by guarantee that are also charitable companies. In such cases the Council is sole member on creation of the company.

The Trustees of a charity have the responsibility for determining the policies and the activities of the company in line with the specific remit of the charity. Where the Council is sole member of the charitable company, it also has, through the Articles of Association, the right to appoint Directors or Trustees to sit on the company board. Whilst the Council has the right to appoint Directors, this right is limited to appointing a minority of Directors such that they have less than 20% of the voting rights. The charitable company board is responsible for the day to day management and for setting the direction of the company. Trustees of charities must always act in the best interest of the charity and not in the interests of the body that appointed them.

Whilst the Council is sole member of charitable companies and whilst it may pass resolutions to impact on the operation of the companies, to date it has not done so. There are also financial barriers to the Council exercising any form of control as this may jeopardise the charitable nature of the organisations which would lead to financial detriment.

On the basis of the above factors, the Council considers that it does not have the current ability to direct the relevant activities of charitable companies given its minority level of representation, the Trustees must act independently of the Council in the best interest of the charity and should the Council exercise any rights through its role as sole member, it is considered that this would have an adverse financial impact. Therefore, the Council does not consider that it should consolidate any charitable companies into the Council's Group Accounts.

Note G3
Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Information on pension valuations has been provided by actuaries supporting the relevant funds based on the best information available at the time of producing the reports. Details of the pension funds and their sensitivity to changes in determinants of the funds' assets and obligations are set out in Note 20 in the Council entity accounts and Note G18 of the Group Financial Statements.

Other assumptions made about the future and other major sources of estimation and uncertainty are provided in Note 4 to the Council entity accounts.

Note G4
Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure disclosed in the Group CIES are detailed below.

2020/21				2021/22		
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net
£m	£m	£m		£m	£m	£m
164.9	-	164.9	Interest Payable and similar charges	163.5	-	163.5
62.5	-	62.5	Net interest on the net defined benefit liability	68.8	-	68.8
2.9	-	2.9	Admin Expenses – Pensions	-	-	-
23.2	-	23.2	(Gain)/Loss on financial assets at amortised cost	16.3	-	16.3
1.9	-	1.9	(Gain)/Loss on financial assets at Fair Value through Profit & Loss	0.2	-	0.2
-	(2.2)	(2.2)	(Gain)/Loss on the Disposal of Financial Instruments	-	-	-
-	(17.9)	(17.9)	Interest Receivable and similar income	-	(22.3)	(22.3)
8.3	-	8.3	Changes in the Fair Value of Investment Properties	5.4	(10.6)	(5.2)
20.0	(20.8)	(0.8)	(Surplus)/Deficit on trading operations not consolidated within Service Expenditure Analysis in Comprehensive Income and Expenditure Statement	23.8	(23.7)	0.1
0.0	(0.9)	(0.9)	Other investment income and expenditure	0.0	(0.9)	(0.9)
283.7	**(41.8)**	**241.9**	**Sub Total**	**278.0**	**(57.5)**	**220.5**

Note G5
Investment Properties

The Council, Birmingham City Propco Limited and InReach (Birmingham) Limited have non-current assets that meet the criteria for treatment as Investment Properties. Details of the financial impact of Investment Properties are set out below.

	2020/21	2021/22
	£m	£m
Cost or Valuation		
At 1 April	**45.4**	**36.9**
Assets reclassified between categories	-	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(8.5)	5.6
At 31 March	**36.9**	**42.5**

Recurring Fair Value Measurement	Input Level in Fair Value Hierarchy	Valuation Technique used to measure Fair Value	Fair Value 31 March 2021	Fair Value 31 March 2022
			£m	£m
Highest and Best Use	Level 2	The fair value has been measured using a market approach, taking into account quoted prices for similar assets in active markets and data and market knowledge.	31.7	37.3
Highest and Best Use	Level 3	The fair value has been measured using a market approach taking into account yields from rental compared to similar assets.	5.2	5.2

The fair value of the Council's Group Investment Properties is measured annually at each reporting date. 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). The valuations were undertaken by appropriately qualified valuers as detailed below:

- For the Council, Azmat Mir MRICS, Head of Property Consultancy within the Council's Property Services section.
- For InReach (Birmingham) Limited, Mark Shelley MRICS and James Cartwright MRICS of Avison Young (UK) Ltd.
- For Birmingham City Propco Limited, James Williamson MRICS and Ian Elliot MRICS of Avison Young (UK) Ltd

Note G6
Financial Instruments

This note sets out the differences from the information contained in Note 37 of the Council entity accounts to enable the reader to determine, more clearly, the impact of group company transactions.

Debtors and Cash
Debtors and cash consolidated as part of the Group Financial Statements are classified as loans and receivables. Further information on Group debtors is provided in Note G7.

Creditors
Short term creditors consolidated as part of the Group Financial Statements are classified as financial liabilities at amortised cost. Further information on Group creditors is provided in Note G8.

Long term creditors consolidated as part of the Group Financial Statements relate to debt issued by NEC (Developments) Plc on the London Stock Exchange. The following long-term creditors are brought into the Group Financial Statements upon group consolidation.

	31 March 2021	31 March 2022
Long-term Creditors	£m	£m
NEC 7.56% Loan Stock – maturity 30 September 2027	(73.0)	(73.0)

The basis of the fair value of the NECD bond is in accordance with IFRS 9 fair value hierarchy 'Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities'. The quoted market price is obtained from Bloomberg on 31 Mar 2022 and used to calculate the fair value of the NECD bond.

Financial Liabilities	Input level in Fair Value Hierarchy	Valuation inputs and assumptions used to measure Fair Value	31 March 2021		31 March 2022	
			Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
NEC Loan Stock	Level 1	Stock Market valuation	73.0	97.9	73.0	90.2

Within the Council entity accounts, the guarantee given to NEC Developments (NECD) for the repayment of the Loan Stock is treated as borrowing and as a reimbursement right within NECD. The guarantee was determined at fair value on the disposal of the NEC in 2015 and is accounted for using the Effective Interest Rate method.

Long Term Borrowing
The reduction in long term borrowing at 31 March 2022 between the Council entity accounts, £2,924.2m and the group accounts, £2.840.7m, is largely represented by the borrowing recognised by the Council associated with group entities, namely NECD and PETPS SLP. These transactions are eliminated on consolidation.

Income, Expense, Gains and Losses
These amounts in the Group Financial Statements are not considered materially different from those in the Council entity accounts.

Fair Values of Assets and Liabilities
The amounts consolidated as part of the Group Financial Statements are not considered significantly different from the carrying amounts.

Nature and extent of risks arising from financial instruments
The nature and extent of risks from financial instruments arising in the Group Financial Statements are not considered materially different from those in the Council entity accounts.

Note G7
Short Term Debtors

The table below shows amounts owed to the Council's Group undertakings at the end of the year that are due within 12 months. These balances have been split by type of organisation to reflect the potential relative risks that the Council faces. The actual level of recovery will continue to be monitored to ensure that the recovery rate is as high as practicable.

31 March 2021 £m		31 March 2022 £m
131.5	Central government bodies	84.5
39.0	Other local authorities	17.8
7.9	NHS bodies	8.3
6.1	Public corporations and trading funds	5.4
213.4	Other entities and individuals	225.5
397.9	**Total**	**341.5**

Note G8
Short Term Creditors

The table below shows amounts owed by the Council's Group undertakings at the end of the year that are due within 12 months, split by type of organisation.

31 March 2021 £m		31 March 2022 £m
(102.3)	Central government bodies	(179.6)
(10.4)	Other local authorities	(8.4)
(2.9)	NHS bodies	(5.1)
(45.3)	Public corporations and trading funds	(35.5)
(296.2)	Other entities and individuals	(275.3)
(457.1)	**Total**	**(503.9)**

Note G9
Usable Reserves

Details of the Group's usable reserves are set out below.

31 March 2021 £m		31 March 2022 £m
1,062.3	General Fund Balances	1,071.8
14.3	Housing Revenue Account (HRA)	22.2
253.4	Capital Receipts Reserve	287.6
24.4	Major Repairs Reserve	17.9
92.4	Capital Grants Unapplied	112.6
(190.8)	Company Profit & Loss	(141.7)
4.8	Merger Reserve	4.8
1,260.8	**Total**	**1,375.2**

Details of General Fund Balances are set out in Note 17 of the entity accounts.

Note G10
Unusable Reserves

The following table shows the value of Group reserve balances that have come about as a result of accounting adjustments and are not therefore available to spend.

31 March 2021 £m		31 March 2022 £m
2,125.2	Revaluation Reserve	2,594.3
(49.7)	Capital Adjustment Account	4.5
(64.7)	Financial Instruments Adjustment Account	(63.2)
25.0	Deferred Capital Receipts	33.6
(3,430.2)	Pensions Reserve	(2,769.7)
(262.1)	Collection Fund Adjustment Account	(138.4)
(150.4)	Equal Pay Back Pay Account	(121.1)
(19.5)	Accumulated Absences Account	(15.6)
0.6	Called up Share Capital	0.6
(1,825.8)	**Total**	**(475.0)**

Further analysis is provided below for unusable reserves which are materially different from the balances included in the Council entity accounts.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its Property, Plant, Equipment, Heritage Assets and Intangible Assets. 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.

For amounts arising in the Council entity accounts, 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.

2020/21 £m		2021/22 £m
1,965.3	**Balance at 1 April**	**2,125.2**
	Revaluations not posted to (Surplus)/Deficit on the Provision of Services	
420.2	Council: Upward revaluation of assets	800.0
(198.1)	Council: Downward revaluation of assets	(216.3)
222.1	**Council: Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services**	**583.7**
	Amounts written off to the Capital Adjustment Account	
(32.4)	Council: Difference between fair value depreciation and historical cost depreciation	(36.5)
-	Adjustment for Transfer of land to Investment Property	(77.3)
(29.4)	Council: Accumulated gains on assets sold or scrapped	-
(61.8)	**Council: Amount written off to the Capital Adjustment Account**	**(113.8)**
	Group Movements	
(0.4)	Other movements in reserve in Group entities	(0.8)
(0.4)	**Total Group Movements**	**(0.8)**
2,125.2	**Balance at 31 March**	**2,594.3**

The Council is allowed under statute to reverse out the financial impact from its Comprehensive Income and Expenditure Statement where it has impaired or revalued equity in a company or where it has given a 'soft' loan to another organisation. The impact of adjustments form part of the unusable reserves.

In consolidating group accounts, inter-company transactions are eliminated. However, where the Council has either revalued assets or has given a soft loan to a group entity then the carrying values in the two organisations would be different. For consolidation, the entries in the Council entity accounts, reducing the carrying value of assets, would need to be reversed prior to elimination.

Note G11
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the items set out below.

2020/21 £m		2021/22 £m
(17.9)	Interest Received	(22.3)
164.9	Interest Paid	163.5
(0.9)	Dividends Received	(0.9)
146.1	**Total**	**140.3**

Note G12
Cash Flow Statement - Investing Activities

The cash flows from investing activities are set out below.

2020/21 £m		2021/22 £m
(391.0)	Purchase of property, plant and equipment, investment property and intangible assets	(467.4)
(5,250.6)	Purchase of short-term and long-term investments	(2,842.4)
82.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	114.0
5,302.6	Proceeds from short-term and long-term investments	2,927.9
(256.7)	**Net cash flows from investing activities**	**(267.9)**

Note G13
Cash Flow Statement - Financing Activities

The cash flows from financing activities are set out below.

2020/21 £m		2021/22 £m
120.4	Other receipts from financing activities	108.4
1,147.1	Cash receipts from short-term and long-term borrowing	386.7
(31.3)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(31.3)
(1,039.6)	Repayments of short-term and long-term borrowing	(638.3)
6.6	Other payments for financing activities	1.3
203.2	**Net cash flows from financing activities**	**(173.2)**

Note G14
Cash Flow Statement – Other Adjustments

The cash flow adjustments to the net surplus/deficit on the provision of services are set out below.

2020/21 £m		2021/22 £m
146.8	Depreciation/Impairment charge	146.9
2.9	Amortisation of Intangible Assets	2.7
77.7	Derecognition of Non-Current Assets	151.3
14.6	(Increase)/Decrease in Associate & Joint Venture	1.7
15.3	Revaluation of Non-Current Assets	12.0
(0.5)	(Increase)/Decrease in Assets Held for Sale	-
(22.4)	(Increase)/Decrease in Debtors	42.3
55.4	Increase/(Decrease) in Creditors	53.8
(0.2)	(Increase)/Decrease in Inventories	(0.4)
(4.5)	Increase/(Decrease) in Provisions	(31.9)
(129.3)	Pensions Liability	219.8
(1.4)	Other Non-Cash Movements	3.0
154.4		**601.2**

Note G15
Expenditure and Funding by Nature of Activity

Detail of the Council's Expenditure and Funding by Nature of Activity is provided in Note 8 to the entity accounts.

2020/21 £m	Expenditure	2021/22 £m
1,019.1	Employee Benefits Expenses	1,016.2
2,123.8	Other Service Expenses	2,045.5
156.3	Depreciation, Amortisation and Impairment	171.9
238.6	Interest Payments	232.3
24.6	Movements in the value of financial assets	22.0
49.8	Precepts and Levies	49.6
6.4	Payments to Housing Capital Receipts Pool	6.3
16.0	Loss on Disposal of Non-Current Assets	27.6
3,634.6	**Total Expenditure**	**3,571.4**
	Income	
(507.6)	Fees, Charges and Other Service Income	(587.8)
(821.3)	Income from Council Tax and Business Rates	(825.0)
(2.2)	Movements in the value of financial assets	-
(2,400.8)	Government Grants and Contributions	(2,196.5)
(18.8)	Interest and Investment Income	(33.8)
(3,750.7)	**Total Income**	**(3,643.1)**
(116.1)	**(Surplus)/Deficit on Provision of Services**	**(71.7)**

Note G16
Related Parties

Details of the Council's material transactions with related parties are provided in Note 46 to the Council entity accounts. Details of the subsidiary companies, associates and joint ventures of group entities are detailed in the relevant Notes G20 and G21 of these group financial statements.

In addition to the related parties detailed within Note 46 to the Council entity accounts, Birmingham Airport Holdings Limited transacts business with the shareholding West Midlands District Councils, with Solihull MBC acting as the lead authority. Transactions would be undertaken in a number of areas and include Business Rates, planning applications and building control services. All of these transactions are carried out on an arms-length basis at full commercial rate.

Birmingham Airport Limited entered into a lease arrangement with Solihull MBC, on behalf of all the Districts, which has been treated as a finance lease in its accounts by the company. The total amount payable in the year under the arrangement was £0.8m with an amount due at the year-end of £4.7m.

Note G17
Leases

<u>Group as the lessee</u>

Details of the Council’s finance and operating leases are included in Note 40 to the Council entity accounts.

<u>Group as the lessor</u>

Within the Group there are leases between Group entities and also leases from Group entities to external organisations. Details of the Council’s finance leases are provided in Note 40 to the Council entity accounts. This note sets out the impact of intra-Group leases and leases of Group entities to external organisations.

Leases by Group entities to External Organisations

<u>Finance leases</u>

Details of the Council's finance leases are provided in Note 40 to the Council entity accounts.

The Council created Birmingham City Propco Limited in 2017/18 to provide a vehicle for commercial investment. The company purchased the leasehold interests of the Council in respect of the Crowne Plaza NEC and Hilton Metropole NEC Hotels. Details of the leases are set out below.

31 March 2021 £m		31 March 2022 £m
	Finance lease debtor (net present value of minimum lease payments):	
0.1	- Current	0.1
19.9	- Non-current	19.9
44.1	Unearned finance income	43.1
64.1	**Gross investment in the lease**	**63.1**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Finance lease debtor		Minimum lease payments	
	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m	31 March 2022 £m
Not later than one year	0.1	0.1	1.1	1.0
Later than one year and not later than five years	0.2	0.4	4.0	4.0
Later than five years	19.7	19.5	59.0	58.1
Total	**20.0**	**20.0**	**64.1**	**63.1**

Operating Leases

The future minimum lease payments receivable under non-cancellable leases where the length of lease was greater than 1 year at inception are:

31 March 2021 £m		31 March 2022 £m
0.4	Not later than one year	0.4
1.7	Later than one year and not later than five years	1.7
25.2	Later than five years	24.8
27.3	**Gross investment in the lease**	**26.9**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note G18
Defined Benefit and Defined Contribution Pension Schemes

Details of the Council's involvement in the Teachers' Pensions Scheme and Local Government Pension Scheme are provided in Notes 19 and 20 to the Council entity accounts.

Acivico Limited Group
The Company’s subsidiary companies participate in the West Midlands Pension Fund, a Local Government Pension Scheme.

A ruling was made regarding age discrimination arising from public sector pension scheme transition arrangements put in place when moving from final salary to average salary scheme arrangements. Court of Appeal judgements were made in cases affecting judges’ pensions (the McCloud Judgement) and firefighter pensions. Allowance has been made for the potential impact in the results reported.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2020/21 £m	2021/22 £m
Present value of funded defined benefit obligations	(89.2)	(85.6)
Fair value of plan assets	84.1	89.4
Adjustment for pension surplus in Acivico (Building Consultancy)	(0.5)	(3.8)
Net (Liability)/Asset	**(5.6)**	**-**

Movements in the present value of defined benefit obligation:

	2020/21 £m	2021/22 £m
Balance at beginning of period	70.8	89.2
Current service cost	1.3	1.9
Interest cost	1.6	1.7
Actuarial (gains)/losses	17.2	(5.5)
Contributions by members	0.2	0.2
Liabilities Extinguished on Settlement	-	-
Past Service cost including Curtailments	-	-
Benefits paid	(1.9)	(1.9)
31 March	**89.2**	**85.6**

Movements in the fair value of plan assets:

	2020/21 £m	2021/22 £m
Balance at beginning of period	71.9	84.1
Interest on assets	1.7	1.6
Actuarial (losses)/gains	12.0	5.2
Settlements	-	-
Contributions	0.4	0.4
Benefits paid	(1.9)	(1.9)
31 March	**84.1**	**89.4**

Expense recognised in the profit and loss account:

	2020/21 £m	2021/22 £m
Operating Costs:		
Current Service Cost	1.3	1.9
Included in Operating Cost	1.3	1.9
Financing Costs:		
Interest cost on pension scheme liabilities	1.7	1.7
Interest income on plan assets	(1.7)	(1.7)
Net interest cost	-	-
Total income statement expense/(income)	**1.3**	**1.9**

Other Comprehensive Income

The amounts recognised in Acivico's Other Comprehensive Income and consolidated into the Group Consolidated Other Comprehensive Income are as follows:

	2020/21	2021/22
	£m	£m
Actuarial (gain)/loss on liabilities	17.2	(5.5)
Actuarial (gain)/loss on plan assets	12.0	5.2
Remeasurement (gain)/loss recognised during the period	**29.2**	**(0.3)**

The fair value of the plan assets and the return on those assets were as follows:

	2020/21 Fair Value		2021/22 Fair Value	
	£m	%	£m	%
Equities	49.5	59	59.9	67
Government Bonds	8.4	10	19.7	22
Other Bonds	3.3	4	-	-
Property	6.1	7	6.2	7
Cash/Liquidity	5.0	6	3.6	4
Other	11.8	14	-	-
Total	**84.1**	**100**	**89.4**	**100**

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2020/21	2021/22
	%	%
Discount rate	2.0	2.7
Future salary increases	3.8	4.2
Future pension increases	2.8	3.2
CPI increases	1.9	3.8

In valuing the liabilities of the Pension Fund at 31 March 2022, mortality assumptions have been made as indicated below.

The life expectancy for members as at the Balance Sheet date:

	31 March 2021	31 March 2022
Male: member aged 65 (current life expectancy)	21.6	21.6
Male: member aged 45 (life expectancy at age 65)	23.9	22.9
Female: member aged 65 (current life expectancy)	23.4	23.4
Female: member aged 45 (life expectancy at age 65)	25.8	25.4

The valuation of the defined benefit obligation is sensitive to the assumption adopted for the discount rate. The effect of a 0.1% increase in the discount rate is set out below

	£m
Effect on service cost	(0.8)
Effect on defined benefit obligation	(4.1)

Birmingham Children's Trust CIC

Birmingham Children's Trust CIC participates in the West Midlands Pension Fund, a Local Government Pension Scheme. The scheme is a defined benefit scheme, which pays out pensions at retirement based on length of service and final pay for service earned up to 31 March 2014 and on a career salary average for service earned from 1 April 2014.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2020/21	2021/22
	£m	£m
Present value of funded defined benefit obligations	(375.8)	(376.6)
Fair value of plan assets	224.1	255.2
Net (Liability)/Asset	**(151.7)**	**(121.4)**

Movements in the present value of defined benefit obligation:

	2020/21	2021/22
	£m	£m
Balance at beginning of period	252.2	375.8
Current service cost	17.3	29.8
Interest cost	5.9	8.0
Change in financial assumptions	105.1	(36.7)
Change in demographic assumptions	(3.2)	(1.9)
Contributions by scheme members	3.4	3.9
Experience/(gain) on defined benefit obligation	(2.0)	0.4
Benefits paid	(2.9)	(2.7)
31 March	**375.8**	**376.6**

Movements in the fair value of plan assets:

	2020/21	2021/22
	£m	£m
Balance at beginning of period	179.6	224.1
Return on assets (less interest)	31.1	14.2
Interest on assets	4.3	4.7
Administrative expenses	(0.1)	-
Contributions paid by employer	8.7	10.9
Contributions by scheme members	3.4	4.0
Benefits paid	(2.9)	(2.7)
31 March	**224.1**	**255.2**

Expense recognised in the profit and loss account:

	2020/21 £m	2021/22 £m
Operating Costs:		
Current Service Cost	17.3	29.8
Administrative Expenses	0.1	-
Included in Operating Cost	17.4	29.8
Financing Costs:		
Interest cost on pension scheme liabilities	5.9	8.0
Interest income on plan assets	(4.3)	(4.7)
Net interest cost	1.6	3.3
Total Income Statement expense	**19.0**	**33.1**

Other Comprehensive Income

The amounts recognised in the Trust's Other Comprehensive Income and consolidated into the Group Consolidated Other Comprehensive Income are as follows:

	2020/21 £m	2021/22 £m
Return on plan assets in excess of interest income	31.1	14.2
Actuarial gain/(loss) on liabilities due to changes in financial assumptions	(105.1)	36.7
Actuarial gain/(loss) on liabilities due to changes in demographic assumptions	3.2	1.9
Experience gain on defined benefit obligation	2.0	(0.4)
Remeasurement gain/(loss) recognised during the period	**(68.8)**	**52.4**

The fair value of the plan assets and the return on those assets are as follows:

	2020/21 Fair Value		2021/22 Fair Value	
	£m	%	£m	%
Equities	132.0	59	171.0	67
Gilts	22.3	10	17.9	7
Bonds	8.6	4	56.1	22
Property	16.2	7	-	-
Cash/Liquidity	13.4	6	-	-
Other	31.6	14	10.2	4
Total	**224.1**	**100**	**255.2**	**100**

Principal actuarial assumptions (expressed as weighted averages) at the year-end are as follows:

	2020/21 %	2021/22 %
Discount rate	2.05	2.75
Future salary increases	3.85	4.15
Future pension increases	2.85	3.15
CPI increases	2.85	3.15

In valuing the liabilities of the Pension Fund at 31 March 2022, mortality assumptions have been made as indicated below.

The life expectancy for members as at the Balance Sheet date:

	31 March 2021	31 March 2022
Male: member aged 65 (current life expectancy)	21.6	21.2
Male: member aged 45 (life expectancy at age 65)	23.4	22.9
Female: member aged 65 (current life expectancy)	23.9	23.6
Female: member aged 45 (life expectancy at age 65)	25.8	25.4

PETPS (Birmingham) Limited

Following completion of the sale of the NEC Group by the Council on 1 May 2015, NEC Limited was replaced as principal employer by PETPS (Birmingham) Limited (PETPS), a wholly owned subsidiary of the Council, which assumed the ongoing funding obligation of the NEC Limited Pension Fund (the Fund) and the NEC Executive Pension Scheme (the Scheme) with the agreement of the pension trustees. The Fund and the Scheme had ceased to provide future service accrual with effect from 30 June 2010.

The Fund and the Scheme are defined benefit schemes, operating under UK trust law, which pay out pensions at retirement based on service and final pay. The trustee boards of the Fund and the Scheme are independent of the Council and are responsible for setting certain policies (for example, investment and contribution policies).

Under guarantees provided, the Council is responsible for meeting the current and future contingent funding obligations. The Fund and the Scheme therefore expose the Council to actuarial risks, such as longevity, currency, interest rate and market (investment) risk.

The assets of the Fund and the Scheme are held separately from those of PETPS and the Council. On the advice of an independent qualified actuary, contribution payments are made to the Fund and the Scheme by the Council to ensure that the assets are sufficient to cover future liabilities. Assets of the Fund and the Scheme are measured using fair market values.

The most recently completed formal actuarial valuations of the Fund and the Scheme were at 5 April 2019. The funding requirements are based on the Statements of Funding Principles of the Fund and the Scheme. The funding is based on a separate actuarial valuation for funding purposes, for which assumptions may differ from the assumptions set out in these disclosures. The defined benefit obligations are measured using the projected unit credit method and discounted at the rate of return on high quality corporate bonds of equivalent term.

The retirement benefit obligations in respect of the defined benefit schemes as calculated in accordance with IAS 19 (revised 2011) are disclosed below. Comparative figures for 2020/21 for the Fund and the Scheme have been provided.

Balance Sheet

The following amounts have been recognised in PETPS' Balance Sheet and so consolidated into the Group Balance Sheet.

	31 March 2021 £m	31 March 2022 £m
Present value of funded obligations	(221.6)	(205.0)
Fair value of plan assets	200.0	204.1
Deficit for funded plans	(21.6)	(0.9)
Unrecognised asset due to the asset ceiling	-	-
Retirement Benefit Obligation	**(21.6)**	**(0.9)**

Income Statement

The amounts recognised in PETPS' Income Statement and consolidated into the Group Consolidated Income and Expenditure Statement are as follows:

	2020/21 £m	2021/22 £m
Operating Costs:		
Administration Expenses	0.6	0.8
Past Service Cost	-	-
Included in Operating Cost	0.6	0.8
Financing Costs:		
Interest cost on pension scheme liabilities	4.2	4.2
Interest income on plan assets	(4.2)	(3.9)
Net interest cost	0.0	0.3
Total Income Statement expense	**0.6**	**1.1**

Other Comprehensive Income

The amounts recognised in PETPS' Other Comprehensive Income and consolidated into the Group Consolidated Other Comprehensive Income are as follows.

	2020/21 £m	2021/22 £m
Return on plan assets in excess of interest income	9.5	3.3
Actuarial gain/(loss) on liabilities due to changes in financial assumptions	(30.7)	10.9
Actuarial gain/(loss) on liabilities due to changes in demographic assumptions	0.3	3.3
Actuarial gain/(loss) on liabilities due to experience	0.1	0.8
Remeasurement gain/(loss) recognised during the period	**(20.8)**	**18.3**

Reconciliation of Liabilities and Assets

Movements in the retirement benefit obligations are as follows:

	2020/21 £m	2021/22 £m
Beginning of Period	(194.0)	(221.6)
Interest Cost	(4.2)	(4.2)
Actuarial gain/(loss) on liabilities due to changes in financial assumptions	(30.7)	10.9
Actuarial gain/(loss) on liabilities due to changes in demographic assumptions	0.3	3.3
Actuarial gain/(loss) on liabilities due to experience	0.1	0.8
Benefits Paid	6.9	5.8
Present value of obligation at 31 March	**(221.6)**	**(205.0)**

Movements in the fair value of plan assets are as follows:

	2020/21 £m	2021/22 £m
Beginning of Period	190.7	200.0
Interest income on plan assets	4.2	3.9
Return on plan assets in excess of interest income	9.4	3.4
Contributions by employer	3.2	3.2
Administration expenses paid	(0.6)	(0.8)
Benefits paid	(6.9)	(5.8)
Fair value of plan assets at 31 March	**200.0**	**203.9**

Plan Assets

The major categories of plan assets are as follows:

	31 March 2021		31 March 2022	
	£m	%	£m	%
Equities, GTAA* and Hedge Funds	65.7	33	48.2	24
Bonds and Cash	111.1	55	116.3	57
Infrastructure	-	-	15.0	7
Property	17.1	9	18.8	9
Gilts	6.1	3	5.8	3
	200.0	**100**	**204.1**	**100**

* Global Tactical Asset Allocation

Assumptions

The principal assumptions made by the actuary were:

	31 March 2021 %		31 March 2022 %	
	Fund	Scheme	Fund	Scheme
Discount rate	2.00	1.95	2.60	2.65
RPI Inflation rate	3.25	3.40	3.60	3.85
CPI Inflation rate	2.80	2.85	3.25	3.40
Future Pension increases				
pension accrued prior to 5 April 2005	3.15	3.30	3.45	3.65
pension accrued after 5 April 2005	2.20	2.25	2.30	2.35

The base mortality assumptions for the Fund and the Scheme are based on the SAPS tables (S3 series) (2021: SAPS tables (S3 series)). Future improvements are based on the CMI 2021 projection (2021: CMI 2020 projection) with a long term rate of improvement of 1.25% p.a. (2021: 1.25% p.a.).

The life expectancy for members as at the Balance Sheet date:

	31 March 2021 Years		31 March 2022 Years	
	Fund	Scheme	Fund	Scheme
Male: member aged 65 (current life expectancy)	22.0	22.0	21.6	23.0
Male: member aged 45 (life expectancy at age 65)	22.7	22.8	22.3	24.3
Female: member aged 65 (current life expectancy)	25.2	25.1	24.9	26.1
Female: member aged 45 (life expectancy at age 65)	26.5	26.5	26.3	27.5

Sensitivity Analysis

An increase of 0.25 per cent in the discount rate would decrease the retirement benefit obligations by £8.5m (2021: £9.9m).
An increase of 0.25 per cent in the inflation rate would increase the retirement benefit obligations by £6.3m (2021: £8.6m).
An increase of one year to the life expectancy would increase the retirement benefit obligations by £8.5m (2021: £10.0m).

The duration of the NEC Limited Pension Fund liabilities is approximately 22 years (2021: 22 years), and the duration of the NEC Executive Pension Scheme liabilities is approximately 14 years (2021: 14 years).

Expected Contributions for 2022/23

The contribution schedule in force sets out contributions of £2.5m that will be paid into the Fund in the 2022/23 financial year. The contribution into the Fund will be paid from the Asset Backed Funding arrangement that was put in place in 2017.

Note G19
Adjustments between Group Accounts and Council Accounts

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund Balance back to its Council position prior to funding basis adjustments being made.

	General Fund Balance £m	Housing Revenue Account (HRA) £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	**Total Usable Reserves** £m	Unusable Reserves £m	**Total Council Reserves** £m	Council' s Share of Reserves of Subsidiaries, Associates and Joint Ventures £m	**Total Group Reserves** £m
2020/21										
Provision of goods and services to subsidiaries	15.6					15.6		15.6	(15.6)	-
Purchases of goods and services from subsidiaries	(239.1)					(239.1)		(239.1)	239.1	-
Total adjustments between Group accounts and Council accounts	(223.5)	-	-	-	-	(223.5)	-	(223.5)	223.5	-
2021/22										
Provision of goods and services to subsidiaries	25.7					25.7		25.7	(25.7)	**-**
Purchases of goods and services from subsidiaries	(260.7)					(260.7)		(260.7)	260.7	**-**
Total adjustments between Group accounts and Council accounts	**(235.0)**	**-**	**-**	**-**	**-**	**(235.0)**	**-**	**(235.0)**	**235.0**	**-**

Note G20
Subsidiary Companies

I. Acivico Limited

Acivico Limited is a registered company, which is wholly owned by the Council. The company was launched in April 2012, with three special purpose vehicles: one holding company and two trading companies. The two trading companies, Acivico (Design Construction and Facilities Management) Limited and Acivico (Building Consultancy) Limited, have been operational since April 2012 and provide a range of statutory and non-statutory services on behalf of and to the Council and to other public and private sector clients. The Council has held the £1 issued ordinary share (100%) for the whole of the reporting period covered by these financial statements.

The Council issued a letter of assurance to the company, in June 2022, to ensure that it was able to meet its liabilities as they fell due.

The year-end of the company is 31 March and for the purposes of consolidation the draft accounts for the period to 31 March 2022 have been used, as amended for alignment of accounting policies and the guarantee given by the Council.

	2020/21 £m	2021/22 £m
Total Comprehensive Income for the Year	(4.8)	7.3
Net Assets/(Liabilities) at the year-end	(9.5)	(2.1)

There was no qualification to the audit opinion on the last audited accounts of the company. Information regarding transactions during the year and balances held at the year-end between the Council and Acivico Limited Group can be found within Note 46 of the Council entity accounts.

II. Birmingham Children's Trust CIC

Birmingham Children's Trust CIC was incorporated on 17 May 2017 and became independently operational on 1 April 2018. The Council is sole member of the company. However, as the company is an asset locked entity, the Council has no entitlement to any assets of the company. For the purposes of consolidation, the Council has used the Trust's draft accounts for 2021/22, as amended for alignment of accounting policies. Details of the outturn, before elimination of intra-group transactions, are set out below.

	2020/21 £m	2021/22 £m
Comprehensive Income and Expenditure		
Turnover	213.5	236.6
Operating Expenses	(228.3)	(240.7)
Operating Profit/(Loss)	**(14.8)**	**(4.1)**
Interest Receivable	-	-
Interest Payable	(1.8)	(3.4)
Profit/(Loss) for the Year	**(16.6)**	**(7.5)**
Other Comprehensive Income		
Actuarial Gain/(Loss) on defined benefit scheme	(60.1)	37.1
Total Comprehensive Income for the Year	**(76.7)**	**29.6**
Balance Sheet		
Intangible Asset	4.6	4.0
Total Non-Current Assets	**4.6**	**4.0**
Debtors	6.4	14.5
Short Term Investments	32.0	17.5
Cash and Cash Equivalents	(0.8)	-
Total Current Assets	**37.6**	**32.0**
Cash Overdrawn	-	-
Creditors due within one year	(20.9)	(21.3)
Total Current Liabilities	**(20.9)**	**(21.3)**
Long Term Borrowing	(10.0)	(4.0)
Pension Liabilities	(151.7)	(121.2)
Total Long-Term Liabilities	**(161.7)**	**(125.2)**
Total Assets/(Liabilities)	**(140.4)**	**(110.5)**
Reserves	(140.4)	(110.5)
Total Reserves	**(140.4)**	**(110.5)**

There was no qualification to the audit opinion on the last audited accounts of the Trust. Information regarding transactions during the year and balances held at the year-end between the Council and Birmingham Children's Trust Community Interest Company can be found within Note 46 of the Council entity accounts.

III. The National Exhibition Centre (Developments) Plc

The company was set up to provide an additional 30,000 square metres of exhibition space in four halls. The building was financed by a loan stock issue of £73 million, at 7.5625%, by the company and is guaranteed by the Council and which is due for repayment in 2027.

The Council has held all 1,000 issued ordinary shares of £1 each and all 100,000 £1 preference shares throughout the reporting period covered by these financial statements.

The position at the year end is detailed below.

	2020/21	2021/22
	£m	£m
Profit/(Loss) for the year	(1.0)	(1.0)
Net Assets/(Liabilities) at the year-end	6.0	5.0

The year end of the company is 31 March 2022. For the purposes of consolidation the draft accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

The Council continues to retain ownership of NEC (Developments) Plc.

IV. PETPS (Birmingham) Limited

PETPS (Birmingham) Limited, a company limited by guarantee, was incorporated on 14 November 2014. The company is a wholly owned subsidiary of the Council.

Following completion of the sale of the National Exhibition Centre Limited Group (NEC Limited) on 1 May 2015, PETPS (Birmingham) Limited replaced NEC Limited as the principal employer and assumed the ongoing funding obligation of two defined benefit pension schemes with the agreement of the pension trustees.

	2020/21	2021/22
	£m	£m
Profit/(Loss) for the year	-	-
Net Assets/(Liabilities) at the year-end	-	-

The year-end of the company is 31 March 2022 and for the purposes of consolidation the draft accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

Information regarding transactions during the year and balances held at the year-end between the Council and PETPS (Birmingham) Limited can be found within Note 46 of the Council entity accounts.

V. PETPS (Birmingham) Pension Funding Scottish Limited Partnership

PETPS (Birmingham) Pension Funding Scottish Limited Partnership (SLP) was formed by PETPS (Birmingham) Capital Limited (PETPS Capital) and PETPS (Birmingham) General Partner Limited (PETPS General), which are both wholly owned subsidiaries of the Council.

The arrangement was created in 2017/18 to enable the Council to manage the funding implications of its guarantee in respect of the pensions from the NEC Group Limited following its disposal. The Council has invested equity in PETPS Capital which it has subsequently invested in SLP. The rights of the investment in SLP have been assigned to the NEC Pension Fund Trustees whilst the pension fund is in deficit. At 31 March 2022, the level of investment in SLP that is currently assigned to the NEC Pension Fund Trustees was £2.4m (31 March 2021: £4.9m).

At 31 March 2022, there were nominal balances in PETPS Capital and PETPS General with the major transactions in SLP.

	2020/21 £m	2021/22 £m
Profit/(Loss) for the year	-	-
Net Assets/(Liabilities) at the year-end	-	-

The year-end of the company is 31 March 2022 and for the purposes of consolidation the draft accounts have been used. Advantage has been taken of the exemption not to produce partnership accounts under regulation 7 of The Partnerships (Accounts) Regulations 2008 as the financial information for the partnership has been consolidated into these group accounts.

Information regarding transactions during the year and balances held at the year-end between the Council and PETPS (Birmingham) Pension Funding Scottish Limited Partnership can be found within Note 46 of the Council entity accounts.

VI. InReach (Birmingham) Limited

The Council set up InReach (Birmingham) Limited, a wholly owned subsidiary of the Council, in 2015/16 to facilitate the development of new private rented homes for market rent.

Throughout the whole of the reporting period considered in these financial statements, the Council has held 100% of the £2,000,100 share capital of the company.

	2020/21 £m	2021/22 £m
Operating Profit/(Loss) for the year	0.6	0.6
Change in value of Investment Property	(0.3)	(5.4)
Interest Payable	(0.7)	(0.8)
Tax	-	0.8
Total Comprehensive Income for the Year	(0.4)	(4.8)
Net Assets/(Liabilities) at the year-end	8.3	3.5

The year end of the company is 31 March and for the purposes of consolidation the draft accounts for the 12 month period ending 31 March 2022 have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

VII. Birmingham City Propco Limited

The Council set up Birmingham City Propco Limited, a wholly owned subsidiary of the Council, in 2017/18 to provide a vehicle for commercial investment. The initial transactions of the company were to purchase the leasehold interests of the Council in respect of the Crowne Plaza NEC and Hilton Metropole NEC Hotels, which were completed on 15 March 2018.

	2020/21	2021/22
	£m	£m
Profit/(Loss) for the year	-	0.3
Net Assets/(Liabilities) at the year-end	8.1	9.3

The year end of the company is 31 March and for the purposes of consolidation the draft accounts for the 12 month period ending 31 March 2022 have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

Information regarding transactions during the year and balances held at the year-end between the Council and Birmingham City Propco Limited can be found within Note 46 of the Council entity accounts.

Note G21
Associate and Joint Venture

The associate that has been consolidated into the Group Financial Statements is listed below.

I. Birmingham Airport Holdings Limited

The seven West Midlands District Councils together own 49% of Birmingham Airport Holdings Limited (BAH) (the Council holds 18.68% of the total shareholding). The remaining shares of the company are held by Airport Group Investments Limited, 48.25%, and 2.75% is held for the benefit of employees. The Shareholders' Agreement provides for the District Councils to cast their 49% vote in all circumstances in one consolidated block. The vote of 75% of ordinary shareholders is required for certain major decisions of the company.

The seven West Midland Districts together own all £15.4m of BAH's 6.31% preference shares (the Council owns £5.9m) which are cumulative and redeemable.

The BAH Group Accounts incorporate:

- Birmingham Airport Limited;
- Birmingham Airport Air Traffic Limited;
- Birmingham Airport Developments Limited;
- Birmingham Airport (Finance) Plc;
- Birmingham Airport Operations Limited;
- Birmingham Airport Services Limited;

- BHX Fire and Rescue Limited;
- BHX (Scotland) Limited;
- BHX Limited Partnership;
- Euro-Hub (Birmingham) Limited; and
- First Castle Developments Limited.

The principal activity of the group is the operation and management of Birmingham Airport and the provision of facilities and services associated with those operations.

The year-end of the company is 31 March 2022. For the purposes of consolidation the draft accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

BAH is accounted for as an associate for the following reasons:

- The Shareholders' Agreement provides for the Districts to cast their 49% vote in all circumstances in one consolidated block. As the Council holds 18.68% within this 49% it is considered that the Council has greater power to influence the voting of the block;

- At 1 April 2019, 4 of the 16 Directors were Council officers or councillors. At 1 July 2020, 2 of the 11 Directors were Council councillors, and at 27 October 2021, 2 of the 12 Directors were Council councillors.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the principal of equity accounting under the Code, the summarised financial information for the associate for the year ended 31 March is detailed below:

31 March 2021 £m		31 March 2022 £m
481.7	Non-Current Assets	462.4
88.3	Current Assets	76.3
(50.9)	Current Liabilities	(48.9)
(478.6)	Non-Current Liabilities	(458.4)
40.5	Net Assets	31.4
7.6	**Council Interest in Net Assets @ 18.68%**	**5.9**
27.0	**Revenue**	**67.9**
(66.5)	Post-Tax Profit/(Loss)	(21.9)
(12.1)	Other Comprehensive Income/(Expenditure)	14.0
0.3	Adj. for difference in Balance Sheet between draft and final accounts 2019/20	-
(78.3)	Total Comprehensive Income/(Expenditure)	(7.9)
-	Less Dividends paid	-
(78.3)	**Change in Net Assets**	**(7.9)**
(14.6)	**Council Interest in Total Comprehensive Income/(Expenditure) @ 18.68%**	**(1.5)**

The carrying value of the Council's interest in net assets of this entity is £5.9m (2020/21: £7.6m), which is included within Investments in Associates and Joint Ventures in the Group Balance Sheet.

Birmingham Airport Holdings Limited at 31 March 2022 has disclosed the following contingent liabilities within its financial statements:

- On 3 December 2013 the company along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £75 million private placement senior notes issued by Birmingham Airport (Finance) plc. Series A senior notes of £30 million are for a period of ten years maturing on 3 December 2023 and carry a fixed interest rate of 4.472 per cent per annum. Series B senior notes of £45 million are for a period of 15 years maturing on 3 December 2028 and carry a fixed interest rate of 4.557 per cent per annum;

- On 30 March 2016 the company along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £76 million private placement senior notes issued by Birmingham Airport (Finance) plc. The notes are for a period of twenty five years maturing on 30 March 2041 and carry a fixed interest rate of 3.8 per cent per annum

- On 24 January 2019, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £90 million private placement senior notes issued by Birmingham Airport (Finance) plc on 24 January 2019. The senior notes are for a period of 30 years maturing 24 January 2049 and carry a fixed interest rate of 3.21 per cent per annum.

- On 23 January 2020, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £85 million private placement senior notes issued by Birmingham Airport (Finance) plc on 24 January 2020. The senior notes are for a period of 30 years maturing 24 January 2050 and carry a fixed interest rate of 2.44 per cent per annum.

- On 21 May 2020, the company, along with other group members of Birmingham Airport Holding Limited, provided guarantees in support of £45 million private placement senior notes issued by Birmingham Airport (Finance) PLC on 21 May 2020. The senior notes are for a period of 30 years maturing 21 May 2050 and carry a fixed interest rate of 2.94 per cent per annum.

- The company, in its role as parent company to the group, has provided a statutory guarantee to certain subsidiaries for all outstanding liabilities as at 31 March 2022. This guarantee allows the subsidiary companies to take the audit exemption from obtaining a signed statutory audit opinion under section 479A of the Companies Act 2006. The subsidiaries provided with the guarantee were:

    - Birmingham Airport Air Traffic Limited;
    - Birmingham Airport Developments Limited;
    - Birmingham Airport Operations Limited;
    - Birmingham Airport Services Limited;
    - BHX Fire and Rescue Limited;
    - Euro-Hub (Birmingham) Limited; and
    - First Castle Developments Limited.

The joint venture that has been consolidated into the Group Financial Statements is listed below.

II. Paradise Circus Limited Partnership

Paradise Circus Limited Partnership (the partnership) is a joint venture arrangement between the Council, BriTel Funds Trustees Limited (BriTel) and Paradise Circus General Partner Limited, which is itself formed through a partnership of the Council and BriTel. The Council and BriTel share control of the joint venture on a 50/50 basis.

The partnership is facilitating the development of the area known as Paradise Circus, supporting delivery against one of the Council's strategic aims of making Birmingham an entrepreneurial city to learn, work and invest in. The entity was incorporated on 11 September 2013, with operational activity commencing in January 2015.

The year-end of the company was 30 June 2021. For the purposes of consolidation these accounts have been used and supplemented by management accounts information for the nine month period to 31 March 2022. There was no qualification on the audit opinion for the last audited accounts of the company.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the principles of equity accounting under the Code, the summarised financial information for the joint venture for the year ended 31 March is as follows:

31 March 2021 £m		31 March 2022 £m
23.1	Non-Current Assets	23.9
16.5	Current Assets	18.8
(6.0)	Current Liabilities	(5.2)
(49.6)	Non-Current Liabilities	(51.7)
(16.0)	Net Assets/(Liabilities)	(14.2)
(8.0)	**Council Interest in Net Liabilities @ 50%**	**(7.1)**
12.6	**Revenue**	**0.4**
(3.0)	Post-Tax Profit/(Loss)	(4.1)
-	Other Comprehensive Income/(Expenditure)	-
(3.0)	Total Comprehensive Income/(Expenditure)	(4.1)
(1.5)	**Council Interest in Total Comprehensive Income/(Expenditure) @ 50%**	**(2.0)**

The carrying value of the Council’s interest in this entity is a net deficit of £7.1m (2020/21: £8.0m deficit), which is included within the current liabilities in the Group Balance Sheet.

Annual Governance Statement 2021/22

Annual Governance Statement 2021/22

1 Scope of Responsibility

1.1. Birmingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

1.3. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace 2016). This statement explains how the Council has complied with the framework and also meets the requirements of *The Accounts and Audit Regulations 2015*, Regulation 6(1)(a), which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts and, Regulation 6(1)(b), which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

1.4. This governance statement provides assurance over the governance arrangements that have been in place for 2021/22 and also identifies significant changes to those governance arrangements that were put in place as a result of Covid-19.

2 The Purpose of the Governance Framework

2.1. The Council is accountable to its communities for the money it spends. It is required under law to ensure it provides value for money and to achieve this it has a governance framework which supports a culture of transparent decision making.

2.2. For a governance framework to work, arrangements should be in place to ensure that the Council can achieve its strategically agreed objectives and remain financial sustainable as these two elements are interdependent.

2.3. The Council is committed to good governance and to improving governance on a continuous basis through a process of evaluation and review.

2.4. Good governance for the Council is ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner and the Council seeks to achieve its objectives while acting in the public interest, at all times.

2.5. The governance framework comprises the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of high quality services and value for money.

2.6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.7. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts, subject to changes highlighted relating to Covid-19.

3 The Governance Framework

3.1. The governance framework comprises of the systems, processes, culture and values by which the Council directs and controls its activities and through which it accounts to, engages with and leads its communities. The Council has adopted a Corporate Assurance Framework and this Annual Governance Statement provides supplementary information by identifying the Council's vision, strategies and plans, both internally and working with partners: the culture and framework within which councillors and officers operate; financial management and compliance with CIPFA Financial Management Code 2019 (FM Code) and outlines the challenge process by Scrutiny and Audit Committee.

<u>The Council's vision and priorities for Birmingham</u>

3.2. During the 2021/22 financial year, the Council's vision for Birmingham was to create 'a city of growth where every child, citizen and place matters', with a set of outcomes and priorities to underpin this vision. The Council's aim was to transform and modernise services in response to changing demand from a growing population and to support this, the Council focused resources on six priorities:

- **An entrepreneurial city to learn, work and invest in.**
- **An aspirational city to grow up in**
- **A fulfilling city to age well in**
- **A great city to live in.**
- **A city whose residents gain the maximum benefit from hosting the 2022 Commonwealth Games.**
- **A city that takes a leading role in tackling climate change.**

3.3. The Council's vision and priorities in terms of the contribution to strategic outcomes are set out in the Council Delivery Plan 2020-2022 (the Plan). The Plan is available on the Council's website.

3.4. The Plan identifies three longer term goals which are fundamental to tackling the critical challenges facing the city whilst managing demand on Council services to a more affordable level. These continue to guide the transformation of the Council and will develop beyond 2022. The three areas are:

- **Shifting focus from crisis to prevention**
- **Increasing the pace and scale of growth, for those that need it most, while delivering the Council's climate change objectives and**
- **Delivering new ways of working**

3.5. Following the Council's all out elections in May 2022, the Council developed a new Corporate Plan 2022 – 2026. This Plan updates the Council's priorities in the light of the Covid-19 recovery, tackling inequalities and the 'levelling up' of the city. It will guide the Council's work for the next four years, providing the context for more detailed delivery strategies and plans which address the most important challenges facing the city.

3.6. Many of the Council's existing priorities were introduced as long term goals and remain relevant as the Council develops new proposals to build a city which is:

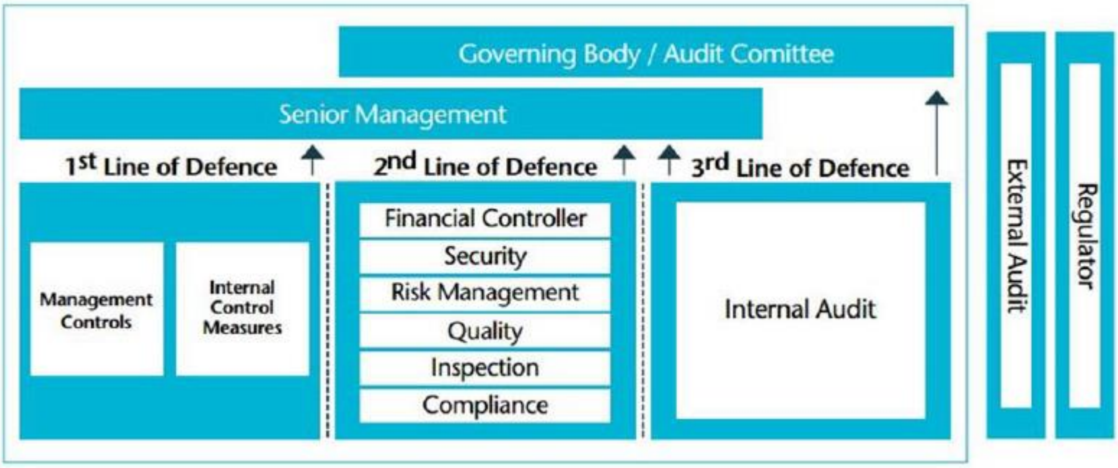
- **A Bold Prosperous Birmingham**: through continued economic growth, tackling unemployment, attracting inward investment and infrastructure and maximising the benefits of the Commonwealth Games.
- **A Bold Inclusive Birmingham**: through empowered citizens, looking after vulnerable children, supporting young people to fulfil potential and promoting diversity, civic pride and culture.
- **A Bold Safe Birmingham**: through tackling antisocial behaviour and hate crime, housing provision and addressing homelessness and improving living environments.
- **A Bold Healthy Birmingham**: through tackling health inequalities, encouraging and enabling physical activity and healthy living, quality of care and helping to support mental health
- **A Bold Green Birmingham**: by improving the cleanliness of our city and streets, improving the environment and air quality, carbon reduction and being a city of nature.

3.7. A new Council Delivery Plan will set out key delivery activity, milestones and key performance indicators that help monitor and demonstrate delivery against the new Corporate Plan priorities. Corporate priorities are supported by more detailed Directorate Business Plans which are also regularly monitored and reviewed with a golden thread through to appraisals.

3.8. Regular monitoring and reporting through a robust governance structure against these measures ensure that weaknesses in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.

3.9. A Corporate Assurance Framework was reported to Audit Committee on 29 November 2021. The framework has been developed to improve oversight and prepare an evidence base for the key sources of assurance that are relied upon to manage risks and as a result support in the achievement of organisational strategic objectives

3.10. The Assurance Framework adopts the Three Lines of Defence Model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. The Three Lines of Defence model is illustrated below:



<u>The Impact of Covid-19 on Governance</u>

3.11. In response to Covid-19, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Based within the framework of the Council's vision and priorities the 12 points were:

- To preserve life and protect vulnerable groups and maintain the viability of the city is our fundamental purpose during the coming days, weeks and months.
- Ensure the response is scalable, proportionate and flexible, working closely with our NHS, education, business and community providers.
- Contribute to effective containment measures as appropriate to limit the spread of infection, and work with citizens and communities to help them to take the appropriate actions.
- Ensure continued delivery of the Council's critical services, focusing most on those services which support and protect the most vulnerable in society.
- Maintain the Council's services to an appropriate level and prioritise services to maintain those which are critical to life and the protection of vulnerable groups.
- Engage with and support NHS and Public Health response systems/campaigns including media and communications, working across all the networks of the city to ensure information reaches all our communities.
- Provision and sharing of advice; warning and information internally and to public and local businesses to support the immediate and long-term resilience of the city.
- Maintain good working relationships with partners to ensure supply chain continuity, especially for those resources that underpin the safety and security of Birmingham and its citizens.

- Ensure that all roles and areas of responsibility are predetermined and formally agreed so there is clarity internally and with partners during these uncertain times.

- Monitor the impact of the outbreak on the community and our services to respond in a timely manner and plan recovery to ensure that Birmingham remains looking forward.

- Work with partners across our voluntary, community and faith communities to mobilise the spirit of Birmingham to respond to the challenges facing us.

- Work across political parties to collaborate in the best interests of the city; we recognise that the challenges ahead require us all to work together to support citizens and the city to weather the coming challenges and emerge as a city moving forward.

3.12. The 12 point plan was followed until the Council deactivated its Covid-19 governance arrangements.

3.13. Covid-19 meant that the Council made significant changes to governance arrangements upon activating its Emergency Plan from 18 March 2020 to 2 August 2021. As a result, emergency Covid-19 decisions were made in accordance with the Emergency Plan and therefore, in line with the Council's Constitution, normal reporting and decision-making rules changed and did not apply.

3.14. The Council's Emergency Plan and the Constitution adopted the Strategic / Tactical / Operational Command and Control structure, which is a nationally adopted framework by all emergency response organisations. The command and control structure ensured a joined-up approach to emergencies at various scales and provided officers with wide delegations to make decisions at pace, as the Council responded to the developing situation. The Council was dealing with the need to continually respond to the crisis as it developed, and although there was an intention to publish key decisions taken during the emergency response, it was not reasonably practicable to publish all decisions taken at the time. Subsequently, the Council published a log of the decisions taken during the emergency response.

<u>Governance Arrangements in the Wider Context</u>

3.15. The Council's planning framework is set in the context of the wider city leadership and governance, such as the West Midlands Combined Authority's (WMCA) Strategic Economic Plan (developed by the local authorities, local enterprise partnerships and universities in conjunction with the WMCA) and the Birmingham and Solihull Inception Framework (to deliver a simplified way of working between health and care organisations for better health and care for local people).

3.16. The Mayor heads the WMCA. The WMCA uses devolved powers from central government to allow the Council, along with its regional counterparts, to drive economic growth, investment and the reform of public services. There will be continued innovative ways of delivering local services and for people to engage in their local community, such as through the local council for Sutton Coldfield.

3.17. The Council is a key member of statutory and non-statutory partnerships. The overarching non-statutory City Partnership consists of key stakeholders and partners across the public, business, educational, voluntary and community sectors. It has established a collective purpose, mission and vision for itself with a set of six goals that align with the Council's Levelling Up Strategy and is now developing a work programme to engage partners in shaping and enacting insight-led collective approaches to the opportunities and challenges facing Birmingham. The Council utilises existing and established routes to community engagement that look to promote involvement of communities of interest, stakeholders and the wider public across the city.

3.18. The Council has an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.

3.19. The Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) operates a full executive team within a separate company, GBSLEP Limited. The Council remains the accountable body for capital funds and some revenue funding awards and retains its place on the LEP Board in respect to its s151 role over public funds. Working with partners, the Council plays a strategic role for the Greater Birmingham area, working with the GBSLEP and where applicable, jointly and in consultation with the WMCA. As Accountable Body and partner to the GBSLEP, the Council develops collaborative solutions to common problems, and facilitates coherent programmes with regional and national partners to deliver an economic strategy for the city and region. GBSLEP projects are delivered within the GBSLEP Assurance Framework, approved by the Council's governance processes as Accountable Body, managed and monitored through Programme Delivery Board and thematic "Pillar Boards", with regular reporting to the LEP Board.

3.20. In February 2022, the Government published its Levelling Up White Paper which has far-reaching implications for the future structure of LEPs across the country. Within the paper the direction for the GBSLEP is set out as integration with the WMCA. The Council is working with GBSLEP and WMCA to shape and support these changes

3.21. The Cabinet Committee - Group Company Governance's role is to ensure that the Council's strategic objectives are met across the group of companies which either the Council owns or has an interest in, and to support the development of the group in line with the Council's regulations and ambitions. The Committee works to improve the level of Council oversight of the activities of those companies and to ensure that sound governance arrangements are in place to support council interests, appointments and nominees. The Committee will meet with companies, review performance, business plans and strategies and ensure that the relationship continues to contribute to council priorities.

Financial Management Arrangements

3.22. The Council continues to face financial challenges. The ongoing financial impact of Covid-19 after a decade of austerity, inflationary pressures and increased demand for the Council's services pose a threat to the financial sustainability of both Birmingham as a city and the Council.

3.23. The Council ensures the economical, effective and efficient use of resources and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. Achievement of value for money is a key part of the Council's long term financial strategy.

3.24. The Council set a Financial Plan for 2021-2025 that was driven by the 2020-2022 Delivery Plan, supporting effective allocation and prioritisation of resources to critical work and projects over a longer period. The introduction of the rolling budget process, a key part of the Council's financial management improvements, saw the planning assumptions in the 2021 Medium Term Financial Plan, refreshed twice in the year, reported to Cabinet and Overview and Scrutiny Committee in July and October.

3.25. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The role of the Chief Finance Officer (CFO)/Section 151 Officer includes being:

- A key member of Corporate Leadership Team (CLT), helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest.
- Actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy.
- Leading the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- To deliver these responsibilities, the CFO leads and directs a finance function that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

3.26. 2021/22 represents the first year of formal adoption by the Council of the CIPFA Financial Management Code 2019 (FM Code). The FM Code provides guidance for good practice in financial management and helps local authorities demonstrate financial sustainability. Compliance with the FM Code helps to strengthen the framework that surrounds financial decision making. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and members of CLT.

The Executive Structure

3.27. The Council facilitates policy and decision–making via an Executive Structure. There were ten members of Cabinet for the 2021/22 financial year:

- The Leader with responsibilities for strategic policies; structure and governance of the Council; Lord Mayor's Office; communications; financial strategy; Council wide efficiency and improvement; policy and partnerships; WMCA; major projects; promotion of the City and inward investment; Commonwealth Games, sports and events development; Council land use and property assets including appropriation; economic growth and jobs; business improvement districts; land use planning; housing development; enforcement

- Deputy Leader with responsibilities for business change; efficiency and improvement for the Council; oversight of good governance in relation to Council representation on outside bodies; risk management; revenues and benefits service; customer services; external scrutiny and local government ombudsman; open data and information systems; whistleblowing and corporate complaints procedure; emergency planning; impact and Implications of Brexit; to lead on information law and data protection matters; to challenge any lack of transparency in all work carried out by the Council; ICT and legal.

  Eight other Cabinet Members have the following portfolios:
- Cabinet Member – Vulnerable Children and Families

- Cabinet Member – Street Scene and Parks
- Cabinet Member – Health and Social Care
- Cabinet Member – Homes and Neighbourhoods
- Cabinet Member – Finance and Resources
- Cabinet Member – Social Inclusion, Community Safety and Equalities
- Cabinet Member – Transportation and Environment
- Cabinet Member – Education, Skills and Culture.

3.28. The Council's Constitution, which is reviewed annually by the Monitoring Officer with amendments agreed at the Annual General Meeting, is available on the Council's website. The Council has authorised Council Business Management Committee (CBMC) to take all necessary steps, through the year, to amend, add, substitute or delete any of the Council's non-Executive Constitutional amendments and refer all changes to Full Council for approval.

3.29. The Constitution sets out the terms of reference or function for each of the Committees and signposts to a schedule of matters reserved for decision by Full Council.

3.30. CBMC has responsibility for the planning and preparation of the agenda, papers and other arrangements for Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters.

3.31. CBMC oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBMC submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.

3.32. CBMC also discharges the Council's functions in relation to parishes and parish councils, considers terms and conditions of employment and any recommendations from Audit Committee relating to the discharge of the Council's duty under the Accounts and Audit Regulations 2015.

Roles, Values and Standards of Conduct and Behaviour of Members and Officers

3.33. Identifying the culture within which the Executive (Cabinet), councillors and officers operate is one of the principles of good governance.

3.34. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.

3.35. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Chief Officers/Directors.

3.36. The Council has Codes of Conduct for both Members and Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular, the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received.

Member Development

3.37. The Members' Development Strategy 2018-2022 aims to provide a member development programme that ensures all councillors have the opportunity to gain the knowledge and skills to fulfil their role as 21st Century Councillors; make a positive difference every day to the people of Birmingham; provide strategic leadership and work together with officers in the transformation and delivery of Council services.

3.38. Councillors are at the heart of the Council and the organisation supports the member development strategy. It is overseen by CLT and the Member Development Steering Group; coordinated through the Members' Development Team, consisting of officers from Legal and Governance. This collaborative approach ensures ownership of the strategy by the Council as a whole.

3.39. In addition to the Members' Development Programme, all Councillors have access to e-learning through the City Council iLearn portal and are regularly kept up to date on training and development via the City Councillor bulletin circulated by email. This gives details of legislation, training opportunities and other issues of importance to Members.

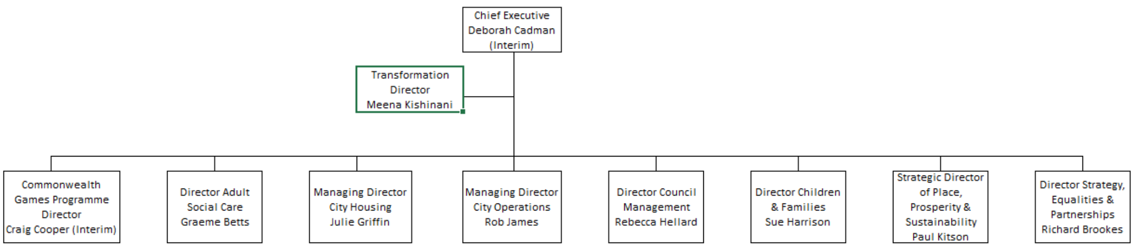
3.40. During Covid-19 and the increased requirement for more agile and online working, the main focus of the Members' Development Programme for 2021/22 has been to continue to provide briefing/training sessions through Microsoft Teams. There has been encouragement of online learning opportunities and assisting in learning the skills required in participating and managing meetings remotely. Information has been provided for both internal and Local Government Association training opportunities for:

- Role Specific Training, ensuring members have the knowledge and understanding of legal and governance requirements to carry out their role on regulatory and scrutiny committees
- On-going Member Development, to provide on-going development opportunities for members related to current and potential future roles and responsibilities.

Management Structure

3.41. During 2021/22, the Council operated through seven Directorates, Adult Social Care, Children & Families, Council Management, City Housing, City Operations, Place, Prosperity and Sustainability, and Strategy, Equalities and Partnerships.

3.42. The Council's management structure on 31 March 2022 was as per the diagram below:



3.43. The following key changes occurred:

- Deborah Cadman was appointed as Interim Chief Executive from 14 June 2021 and on 6 July 2022 her permanent appointment was announced.
- Graeme Betts took up the role of Acting Chief Executive prior to Deborah Cadman's appointment with Louise Collett taking up the role of Acting Director of Adult Social Care during this time.
- Sue Harrison, Director Children and Families joined the Council in October 2021. Prior to this, the post was filled on an interim basis.
- Jonathan Tew, Assistant Chief Executive left the Council on 31 August 2021.
- Rebecca Hellard was appointed Director of Council Management on a permanent basis from 1st November 2021.
- Paul Kitson was appointed Strategic Director of Place, Prosperity and Sustainability in January 2022
- Richard Brookes was appointed Director Strategy, Equalities and Partnerships in November 2021

Workforce

3.44. The Council's workforce strategy 2018-2022 was agreed by Cabinet in 2018 and refreshed in February 2020. The Council's workforce vision is to have a workforce that reflects the lived experience of people and is representative of the communities it serves, to be an employer of choice, with a high performing, agile and diverse workforce, capable of delivering innovative services.

3.45. Having a flexible, skilled and mobile workforce is critical to the Council responding effectively to increasing demands placed on front line services and support functions and to the delivery of a long-term sustainable organisation. During Covid-19, the workforce adapted to working from home for all but essential front line services, and now the Council is reviewing new ways of working for the future.

3.46. During 2021/22, the 'My Appraisal' review process continued, enabling a consistent means of assessing and rewarding performance. 'My Appraisal' is specifically designed to ensure that employees are supported to implement the Council's core values:

- We put citizens first
- We are true to our word
- We act courageously
- We achieve excellence

Scrutiny, Accountability and Risk Management

3.47. For good governance to function well, the Council must encourage and facilitate a high level of robust internal challenge, which both contributes to the financial stability of the Council and provides the right cultural approach.

3.48. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities, to provide independent assurance to the Council in relation to internal control, risk management and governance and help ensure robust arrangements are maintained. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit, responsibility for the approval of the Annual Accounts and to review and make recommendations to the

Executive regarding the effectiveness of internal audit and the Council's arrangements for deterring, preventing, detecting and investigating fraud.

3.49. Following an independent assessment of the effectiveness of Audit Committee in 2019/20, committee members expressed a wish to enhance their effectiveness by drawing upon wider sources of assurance; specifically, that of management and where appropriate, cabinet members. During the year, Audit Committee's ability to challenge was strengthened by the appointment of an independent advisor. Audit Committee has also received assurance reports from the Leader, Deputy Leader and Cabinet Members. An annual report is also presented to Full Council.

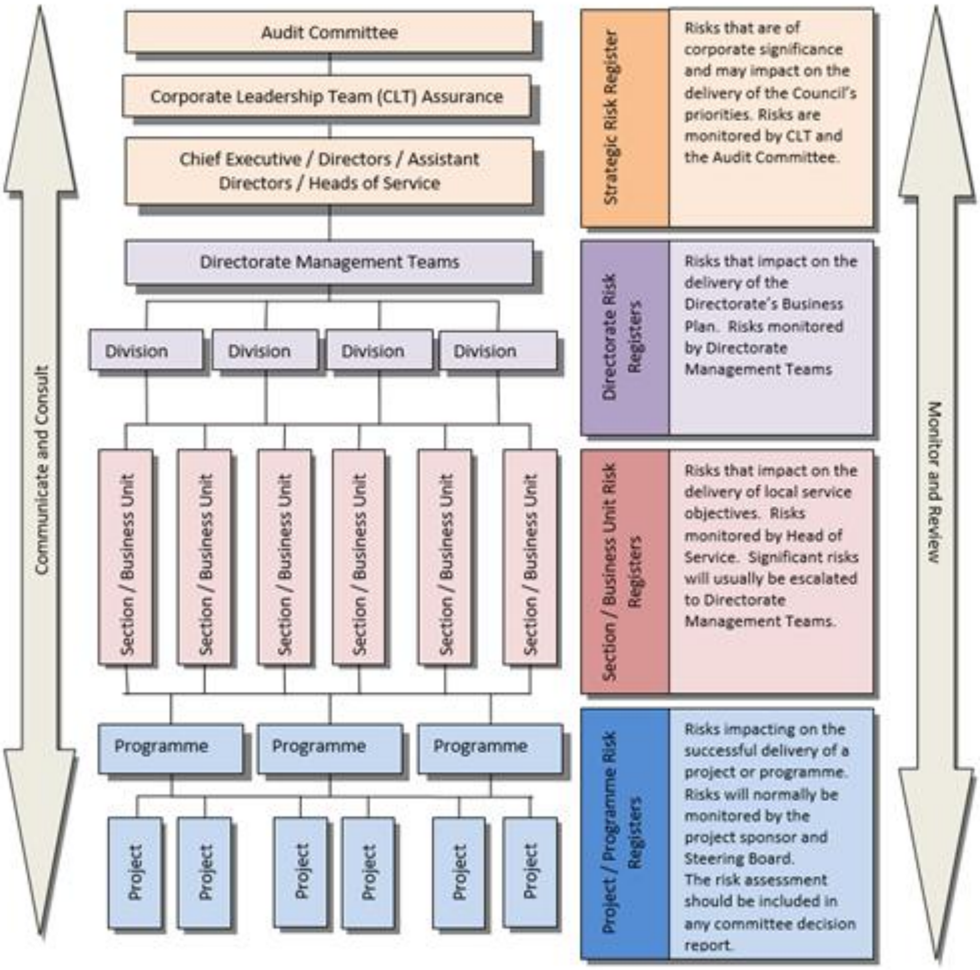
3.50. The Overview & Scrutiny Committees cover all Cabinet Member portfolios. All Executive (Cabinet) decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.

3.51. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Such enquiries are actively tracked through the process and independently reviewed and where appropriate, actions taken to improve service delivery.

3.52. The Council ensures compliance with established policies, procedures, laws, and regulations - including risk management. For transparency, all reports to Cabinet and Cabinet Members are required to include governance information relating to: Council priorities, plans and strategies, risk management consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.

3.53. The Council has a Risk Management Framework which sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels, formalising processes already in place.

3.54. The schematic diagram below illustrates how risk was managed during 2021/22:



3.55. The Council's Strategic Risk Register is reviewed and updated on a regular basis. The Strategic Risk Register is reported to CLT Assurance monthly, so that they can monitor and challenge progress against actions and identify any new risks to the Council. Additionally, the Strategic Risk Register is reported to the Audit Committee three times per year so that it can satisfy itself and gain assurance that the Risk Management Framework has been consistently applied and risks appropriately managed. Key operational risks are captured within business plans at directorate and divisional level and monitored by Directorate Management Teams.

3.56. CLT Assurance meet monthly to review assurance and governance issues. Directorate Management Teams also have in place forums to review assurance and issues are reported to CLT Assurance as required.

3.57. An independent assessment of the Total Impact of Internal Audit was undertaken independently by PWC LLP in 2020. Internal Audit's Total Impact review will be supplemented by a Peer Review in 2022 to enhance its overall contribution to the Council. The Council has well-established protocols for working with external audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Progressive Assurance Model

3.58. The Council has been on an improvement journey adopting a model of "progressive assurance" during 2019/20. The model was regarded by, at the time, MHCLG and peers as a very significant step forward for the Council's improvement agenda.

3.59. The 'Investing in the Future' Cabinet Report and Delivery Plan continues to guide the overall direction of the Council's improvement journey. The Council is adopting a refreshed approach to improvement, accountability and performance with effectiveness monitored through regular reporting to Cabinet, Scrutiny and CLT Performance Group on the overall position of delivery plan indicators.

External Audit

3.60. The external auditor has issued two Audit Findings Reports (AFR) on the audit of the financial statements based on work completed. The Interim AFRs were reported to Audit Committee on 19 October 2021 and 25 January 2022 with further external audit progress reports reported to Audit Committee on 29 November 2021 and 15 February 2022. The Draft Auditor's Annual Report (AAR) included no Statutory 24 recommendations, made four key recommendations in respect of governance, improving economy, efficiency and effectiveness, in three separate areas:

- Two recommendations relating to issues with the Homes to School Transport Service
- The arrangements in relation to required improvements in Special Educational Needs and Disability (SEND) services
- IT Audit findings and planned changes to the Council's general ledger

and eight improvement recommendations.

Engagement with the community and other stakeholders

3.61. During the pandemic, the Council saw how effective a coordinated voluntary, community, faith and social enterprise response could be in supporting individuals and neighbourhoods cope with the challenges presented. The Council worked closely with the sector, strengthening relationships and developing an understanding of how the Council can effectively serve communities and create greater trust.

3.62. Resulting from Covid-19 restrictions, the Council has adopted an on-line approach to consultation. The Council Financial Plan 2022 to 2026 was informed by the Brum Budget Challenge during December 2021, requesting citizens of Birmingham prioritise services within a limited budget via a digital tool, an on-line meeting led by the Council's Leader with the business community and an on-line event hosted by Birmingham Updates attended by the Leader, Deputy Leader, Cabinet Member for Finance and Resources and the Director of Council Management.

3.63. The Council's Scrutiny function engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council.

3.64. Clear channels of communication are in place with service users, citizens and stakeholders although during Covid-19 this was online. Now pandemic restrictions have eased, the Council holds meetings in public, with many formal meetings webcast.

Directorates have extensive programmes of consultation and engagement activity for specific services.

4 Review of Effectiveness

4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the CLT which has responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

4.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the 'Delivering Good Governance in Local Government: Framework' (2016 CIPFA/Solace) and continues to learn from experiences and makes necessary changes to improve its local code of governance. This includes developing a Corporate Assurance Framework to improve oversight and prepare an evidence base for the key sources of assurance that are relied upon to manage risks and as a result support in the achievement of organisational strategic objectives.

4.3. The Council has a well-developed methodology for annual governance review which is reviewed and updated each year. The process requires each Directorate and significant areas of service delivery / business units within a Directorate to produce an Assurance Statement highlighting significant governance issues, and details of what action(s) are being taken to mitigate any risks.

4.4. The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports.
- The work undertaken by Birmingham Audit during the year.
- The work undertaken by the external auditor reported in their annual audit letter and statutory recommendations; and
- Other work undertaken by independent inspection bodies.

4.5. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the Public Sector Internal Audit Standards.

4.6. The Birmingham Audit plan was compiled based on professional judgement and a risk model to 'score' all potential 'auditable' areas. To meet the standards required there was a need to ensure sufficient coverage of the adequacy and effectiveness of systems of internal control in relation to financial control, risk management, corporate governance and an element for proactive and reactive fraud work.

4.7. The resulting work-plan was discussed and agreed with the Directors and Audit Committee and shared with the Council's external auditor. Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the Council and the

Service Area. These are submitted to Members, Corporate Directors and service managers as appropriate.

4.8. From the work undertaken by Birmingham Audit during 2021/22 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: *"Based on the audit work undertaken and the wider assurance framework I am able to provide a reasonable assurance for the core systems of internal controls evaluated. As in any large organisation, our work did identify some significant issues that required action. All significant issues identified were reported to the appropriate Director during the year."*

4.9. In response to Covid-19, the Council developed a 12 point plan to meet the needs of the city, residents and communities. Part of the national response to Covid-19 included local authorities in the West Midlands area working collaboratively and the Council took the lead in the procurement of personal protective equipment for the region. Locally, the Council provided food deliveries to shielded residents, distribution of small business grants and the Retail, Hospitality and Leisure Fund, vouchers for families in receipt of free school meals, provision of accommodation to the homeless and distribution of personal protective equipment to care settings.

4.10. The funding and logistical consequences of delivering the Council's response during the pandemic was closely monitored as it created a severe challenge for the Council's own finances, with increased spending requirements alongside a loss of income. The crisis highlighted the chronic and structural inequalities in the city and the continued level of poverty and vulnerability in some groups and communities.

4.11. On 16 March 2021, the Council published its Covid-19 Economic Recovery Strategy with emphasis on the need for a more resilient economy and stronger communities, acknowledging a thriving economy depends on spreading opportunity and making families and communities more resilient. The strategy focused on four overall priorities for the city's recovery from Covid-19:

- Creating a more inclusive economy and tackling the inequalities and injustices highlighted by the crisis
- Taking more radical action to achieve zero carbon emissions and a green and sustainable city
- Strengthening our public services and creating new services to address needs
- Building the strength and resilience of our communities based on the positive response to the crisis.

4.12. In response to central government's levelling up strategy, in November 2021 the Council launched its own levelling up strategy 'Prosperity and Opportunity for All', a framework of five levelling up accelerators, for which the Council is seeking central government support. The strategy links to the Council's existing plans including the Economic Recovery Strategy, City Plan, Delivery Plan 2020-22 and Community Cohesion Strategy.

4.13. The Council has undertaken a self-assessment against the FM Code standards with a view to a CIPFA peer review for additional assurance. It is the opinion of the Chief Finance Officer that the Council is financially resilient and delivers value for money. However, in striving for financial management excellence, the Council has developed a set of actions for improvement which include further budget holder training and support on the new Human Resources and Finance system, continuing the implementation of the Finance Target Operating Model and strengthening corporate processes and documentation for project and investment appraisals. The planned improvements will contribute to the Council's longer term vision and financial improvement journey.

4.14. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to CLT. The more significant of these are set out in the section entitled '**Significant governance issues 2021/22'** below.

4.15. The internal audit function is monitored and reviewed regularly by Audit Committee. The Committee reviews management progress in implementing recommendations made in significant, high risk audit reports, progress made against issues raised by the external auditor in the Audit Findings Report and against issues raised in the AGS through the Corporate Risk Register.

4.16. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2021/22 including the recovery from Covid-19, the impact of Brexit on the City, the Commonwealth Games, Safeguarding Adults and Children, the Clean Air Zone and Clean Air Strategy.

4.17. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.

4.18. The Monitoring Officer advises that there were 46 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2021/22 financial year, an increase of 1 in comparison to 2020/21.

5 Review of 2020/21 Governance Issues

5.1. The significant 2020/21 governance issues were considered by Audit Committee in June 2020, agreed as part of the Draft Statement of Accounts in October 2021 and reviewed as part of the Corporate Risk Register updates in the 2021/22 financial year. In addition, Audit Committee received reports relating to Fraud, Treasury Risk Management Arrangements, Procurement Governance Arrangements, Audit Findings Report Updates, External Audit of the Accounts Updates and Cabinet Member Assurance Updates.

5.2. The recovery from the impact of Covid-19 across services featured in Overview and Scrutiny schedules. Areas reviewed included Supporting the Economic Recovery from Covid-19 – Jobs and Skills supporting SMEs and Support to Businesses affected by Covid-19 by the Economy and Skills Overview and Scrutiny Committee, Public Health updates, the Winter Vaccine Programme and an update on Re-opening Day Care Centres by the Health and Social Care Overview and Scrutiny Committee.

5.3. Education and Children's Social Care Overview and Scrutiny Committee received reports on the annual review of the Children's Trust, Birmingham Safeguarding Children's Partnership, Home to School Transport and particularly focused on Special Educational Needs and Disability (SEND).

5.4. Resources Overview and Scrutiny Committee received reports on the Commercial (Procurement) Governance Arrangements of the Task and Finish Group, a Commonwealth Games Funding Update, an Update to the Medium Term Financial Plan, updates on the implementation of the Council's new Finance and Human Resources System and New Ways of Working.

5.5. Housing and Neighbourhoods Overview and Scrutiny Committee received the annual report on Birmingham's Community Safety Partnership.

5.6. Cabinet received and considered interim refresh reports on the Medium Term Financial Strategy and reviewed quarterly reports on Performance and Progress against the Delivery Plan, Revenue Budget Monitoring and Capital Budget Monitoring. Cabinet also considered reports on the recovery from the Impact of Covid-19, Fire Safety in High Rise Buildings, New Ways of Working and Homelessness.

6 Significant Governance Issues 2021/22

6.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Strategic Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	**Commissioning and Contract Management** Ongoing assurance including audit reviews, general compliance checks and Member scrutiny, highlighted the need to ensure Procurement Governance Arrangements were fit for purpose, complied with, decisions were appropriately timed and there was adherence to regulations and internal governance controls. Combined with this, current Public Sector Procurement Regulations are under review prompting a call from Overview and Scrutiny Committee to examine and review the commercial governance processes to ensure that they are robust, fit for purpose, complied with and deliver value for money for both taxpayers and the Council's communities.	In response to the Overview and Scrutiny recommendation, in September 2021, a Councillor led Task and Finish Group was set up to review the Council's commercial governance arrangements, namely the Procurement Governance Arrangements. The Task Group also considered information in relation to the Government's Green Paper. From the work, recommendations were made by Overview and Scrutiny Committee which is now seeing the current Council's Procurement Governance Arrangements being overhauled and updated. The updated Procurement Governance Arrangements will be presented to Full Council in July 2022 for consideration. Once adopted they will form part of the Council's Constitution around Contract Standing Orders and there will then be the necessary training, engagement and awareness of the new arrangements with an emphasis on ensuring compliance.
2	**Companies** The Council has a complex group company structure and is seeking to improve the level of Council oversight of the activities of those companies that it either wholly owns or in which it has an interest. Group company governance is a vital tenet of sound group financial management.	A series of actions to improve and strengthen the Council's governance arrangements were agreed and reported at the Cabinet Committee - Group Company Governance (GCGC) informal meeting on 16 September 2021. The improvement plan remains active. Actions delivered include a full register of director training for officers and members where new appointments are contacted to attend and monitored for completion; a

Issue No	Governance Issue	Mitigation Action / Proposed Action
	Improvements to the process and operation as a "best in class" authority in this regard will contribute to the overall reduction of financial risk for the Council	nominated officer to support member appointments and a review of company/group guidance for officers ensuring company business plan reporting to GCGC includes financial performance. At each meeting there is a company risk and performance update from every significant company and annually, a group outturn report. Further work includes co-ordination of the nominated support officers into a formal group for reporting and updating of group company issues, the implementation of a company database IT solution and supporting the relationship with Audit Committee following Committee Chairs liaison during the year.
3	**Major Projects and Transformation** The Council is involved in an ambitious programme of delivery including a range of major projects which include partnership working arrangements and sometimes complex legal agreements.	Cabinet gave approval to the creation of a fit for purpose Corporate Programme Management Office (CPMO) so that the Council can be assured and have confidence that major change projects deliver as intended, to budget and on time. During Summer 2021, the CPMO designed and implemented a robust corporate monitoring mechanism for reporting major programmes and transformation initiatives that are underway across the Council. The stated design aim of the reporting was to "Provide CLT (Corporate Delivery Board) with a digestible and actionable, exception focussed, overview of programme status (delivery & money) that is produced collaboratively and independently assured by the CPMO and Finance." This is a monthly mechanism designed to provide CLT and Members with assurance and visibility across a range of significant programmes, increasing accountability through collaborative reporting that brings together key programme stakeholders, Finance Business Partners and the CPMO.

Issue No	Governance Issue	Mitigation Action / Proposed Action
		The monthly process is underpinned by a programme dashboard that tracks the delivery of programmes, benefits and associated costs. This monitoring also incorporates the savings tracker, designed by the CPMO and updated monthly by Finance Business Partners. The programme dashboards are summarised into a monthly report, with recommendations and mitigating actions, that is presented to CLT before being presented by the CPMO at CDOG to the Deputy Leader and Cabinet Member for Finance & Resources with the Director Council Management, Chief Executive and Interim Director of Transformation. The report is then presented to the Leader before being presented to EMT / Informal Cabinet. This monitoring mechanism is continuing to improve and evolve to reflect emerging programmes and is now well embedded in programmes across the Council to support delivery of the Corporate Plan.
4	**Housing** The implementation of the Homelessness Reduction Act from 1 April 2018 has seen an increase in households approaching the homelessness service. The service was unable to assess applications to the housing register at the rate they were being received through the first part of 2021-22. An increase of 10% from 2020 to 2021 in approaches as homeless placed further pressure upon temporary accommodation provision.	Additional resources were identified, trained and mobilised to concentrate on the backlog of applications with a target to be inside the performance measure by March 2022. The backlog did reduce significantly but the target was not fully met due to the sustained increase in applications to the housing register. Work continues to reduce backlogs and meet the performance measure. Significant investment is underway in order to prevent homelessness and reduce pressure upon temporary accommodation and eliminate the use of Bed & Breakfast accommodation.
5	**Asset Condition and Sufficiency** Many operational assets are in very poor condition following years of	The Council approved a Property Strategy 2018/19 – 2023/24 to better join

Issue No	Governance Issue	Mitigation Action / Proposed Action
	budget restrictions, lack of investment and dispersed management arrangements. There is an aging schools' estate with some assets that are beyond repair. The demand for secondary school places is beginning a period of sustained growth, requiring a large number of additional places to meet our statutory duty for sufficiency.	up decision making, realignment of assets and enable strategic development. There have been a considerable number of assessments and surveys associated to relevant pieces of legislation undertaken by specialist providers across the estates to ensure that the Council discharges its Duty Holder responsibilities. Planned Preventative Maintenance cycles are in place to ensure that necessary works are undertaken and Service Contracts are in place for a number of statutory controls. Officer and stakeholder boards for major scheme management and reporting to Capital Board or Cabinet as appropriate are in place to provide assurance on individual programmes.
6	**Recruitment and Retention** A number of services across all directorates are reporting difficulties in attracting applicants for roles. Current market forces are impacting negatively on the ability to attract and retain the right calibre people to achieve the Council's ambitions.	The end to end recruitment process is currently being revised to align with the new Oracle Recruitment Cloud system implemented in May 2022, with a focus on a candidate-centred approach. High profile marketing campaigns for key services were launched in June to attract to key roles in services including finance and social care. A Council-wide vacancy marketing campaign and an associated vacancy marketing budget is also in development. The Council has also secured membership of Vercida jobs platform – which is a way of attracting new and diverse candidates.
7	**Birmingham SEND Inspection –** Inadequate provision and Written Statement of Action required Joint CQC and Ofsted inspections of Birmingham SEND provision raised significant concerns requiring the Clinical Commissioning Group and Council to provide a joint response in the form of a Written Statement of Action.	The Council will work closely with its Parent Carer Forum as the next steps are planned and intends to address the fundamental weaknesses in the system that have been identified whilst building upon those showing promise, including joint commissioning, the better quality of

Issue No	Governance Issue	Mitigation Action / Proposed Action
	This, in conjunction with the implementation of the SEND two-year improvement programme is making the necessary and important improvements for the current local offer for children and young people addressing the issues raised in the Ofsted and CQC inspection. The Department for Education has appointed a Commissioner to hold the Local Area to account to deliver the required improvements. The Council will work closely with the Commissioner on the improvements that are required.	more recent Education Health and Care Plans and the work the Council is doing with mainstream and special schools.

6.2. These matters are monitored through the Strategic Risk Register, CLT and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.

6.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ………………………
Councillor Ian Ward
Leader of the Council

Signed ………………………….
Deborah Cadman
Chief Executive

Glossary

Academy School
A school that chooses to opt out of Local Authority control and receive its funding from the Education Funding Agency directly.

Accounting Policies
The rules and practices adopted by the Council that determine how the transactions and events are reflected in the Accounts.

Accruals
Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

Amortised Cost
Some financial assets and liabilities are carried at amortised cost, where part of their carrying amount in the Balance Sheet will be either written down or written up via the Comprehensive Income and Expenditure Statement over the term of the instrument.

Annual Governance Statement
The Annual Governance Statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

Balance Sheet
The Balance Sheet shows the value, as at the Balance Sheet date, of the assets, liabilities and other balances recognised by the Council.

Balances
The total level of funds an authority has accumulated over the years, available to support expenditure within the year.

Beacon Properties
In valuing the Housing Stock the Council's properties are grouped into types of a similar nature. A sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.

Business Rates
A local tax paid by businesses to their local authority, based on the value of their premises as assessed by the Government Valuation Office Agency (VOA).

Capital Charge
A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of a non-current asset, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. The Government has also enacted regulations which result in certain other types of spending being treated as capital expenditure.

Capital Financing Requirement (CFR)
A measure of an authority's cumulative need to borrow to finance capital expenditure, or to meet the costs of other long-term liabilities.

Capital Receipt
Cash received from the disposal of land and other non-current assets, and from the repayment of grants and loans of a capital nature made by the Council.

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as being from operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

CIPFA/SOLACE Framework
The CIPFA/SOLACE Framework helps local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of public business.

Collection Fund
A separate account administered by the Council collecting receipts from Council Tax and Business Rates and paying it on to the General Fund and other public authorities.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement (CIES)
This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Creditors
Amounts owed by the Council for work done, goods received or services rendered or taxation owed, but for which payment has not been made by the end of the year.

Current Value
Current Value is a measurement base which reflects the economic environment prevailing for the service or function that an asset supports when valuing the asset. The Current Value measurement bases include Existing Use Value, Depreciated Replacement Cost and Fair Value (see below).

Debtors
Amounts owed to the Council for work done, goods received, services rendered or taxation due but not received by the end of the year.

Deferred Capital Receipts
Income that is still due following disposal of a non-current asset.

Defined Benefit Pension Scheme
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Defined Contribution Pension Scheme
Pension schemes or other retirement benefit schemes in which the employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost
A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and obsolescence.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset.

Earmarked Reserve
A reserve which has been set aside for a specific purpose.

Effective Interest Rate
The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Emoluments
Payments received in cash and benefits for employment.

Events After the Reporting Period
Those events, both favourable and adverse, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.

Existing Use Value
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Expenditure and Funding Analysis
The Expenditure and Funding Analysis shows how the Council allocates between the Council's Directorates, expenditure for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Fair Value
Fair Value is defined as 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.

Fees and Charges
Income arising from the provision of services, for example, the use of car parks.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instruments
Financial Instruments are financial assets that can be traded. They can also be seen as packages of capital that may be traded. Most types of Financial Instruments provide an efficient flow and transfer of capital throughout all the world's investors. These assets can be cash, a contractual right to deliver or receive cash or another type of Financial Instrument, or evidence of one's ownership of an entity.

General Fund
The account which records income and expenditure for all the services of the Council except for the Housing Revenue Account and the Collection Fund, the net costs of which is met by Council Tax, Business Rates and Government grants.

Government Grants
Financial assistance from Government or other external bodies as a contribution towards the costs of services. Some grants may be accompanied by strict conditions relating to how the money can be spent. These are referred to as ring-fenced grants.

Heritage Assets
Assets that the Council intends to hold for the purpose of informing or educating the public about their heritage and which are not held for their investment value. Examples include collections of antiques in museums.

Housing Revenue Account (HRA)
A separate account detailing the expenditure and income arising from the provision of Council housing. Local authorities are required to maintain this separately from the General Fund.

Impairment
A diminution in value of a fixed asset resulting from, for example, obsolescence or physical damage. To comply with accounting standards the Council undertakes annual reviews of its assets to identify any assets which have been impaired.

Infrastructure Assets
These are inalienable assets, the value of which is recognised only by continued use of the asset created. Examples of such assets are highways and footpaths.

Intangible Assets
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity.

International Financial Reporting Standards
International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not for profit organisation called the International Accounting Standards Board (IASB). These are the standards which local authorities adhere to as interpreted for the public sector by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Investment Properties
Interest in land and/or buildings in respect of which construction work and development have been completed, or which is held for its investment potential with rental income being negotiated at arm's length.

Investments – long term
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments - short term
A short-term investment is an investment that will mature to cash within a one-year time period and is considered liquid. An asset is liquid if the owner can readily access it.

Lender Option Borrower Option (LOBO)
A LOBO is a type of loan instrument where borrowing is undertaken, initially at a fixed rate of interest. Periodically, at specific points, the lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty.

Liabilities
Amounts due to individuals or organisations, at the Balance Sheet date, which will have to be paid at some time in the future. Current liabilities are payable within one year of the Balance Sheet date.

Long Term Creditors
These creditors represent existing liabilities to be settled beyond 12 months of the Balance Sheet date.

Long Term Debtors
These debtors represent income still to be received beyond 12 months of the Balance Sheet date, for example on the sale of an asset or granting of a loan.

Market Value
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Materiality
An item is material if its omission, non-disclosure or mis-statement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)
Minimum Revenue Provision is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements. The Council is required by law to make an annual determination of MRP that it considers to be prudent.

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' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Net Book Value
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Lease
A lease other than a finance lease.

Operational Assets
Non-current assets held, occupied, used or consumed in the direct delivery of services for which the Council has a statutory duty or discretionary power to provide.

Precept
Amounts levied on the Council by other Councils or public bodies (Police and Crime Commissioners, Fire and Rescue Authorities and Parish Councils), which the Council collects on their behalf.

Prior Period Adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property, Plant and Equipment
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Provisions
Contributions to provisions are amounts charged to the revenue account during the year for costs, resulting from a past event and with uncertain timing of payment and where a reliable estimate of the cost involved can be made.

Related Parties
There is a detailed definition of related parties in FRS8, Related Party Disclosures. For the Council’s purposes, related parties are deemed to include the elected Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an interest.

Reserves
Reserves are reported in two categories.

<u>Usable Reserves</u>
Usable reserves are 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

<u>Unusable Reserves</u>
Unusable reserves are reserves that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Revenue Expenditure

Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)
Expenditure incurred during the year that is treated as capital expenditure under statutory provision but does not result in a non-current asset owned by the Council. Examples of these are expenditure on items such as improvement grants.

Right to Buy (RTB) Capital Receipts
Capital receipts generated from the sale of Council housing under the national scheme available to existing tenants. These receipts can only be used in ways determined by the Government, for example to pay for further capital expenditure on Council housing.

Service Concession Agreements
A form of contract involving an external company providing services for a fixed period, using facilities that they have inherited/provided/constructed.

Soft Loan
Loans at nil or below prevailing interest rates are often referred to as soft loans.

Top-up Grant
Additional grant which the Government provides to reflect the difference between Business Rates income that the Council can generate and the amount which the Government has calculated it needs to spend on services.

Voluntary Revenue Provision (VRP)
Voluntary Revenue Provision is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements that the Council chooses to make over and above Minimum Revenue Provision.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIRMINGHAM CITY COUNCIL