



## Draft Statement of Accounts 2020/21

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## NARRATIVE REPORT

### Organisational overview and external environment

#### External environment

Birmingham lies at the heart of the West Midlands with a population of 1.25 million that is forecast to increase by 7.7% to 2032. 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 and a lower proportion of working age and older people. This represents a huge potential for accelerated growth, fairer distribution of wealth and opportunities for innovation across all spheres of life.

Since 2012, the Council has put £3.49bn capital spend into the city, improving roads, schools, housing, leisure facilities and culture, arts and heritage. Despite the Covid pandemic, major projects such as HS2, the £700m Paradise development and Smithfield have continued ensuring the City's economy can thrive and helping to establish Birmingham as a world-class city.

However, Birmingham faces a number of key challenges that will drive its need to spend, including:

- Being ranked the 7<sup>th</sup> most deprived local authority in England and the most deprived in the West Midlands with 43% of its population living in the 10% most deprived areas;
- Structural inequalities that exist across the city and hold many communities back. The Council has recently published "Everyone's Battle, Everyone's Business", which is a call to action for the Council and the city to challenge these inequalities and celebrate the city's diversity and dynamism.
- The City is growing rapidly, increasing the pressure on the housing supply, and the need for affordable housing in particular.
- Tackling the breadth of issues caused by the pandemic, which has highlighted a number of inequalities in our communities, including those in low income households, and those without the ability to work from home.
- The need to reform services, so that the Council recognises and responds to the root cause of deprivation, poverty and inequality while embracing all of the City's many strengths.
- The City's ambition to tackle climate change, to improve air quality and the natural environment but also to stimulate job creation and growth.

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.

## The impact of Covid

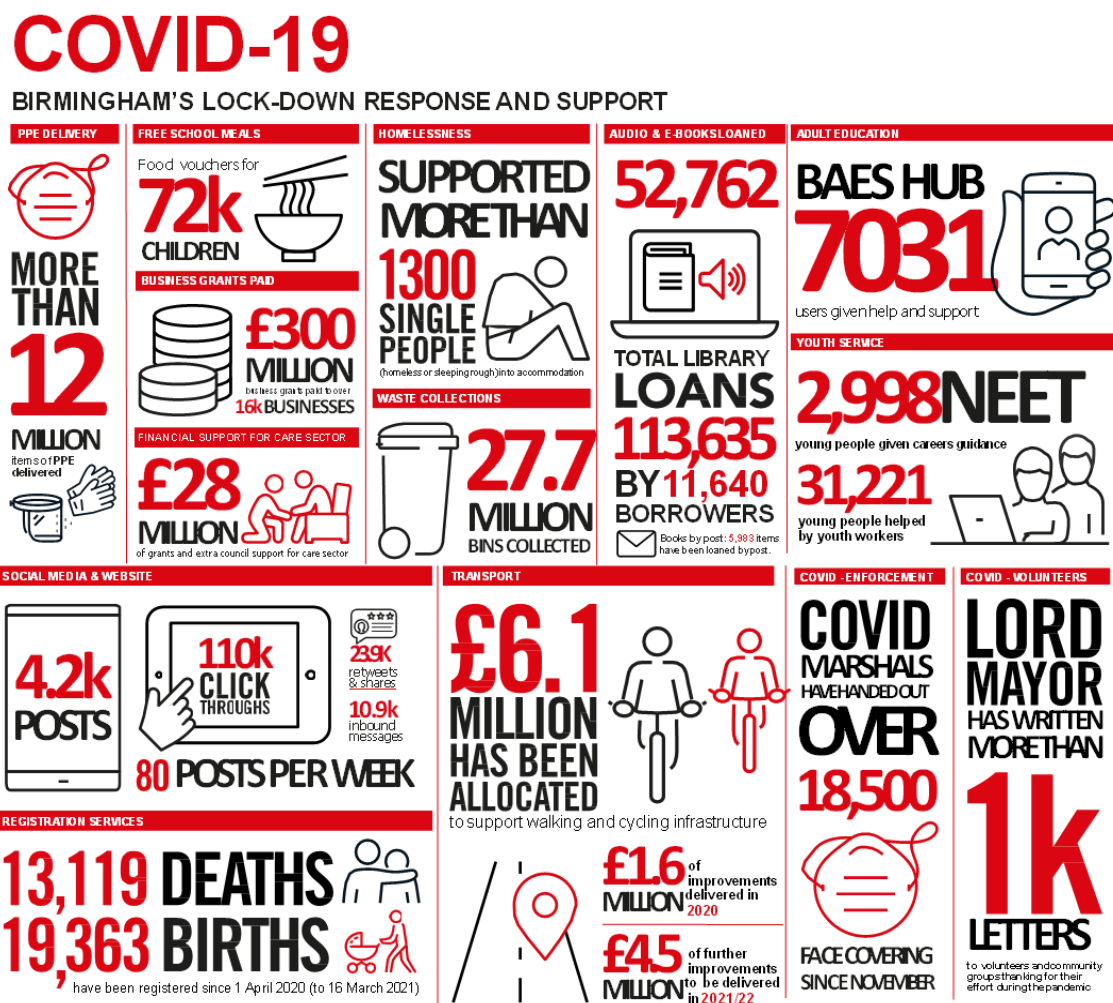
Clearly, the impact of the Covid Pandemic has been significant, for the Council, and everyone it serves and works with.

The Council has worked hard throughout the year to mitigate and reduce that impact where possible, although having to accept that there will still be those the Council serves who have suffered hardship and loss in these tough times.

The Council has focused its response to the pandemic in the following areas:

- Health and Wellbeing
- Education and Skills
- Communities, including Housing and Bereavement Services
- Street Scene and Parks, including Waste Management
- Transport
- Business Support
- Council Tax Support and Covid Hardship Fund

The infographic below gives a brief overview of some of the activity that the Council has delivered.



The Council received £149.2m of general support from the Government in relation to Covid in 2020/21 – split between un-ringfenced grant and income compensation. In order to provide an accurate picture of the total financial cost of the pandemic, an exercise was undertaken at the end of the year to identify the indirect costs of the Covid pandemic. Those indirect costs are made up of the proportion of staff time that was diverted to managing pandemic issues. Those costs total £48.9m and will be funded from the Government Grant.

The summary below sets out the Covid financial position in 2020/21:

<b>Outturn financial position</b>	<b>£m</b>
Directorate Covid spend	78.8
Corporate budgets overspend	4.1
Indirect Covid costs	48.9
<b>Total impact of Covid</b>	<b>131.8</b>
Covid grants	128.5
Income compensation	20.7
<b>Total Covid income</b>	<b>149.2</b>

The net surplus of £17.4m will be held as a contribution to a Covid reserve and used during the course of 2021/22 and beyond against additional impact of Covid that is forecast.

In addition to the costs and income shown above, the Council used £220m of direct grant funding in relation to activities to respond to Covid and provide vital support to those it serves, and benefitted from a further £178.8m of Section 31 grant compensation for Business Rates relief.

While the above represents the direct financial impact of Covid on the Council's results, the uncertainty that the pandemic produces across the range of services that the Council offers, and to those the Council provides to, means that there is also an indirect impact on our financial statements. That uncertainty results in the Council having to include, in a number of areas, estimates relating to some key areas of financial performance. A summary of these can be found in Note 4.

As at 31 March 2021, these values have been determined using the best estimates available at the time but these may be subject to change in hindsight. Where estimates have been used, the judgements made and the basis of any estimate have been disclosed in the notes to these financial statements.

#### Organisational over-view - key facts

The political composition of the Council is:

<b>Party</b>	<b>Councillors</b>
Labour	65
Conservative	27
Liberal Democrats	8
Green	1
<b>Total Councillors</b>	<b>101</b>

### Organisation of the Council's management team and the services it provides

The Council management team is responsible for managing the activities of the Council 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:

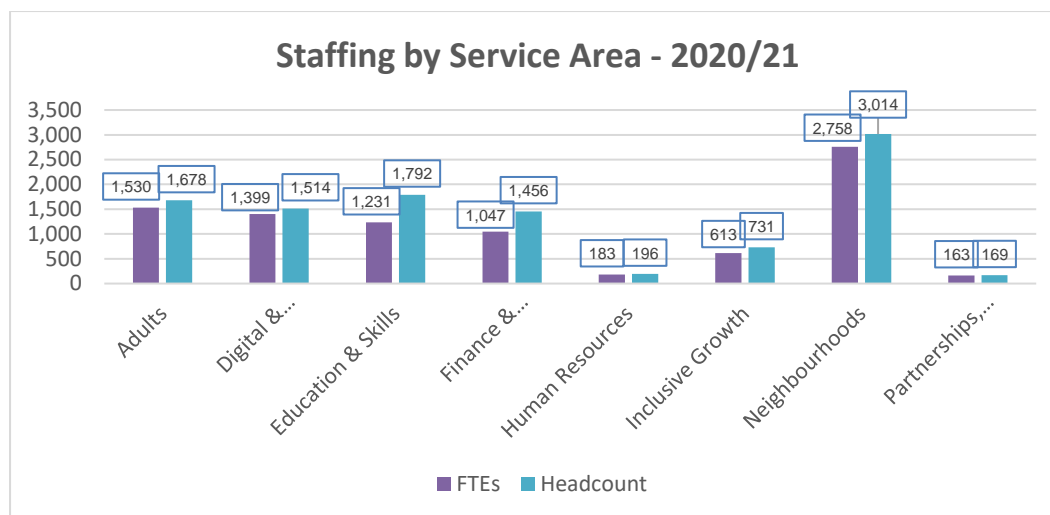
Directorate	Purpose
Inclusive Growth	International and domestic investment including tourism and visitor economy. Economic growth including development and housing programmes. Transport and connectivity including major transport strategies and air quality. Planning and property services. Highways and infrastructure
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.
Education and Skills	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.
Neighbourhoods	Waste strategy and services, cleaner neighbourhoods, and housing services, including graffiti removal, dog warden services, Council housing support, and recycling. Arts, culture and sports, including museums, galleries, arts, sporting events and leisure facilities. Parks and allotments. Bereavement services.
Other central services	All central services including Finance and Governance, Human Resources, Partnerships, Insight and Prevention, and Digital and Customer Services.

On 19 January 2021, Cabinet approved a revised structure, which will be implemented during the course of 2021. The structure outlined above is how the Council has been delivering services for the significant majority of 2020/21.

### Our Staffing

In supporting the delivery of services, the Council employed, as at 31 March 2021, 24,082 staff (31 March 2020: 25,628) which equated to 18,566 full time equivalents (fte) (31 March 2020: 19,441). If schools' staff are excluded, the Council employed 10,550 staff (31 March 2020: 10,870) which equated to 8,925 fte (31 March 2020: 8,941 fte). The chart below shows the Council's staffing, excluding school staff, by service area for 31 March 2021:





### Financial resources to support the Council

The Council's revenue and capital budgets were allocated between eight Directorates with other budgets being managed corporately. The Council's net budget for 2020/21 was £852.9m.

Details of the forecast net expenditure and resources available to the Council for 2021/22 and 2022/23 can be found in the published 2021-2025 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 it believes 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 our 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. 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 do so while simultaneously focussing on its commitment to tackle climate change. Over the next 18 months, the Council will bring

forward proposals to build wider funding and delivery partnerships for the exploration and implementation of climate change and carbon reduction activity in the city.

***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, our residents and our 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.

## **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.

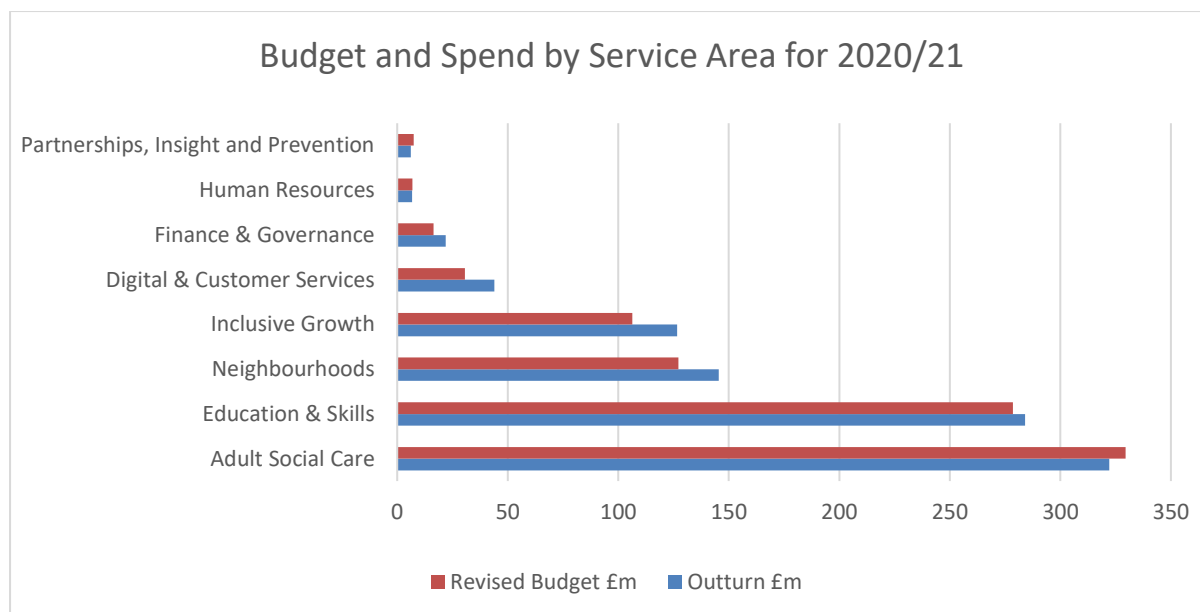
## **Financial Performance 2020/21**

### Revenue Expenditure

The Council's revenue and capital budgets were allocated between eight 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 29 June 2021.

The Council's net budget for 2020/21 was £852.9m. The General Fund revenue outturn position for 2020/21 shows a balanced position after transferring £17.5m of Covid Grant to an earmarked Covid Reserve to meet forecast Covid pressures in 2021/22 and transferring an underspend of £78.6m to a Budget Smoothing Reserve (£36.9m), a City Clean Up Reserve (£12.1m), the Delivery Plan reserve (£8.1m), a Community Recovery Plan Reserve (£10.0m), General Policy Contingency Reserve (£5.0m), the Council House Refurbishment Reserve (£2.5m), the Major Events Reserve (£2.0m), and a SEND and Inspection Reserve (£2.0m).

The chart below shows the budget and spend by Directorate for 2020/21 as reported to Cabinet:



### Capital Expenditure

The capital programme final outturn spend position for the 2020/21 financial year is £501.3m. This is £382.9m below the planned expenditure of £884.2m as shown in the table below:

	Annual Total, £m
<b>2020/21 Original Budget</b>	<b>710.1</b>
Change in budget	174.1
<b>2020/21 Revised Budget</b>	<b>884.2</b>
Less: Cumulative Slippage	(386.8)
Less: Forecast/actual (under) / overspends	3.9
<b>= Outturn (Expenditure in year)</b>	<b>501.3</b>

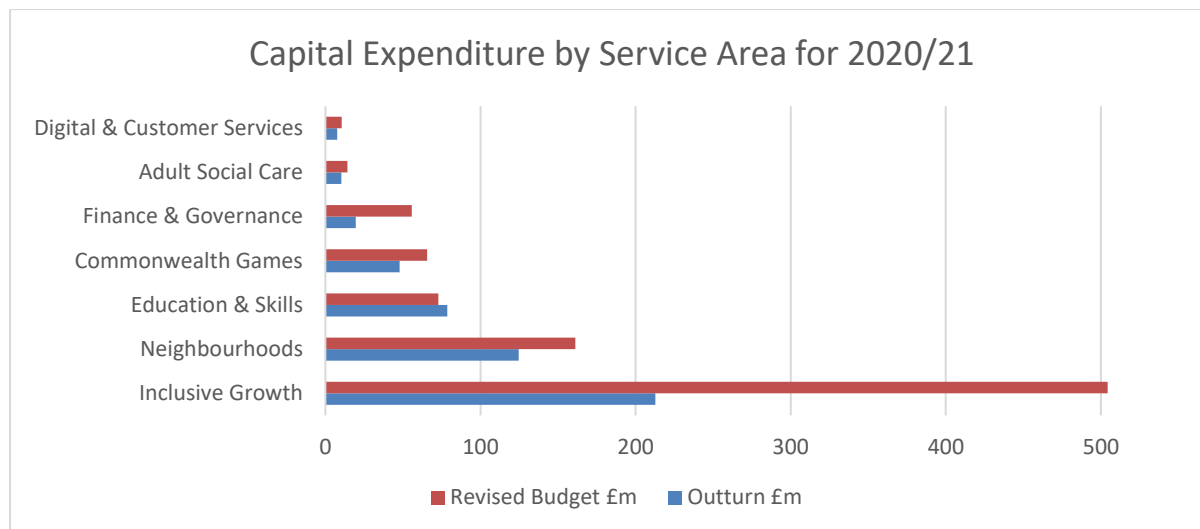
The city Council analyses the capital programme budget variations between:

- 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.

The 2020/21 Capital programme has full year slippage of £386.8m along with a net overspend of £3.9m as shown in the table above. Total Capital programme spend in 2020/21 was £501.3m.

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 Capital Outturn report for 2020/21, which can be found on the Council’s website.

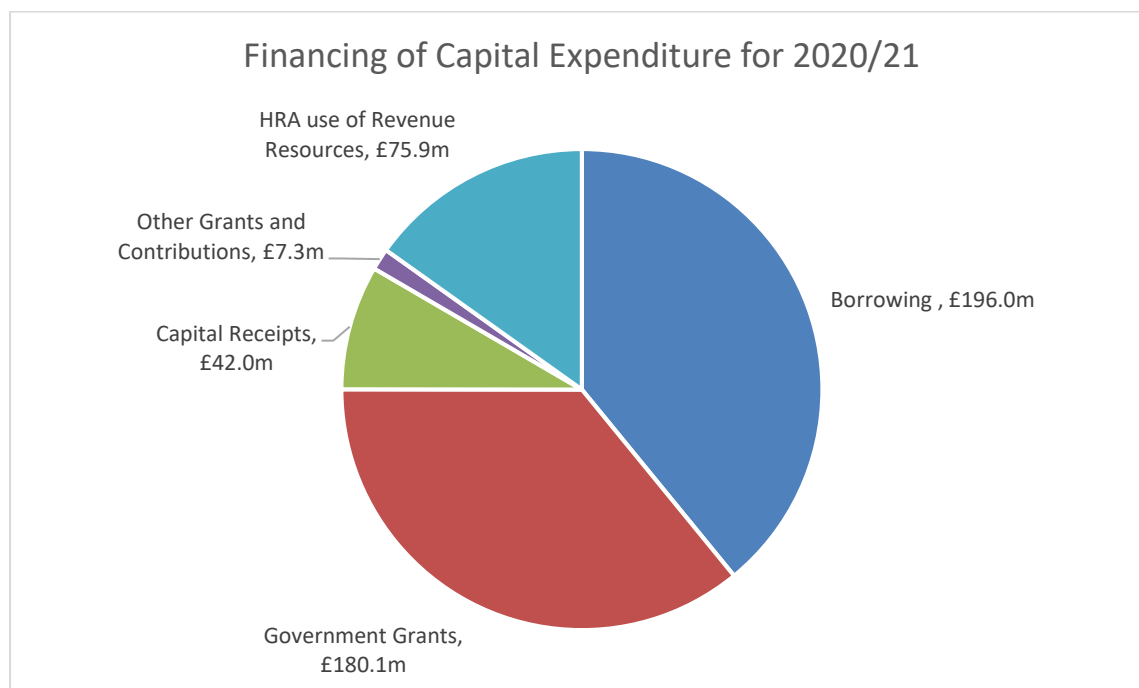
Total expenditure on Directorate capital schemes in 2020/21 by service area is shown in the graph below:



### Capital Financing

The financing arrangements in respect of capital expenditure in 2020/21 were reported to Cabinet on 29 June 2021.

Details of the final capital financing arrangements are summarised below:



### Council Borrowings

As at 31 March 2021, the Council's total loan debt net of treasury investments stood at £3,162.3m, compared to net loan debt of £2,998.3m as at 31 March 2020.

The Council's treasury investments held at 31 March 2021 were £193.2m. This was higher than originally planned due to receipt of Covid grants in advance from the Government. The Council also held investments of £93.6m as an accountable body.

Treasury management costs totalled £255.5m gross, and £131.4m after recharges to other services. This was £0.1m below the budget of £131.5m.

The Council also maintained a significant short term loan debt portfolio during the year, taking advantage of historically low short term interest rates. Total debt remained within the Council's authorised limit.

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 of 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 £3,185.2m at 31 March 2021 (31 March 2020: £2,591.3m). 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, 2.00% as at 31 March 2021.
- 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 15 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 rate 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:
  - Unrealised gains and losses, particularly in relation to changes in valuation of non-current assets;
  - 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.

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£m</b>	<b>£m</b>
Usable Reserves	1,057.1	1,446.9
Unusable Reserves	(1,067.9)	(1,853.9)
<b>Total Reserves</b>	<b>(10.8)</b>	<b>(406.9)</b>

Details of usable and unusable reserves is set out in Notes 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 a net contribution of £18.4m to reserves in setting the 2020/21 budget and Cabinet subsequently approved the use of £1.1m of the Library of Birmingham Cyclical Maintenance Reserve in September 2020.

There was a net £28.2m of budgeted contributions to reserves that have not been made in 2020/21 due to Clean Air Zone income being delayed.

The total net contribution to reserves is £409.8m, significantly higher than budgeted. The largest contribution of which is £178.7m of Section 31 funding received from the Government to compensate for Business Rates relief in 2020/21 that will impact the Council in 2021/22.

In overall terms reserves will increase from £666.8m at 31 March 2020 to £1,076.6m at 31 March 2021.

### Key performance indicators

The Council Plan 2018 to 2022 sets out the Council's vision for 'A city of growth where every child, citizen and place matters'. A refreshed performance framework, represents a step forward in the Council's improvement journey with regard to performance management and includes indicators that more effectively enable the Council to measure the right things. Key performance measures have been developed so the Council can be clear on how it will know it is on track against our six outcomes. These are set out in the Council Plan 2018-22 Update, which can be found on the Council's website.

The diagram below provides a visualisation of key strategic components and how they are used by the Council to plan and monitor performance.



Each quarter, a performance report is submitted to Cabinet to inform of performance against our key performance measures and targets, including our achievements and those areas where the Council needs to improve on. This is undertaken in the following way:

1. Each Directorate provides performance information (data and commentary) relating to the KPIs in their remit to the Central Performance Team.
2. These are then collated, quality assured and formally reported on by Cabinet Member Portfolio, along with overarching portfolio-level narratives.

The latest reports can be found within Cabinet papers, with the Q3 2021 report on the Council's website.

### **Risks and opportunities**

A detailed breakdown of the risks to the delivery of the Financial Plan 2021-25 can be found in Appendix E of the Plan, along with a list of budget pressures that can be found in Appendix F.

The pervasive risk to the delivery of our plan remains the uncertainty around the various potential impacts from the Covid pandemic, but as can be seen from the comprehensive assessment the Council has performed in arriving at our financial plan, there are a

considerable number of specific risks, and associated interventions that the Council is managing to mitigate them, and ensure continued strong delivery of our services.

Birmingham is, and always has been a resilient city. The strengths and assets that made this an attractive place to live, work and invest before Covid have not gone away, and in many cases, are as important as ever. Some of the key opportunities, and reasons to remain optimistic are:

- HS2 is still happening, bringing jobs and opportunities to the city;
- Some of the UK's largest public and private sector organisations are proud to call the city home;
- The levelling up agenda should see a continued pipeline of, and migration of new businesses, opportunities and people to the city;
- The Council have fantastic universities that are producing a strong pipeline of local talent; and
- Next year the Council will host the 2022 Commonwealth Games – a huge event that will put Birmingham on the global stage.

The Council will make these strengths work for the people of Birmingham, building more homes, creating more jobs and ensuring the benefits are felt in every street, neighbourhood and community.

## **Outlook**

### The Financial Plan

The Council's Financial Plan 2020 - 2024 was set in the context of national policies and funding, pressures on services arising from demographic changes and increasing and changing needs, working with partners and the Council's own priorities and objectives. By March 2020, the Covid pandemic had impacted the UK and across the world. Government and public sector financial plans have been significantly changed and the outlook remains uncertain. It is in this context that the Council has set out its financial plan for 2021-2025.

In responding to the Covid pandemic the Council promptly put in place weekly monitoring and reporting on financial impacts, and quantified financial risks – A process that the Local Government Association held up as an example to others.

Through rigorous and diligent financial management, coupled with the additional funding provided by the Government the Council has spent within our budget in 2020-21.

The Council undertook a mid-year update to the Medium Term Financial Plan at the end of September and reported the findings in November to both Cabinet and the Overview and Scrutiny Resources, alongside delivery plan proposals.

The Local Government Settlement announced in December 2020 only provided funding for 2020-21 and as such there is significant uncertainty over the level of resources available to the Council beyond 2021-22.

Given the significant pressure on Social Care services reflected in the budget proposals the Council will increase Council tax in line with the announcement by Government in the Local Government Settlement. Council tax will therefore increase by 4.99% in 2021-22.

The Council will continue to invest through its capital programme in priorities such as retaining and improving Council owned assets, including its buildings and roads, and facilitating growth in the Birmingham economy.



As a result of the continued uncertainty in outlook, the Financial Plan 2021-2025 should be considered a provisional plan to set out a path through 2021-22 and 2022-23 with the expectation that further work on the delivery plan will yield opportunities to address the future financial sustainability of the Council.

### 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;
- An announcement by Government on the local retention of Business Rates; and
- Brexit;

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, 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:

<b>Year</b>	<b>Planned savings £m</b>	<b>Delivered savings £m</b>	<b>%</b>
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%

Covid has had an impact on the ability to deliver some of the savings planned for 2021-22 onwards, but the financial plan 2021-25 reflects a realistic position for the savings programme going forwards.

### **Basis of preparation and presentation**

The Council's Financial Statements for 2020/21 have been prepared on the basis of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 2021, 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 £145.8m, 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.

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 2021 and the level of reserves, split between usable and unusable.

The Council's net liabilities at 31 March 2021 have increased from £10.8m to £406.9m, mainly as a result of:

- A significant increase in the net liability associated with the Council's defined benefit pension schemes. Changes to actuarial assumptions have resulted in an increase in the net liability of £594.0m.
- An increase in the Council's short term borrowing and short term creditors, which combined increased the Council's net liability by £134.7m; and
- This has been partially offset by an increase in the value of the Council's long term assets, principally its Property, which has seen an increase in value of £362.7m.

Cash Flow Statement – 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

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

Housing Revenue Account – records the financial position of the Council's statutory obligation to account separately for the costs 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, through either 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.

#### **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 27 organisations with gross expenditure of approximately £163.1m, 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 (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 2021 and of its income and expenditure for the year ended 31 March 2021.

.....  
**Rebecca Hellard, Director of Council Management and Section 151 Officer**  
**29 October 2021**

### **Approval of Accounts**

In accordance with the Accounts and Audit Regulations 2015, the Statement of Accounts will be approved by resolution of the Audit Committee at the conclusion of the Audit, expected at the end of September 2021.

# CORE FINANCIAL STATEMENTS 2020/21

## 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

2019/20			Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
<b>Continuing Operations</b>						
461.3	(121.4)	339.9		441.8	(209.8)	232.0
1,166.1	(808.7)	357.4		1,085.0	(805.2)	279.8
207.1	(74.1)	133.0		200.7	(72.9)	127.8
121.3	(89.0)	32.3		152.9	(68.5)	84.4
8.0	(2.0)	6.0		6.4	(0.8)	5.6
564.5	(528.9)	35.6		598.5	(560.6)	37.9
97.6	(92.0)	5.6		118.2	(139.8)	(21.6)
11.7	(14.4)	(2.7)		27.4	(5.0)	22.4
19.4	(71.6)	(52.2)		174.7	(74.9)	99.8
11.8		11.8		-	-	-
195.0	(278.2)	(83.2)		188.4	(282.2)	(93.8)
<b>2,863.8</b>	<b>(2,080.3)</b>	<b>783.5</b>		<b>2,994.0</b>	<b>(2,219.7)</b>	<b>774.3</b>
146.2	-	146.2	10	83.2	-	83.2
314.1	(68.3)	245.8	11	281.3	(42.8)	238.5
13.9	(1,272.8)	(1,258.9)	12	258.1	(1,499.9)	(1,241.8)
		<b>(83.4)</b>				<b>(145.8)</b>
		(38.7)	21,22,23			(198.3)
		(137.6)	20			740.2
		<b>(176.3)</b>				<b>541.9</b>
		<b>(259.7)</b>				<b>396.1</b>

## 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
<b>Balance at 31 March 2019</b>	<b>560.1</b>	<b>5.4</b>	<b>240.3</b>	<b>24.9</b>	<b>106.7</b>	<b>937.4</b>	<b>(1,207.9)</b>	<b>(270.5)</b>
Surplus/(Deficit) on the provision of services	41.1	42.3	-	-	-	83.4	-	83.4
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	176.3	176.3
<b>Total Comprehensive Income and Expenditure</b>	<b>41.1</b>	<b>42.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83.4</b>	<b>176.3</b>	<b>259.7</b>
Adjustments between accounting basis and funding basis under regulations (Note 16)	55.6	(37.7)	(17.0)	(0.5)	35.9	36.3	(36.3)	-
<b>Increase/(Decrease) in 2019/20</b>	<b>96.7</b>	<b>4.6</b>	<b>(17.0)</b>	<b>(0.5)</b>	<b>35.9</b>	<b>119.7</b>	<b>140.0</b>	<b>259.7</b>
<b>Balance at 31 March 2020</b>	<b>656.8</b>	<b>10.0</b>	<b>223.3</b>	<b>24.4</b>	<b>142.6</b>	<b>1,057.1</b>	<b>(1,067.9)</b>	<b>(10.8)</b>
<b>Movement in Reserves during 2020/21</b>								
Surplus/(Deficit) on the provision of services	97.0	48.8	-	-	-	145.8	-	145.8
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(541.9)	(541.9)
<b>Total Comprehensive Income and Expenditure</b>	<b>97.0</b>	<b>48.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145.8</b>	<b>(541.9)</b>	<b>(396.1)</b>
Adjustments between accounting basis and funding basis under regulations (Note 16)	308.5	(44.5)	30.1	-	(50.2)	244.0	(244.0)	(0.0)
<b>Increase/(Decrease) in 2020/21</b>	<b>405.5</b>	<b>4.3</b>	<b>30.1</b>	<b>-</b>	<b>(50.2)</b>	<b>389.8</b>	<b>(785.9)</b>	<b>(396.1)</b>
<b>Balance at 31 March 2021</b>	<b>1,062.3</b>	<b>14.3</b>	<b>253.4</b>	<b>24.4</b>	<b>92.4</b>	<b>1,446.9</b>	<b>(1,853.8)</b>	<b>(406.9)</b>

**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 2020		Note	31 March 2021
£m			£m
5,839.7	Property, Plant and Equipment	21	6,202.4
249.9	Heritage Assets	22	249.9
13.2	Investment Property		5.2
7.1	Intangible Assets	23	4.2
37.3	Long Term Investments	37	37.8
114.5	Long Term Debtors	24	107.5
<b>6,261.7</b>	<b>Total Long Term Assets</b>		<b>6,607.0</b>
228.3	Short Term Investments	25	172.3
16.7	Assets Held for Sale	26	46.9
1.8	Inventories		1.8
384.9	Short Term Debtors	27	400.9
62.0	Cash and Cash Equivalents	28	54.3
<b>693.7</b>	<b>Total Current Assets</b>		<b>676.2</b>
(0.7)	Cash and Cash Equivalents	28	-
(406.5)	Short Term Borrowing	32	(490.5)
(380.8)	Short Term Creditors	29	(431.6)
(175.0)	Short Term Provisions	30	(176.0)
<b>(963.0)</b>	<b>Total Current Liabilities</b>		<b>(1,098.1)</b>
(0.7)	Long Term Creditors		(0.6)
(13.8)	Long Term Provisions	30	(7.7)
(2,969.5)	Long Term Borrowing	32	(2,989.4)
(427.9)	Other Long Term Liabilities	37	(409.1)
(2,591.3)	Net liability on defined benefit pension scheme	20	(3,185.2)
<b>(6,003.2)</b>	<b>Total Long Term Liabilities</b>		<b>(6,592.0)</b>
<b>(10.8)</b>	<b>Net Assets/(Liabilities)</b>		<b>(406.9)</b>
	<b>Usable Reserves</b>	17	
141.7	Unearmarked Reserves		197.7
193.1	Earmarked Reserves		450.1
277.3	Grant Reserves		335.5
(8.5)	Unearmarked Non-Schools DSG		3.6
87.5	Ringfenced Reserves		114.0
366.0	Capital Reserves		346.0
<b>1,057.1</b>	<b>Total Usable Reserves</b>		<b>1,446.9</b>
(1,067.9)	Unusable Reserves	18	(1,853.8)
<b>(10.8)</b>	<b>Total Reserves</b>		<b>(406.9)</b>



## Cash Flow Statement

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

2019/20 £m		Note	2020/21 £m
83.4	Net Surplus/(Deficit) on the provision of services		145.8
523.3	Adjustments to net Surplus/Deficit on the provision of services for non-cash movements	36	100.5
(299.2)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	36	(207.5)
<b>307.5</b>	<b>Net cash flows from Operating Activities</b>		<b>38.8</b>
(427.1)	Investing Activities	34	(245.6)
149.9	Financing Activities	35	199.8
<b>30.3</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(7.0)</b>
31.0	Cash and cash equivalents at the beginning of the reporting period		61.3
<b>61.3</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>28</b>	<b>54.3</b>

## **Note 1**

### **Accounting Policies**

#### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 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 2020/21 (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 on the basis of 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. 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.

### **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. 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 are 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 2.00% 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.

#### **vi. 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.

#### **vii. 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 or Housing Revenue Account Balance to the Capital Adjustment Account.

#### **viii. Government Grants and Contributions**

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.

#### **ix. 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.

#### **x. 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.

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.

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### 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.

### **xi. 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 x. Property, Plant and Equipment in this note).

## **xii. 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.

## **xiii. 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.

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.

#### **xiv. 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.

#### **xv. 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.

### The Council as Lessee

#### Finance Leases

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

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.

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.

#### Operating Leases

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.

### **xvi. 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.

### **xvii. 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.

## **xviii. 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 the section on Provisions, Contingent Liabilities and Contingent Assets.

### **xix. 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.

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

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For 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 in Great Britain the principle that men and women should receive equal pay for equal work.

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.

## **xxi. 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.

## **xxii. 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 2020/21.

### 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.

## **xxiii. 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.

#### **xxiv. 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 viii. 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.

#### **xxv. 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.

#### **xxvi. 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.

**xxvii. 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.

**xxviii. 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.

**xxix. Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**xxx. 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.

**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 2020/21 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 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 pandemic are uncertain.

It is in this context that the Council has set out its Financial Plan for 2021-2025.

Through rigorous and diligent financial management, coupled with the additional funding provided by the Government the Council have spent within our budget in 2020-21. The Council undertook a mid-year update to the Medium Term Financial Plan at the end of September and reported the findings in November to both Cabinet and the Overview and Scrutiny Resources, alongside delivery plan proposals.

The local Government settlement announced in December 2020 only provided funding for 2020-21 and as such there is significant uncertainty over the level of resources available to the Council beyond 2021-22.

As a result of the continued uncertainty in outlook, the Financial Plan 2021-2025 should be considered a provisional plan to set out a path through 2021-22 and 2022-23 with the expectation that further work on the delivery plan will yield opportunities to address the future financial sustainability of the Council.

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 2021.

Type of School	Nursery	Primary	Secondary	All Through	Alternative	Special	Pupil Referral Unit	Total
<b>Community</b>	27	107	9			11	1	<b>155</b>
<b>Voluntary Controlled</b>		4						<b>4</b>
<b>Voluntary Aided</b>		49	4					<b>53</b>
<b>Foundation Trust</b>		9	5			9		<b>23</b>
<b>Academy</b>		124	52	5		7		<b>188</b>
<b>Free School</b>		2	9	2	6			<b>19</b>
<b>Total</b>	<b>27</b>	<b>295</b>	<b>79</b>	<b>7</b>	<b>6</b>	<b>27</b>	<b>1</b>	<b>442</b>

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 would be used to identify capital additions and associated liabilities that were reflected on the Council's Balance Sheet.

As part of the settlement agreement with Birmingham Highways Limited (BHL) on 29 June 2019, the subcontractor, Amey LG Limited exited the contract on 31 March 2020 and a new interim sub-contractor, Kier Highways Ltd, was appointed by BHL from 1 April 2020. However, the contract with BHL remains in place with the associated risk transfer from a PFI arrangement. 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.

The model will be amended each year to reflect the up to date contract performance.

**Leases**

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 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 grant funding (see Note 47)

The resources for the Growing Places and Regional Growth Funds are under the control of the Greater Birmingham and Solihull Local Enterprise Partnership 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. The Council can only obtain use of the resources as a recipient of the normal resource 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 £124.2m for 2020/21.

### **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 2021.

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 2020/21 accounting period.

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the Council's financial performance or position. However, below are listed a number of relevant items of note:

**IFRS 16 Leases**

The International Financial Reporting Standard 16 (IFRS 16 Leases) was issued by the International Accounting Board in January 2016 with an effective implementation date for bodies outside the public sector of 1 January 2019. The implementation of this standard has been delayed for public sector bodies until 1 April 2022 and thus has no impact on either the current or 2021/22 Statement of Accounts.

The Council has begun to assess the likely impact of the adoption of IFRS16, however, since it requires the assets to be valued, in line with our valuation approach, this has not yet been done. As such, it is impracticable to disclose the likely financial impact of the adoption of IFRS16 at this time.

**Definition of a Business: Amendments to IFRS3 Business combinations**

IFRS3 has been amended to clarify the definition of a business. The Council does not currently expect the impact of this change to have a material impact on the financial performance or position of the Council.

**Interest rate Benchmark reform, phases 1 and 2: Amendments to various standards**

These amendments relate to the replacement of Inter-Bank Offer Rates (IBORs), and associated impact on an organisations financial reporting, specifically in relation to hedge accounting. The Council currently does not expect to enter into any such transactions, and as such, these changes are not expected to have a material impact on the financial performance or position of the Council.

There are no other changes in accounting requirements for 2021/22 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, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

One of the principal causes of uncertainty in many of the Council's assumptions relate to the ongoing impact of the Covid pandemic, the key areas of this impact are listed below.

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 at Note 37

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Valuations	<p>RICS have set up a forum to consider the unique events relating to the global Covid pandemic and its impact on valuation assignments. The latest forum output recommends that, with adequate market evidence and property markets mostly functioning again, the material valuation uncertainty that existed in 2019/20 is less relevant in 2020/21, other than for those assets with trading potential such as hospitality venues. The valuation of these assets is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards and therefore, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.</p> <p>The Council recognises the value of a significant number of individual properties in its financial statements – approximately 59,700 Council Dwellings and 1,400 recognised as other land and buildings. 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 values. This results in only a sample of all assets being valued each year. For building assets that use a DRC valuation, the Council applies an appropriate index to those that aren't valued in the year, to arrive at an</p>	<p>For those non-HRA assets not valued this year, an increase of 1% in the average valuation of assets that have not been amended for a variation in building indices would have the effect of increasing the gross carrying value of these assets by £6.2m, with a corresponding increase in the level of unusable reserves. For those non-HRA assets revalued during 2020/21 and those subject to a variation in building indices, a 1% variation in these valuations would amount to £19.0m</p> <p>This year, having removed outliers as being non representative of the overall sample, the movement in value of Non DRC assets for which a value was received was 4%, with the largest increase being those previously valued in 2015/16. Applying this to those not valued would result in an uplift in the value of these assets of £13m. Although this is significant, the cost to reduce this level of uncertainty is not deemed to be best value for</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>estimated value, without incurring the cost of additional valuations being sought.</p> <p>For non DRC assets, the Council does not believe it appropriate to apply an index to those assets for which a valuation has not been received during the year and instead, reviews the extent to which applying the % movement in valued assets would affect those that have not been valued and determines whether or not it is material.</p> <p>Council Dwellings are subject to a full revaluation every five years, following MHCLG guidance, with a desktop review in the intervening years. A beacon method of valuation is undertaken for the housing stock portfolio based on properties that are representative samples of the Council's properties across the city. The beacon value is derived from the sales of similar ex-council or comparable properties, suitably adjusted by taking into account information from the land registry, changes in income flow and management and maintenance costs for high rise blocks of flats and any relevant regional or national indices. In this instance all the beacon properties have been revalued as at the valuation date.</p>	<p>money, given the nature of the asset and its impact on the financial performance and position of the council.</p> <p>It is also noted that all assets are revalued within a five year cycle which further mitigates the impact of any movement in non-valued assets each year. Inclusion of any adjustment for these assets would add to the degree of estimation uncertainty in the accounts. As a result, no such adjustment has been included.</p> <p>The carrying value of Council dwellings has increased by £109.9m since 31 March 2020. A 1% movement in the total value of Council dwellings would be equivalent to a change in carrying value of £25.7m</p>
Heritage Asset Valuations (Museum's and Libraries' Archive Collections)	In the absence of recent transactions in a number of assets held in the Museum's and Libraries' Collections, the Council has used the associated insurance valuations as the most reasonable measure of value of the assets.	If the value of the assets were to vary from the insurance valuations by 1%, this would change the carrying value of Heritage Assets on the Balance Sheet by £2.4m with a corresponding adjustment in the level of unusable reserves.
Long term obligations under, for example, PFI schemes	For service concessions, the carrying value of the long term obligations has been based on financial models, including future assumptions on inflation and interest rates.	The financial models assume an inflation rate of 2.5% If the annual inflation rate was to increase to 3.5% each year of the contracts, this would result in an increase in running costs of £17.5m in 2021/22, and a further £303.6m over the remaining life of the contracts.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Equal Pay	The Council has included a provision of £153.8m for the settlement of claims for back pay arising from the Equal Pay initiative. The Council has based its estimate on the number of claims received and on historical information on settlement of similar claims and on the current negotiations with claimants' representatives.	An increase of 1% in the average level of settlement would have the effect of increasing the provision required by £1.5m.
Net defined Benefit Pension Liability	<p>The estimate for the Local Government Pension Scheme has been based on the latest actuarial valuation and transaction information from 2020/21.</p> <p>As a result of the impact of Covid on the global financial markets, the valuation of the Pension Fund's investment properties is reported on the basis of material valuation uncertainty.</p>	A number of factors can impact on the valuation of the scheme liability. A sensitivity analysis of the factors is set out in more detail in Note 20 of these financial statements.
Covid	The long term implications of Covid are currently uncertain and there may be a number of impacts on estimates that have been used in compiling the financial statements. The significant specific elements with a material effect are noted above – however, the ongoing impact will continue to be monitored and reported on as part of the Governance arrangements set out in the Council's Annual Governance Statement.	Where the actual experience is different to that forecast in assessing relevant values then the changes will impact on the Council's available reserves. Disclosures have been made in Notes where applicable.

## **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 30 June 2021. 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 2021, 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 2021 and 30 June 2021, 7 schools have transferred to Academy School Trust status with a carrying value of £29.0m at 31 March 2021. To date 5 schools, with assets having a net book value of £26.3m at 31 March 2021, have confirmed their proposals to transfer to Academy School Trust status during 2021/22.

#### *Highways Maintenance and Management PFI*

Cabinet on the 8 June 2021 agreed to enter into a commercial agreement to extend the restructuring period.

The initial settlement provided a period of up to 15 months to 29 June 2021 to enable the Council and Birmingham Highways Ltd (BHL) to seek to restructure the contract for its remaining duration until June 2035, this has now been extended to 2023.

The restructuring would require approval by all project stakeholders and requires:

- The Council and BHL to agree revisions to the contract;
- The proposed future contract to meet pre-specified criteria for the lending banks and the Council (or to waive those criteria); and
- Continuation of the Council's PFI grant funding being approved.

Work is underway now with all parties to complete this restructuring with the preferred option retaining the PFI grant which currently remains subject to DfT approval.

#### *Chief Executive*

On 14 June 2021, Deborah Cadman OBE took up the role of Interim Chief Executive.

#### *Director of Council Management and Section 151 Officer*

In September 2021 Rebecca Hellard was appointed as Director of Council Management and Section 151 Officer.

#### *Assistant Chief Executive*

Jonathan Tew, Assistant Chief Executive left the Council in July 2021.

#### *Other Events*

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.

	Net Expenditure Reported to Cabinet	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA Balances (Note 7)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m
2020/21					
Adult Social Care	322.1	(86.7)	235.4	(3.4)	232.0
Education and Skills	284.0	(62.9)	221.1	58.7	279.8
Neighbourhoods	145.5	(11.7)	133.8	(6.0)	127.8
Inclusive Growth	126.6	(73.7)	52.9	31.5	84.4
Human Resources	6.7	0.1	6.8	(1.2)	5.6
Digital & Customer Services	43.9	(1.2)	42.7	(4.8)	37.9
Partnerships, Insight & Prevention	6.1	(26.6)	(20.5)	(1.1)	(21.6)
Finance & Governance	22.0	(17.4)	4.6	17.8	22.4
Centrally Managed	(104.0)	(37.9)	(141.9)	241.7	99.8
Housing Revenue Account	-	(49.3)	(49.3)	(44.5)	(93.8)
<b>Net Cost of Services</b>	<b>852.9</b>	<b>(367.3)</b>	<b>485.6</b>	<b>288.7</b>	<b>774.3</b>
Other Income and Expenditure	(852.9)	(42.5)	(895.4)	(24.7)	(920.1)
<b>(Surplus)/ Deficit</b>	<b>0.0</b>	<b>(409.8)</b>	<b>(409.8)</b>	<b>264.0</b>	<b>(145.8)</b>
Opening General Fund and HRA Balance			666.8		
Surplus/ (Deficit) for the Year			409.8		
Closing General Fund and HRA Balance			1,076.6		

	Net Expenditure Reported to Cabinet	Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA Balances (Note 7)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m
2019/20					
Adult Social Care	318.7	11.0	329.7	10.2	339.9
Education and Skills	275.1	(3.7)	271.4	86.0	357.4
Neighbourhoods	127.7	(4.7)	123.0	10.0	133.0
Inclusive Growth	98.7	(86.6)	12.1	20.2	32.3
Human Resources	6.3	(0.1)	6.2	(0.2)	6.0
Digital & Customer Services	31.4	1.5	32.9	2.7	35.6
Partnerships, Insight & Prevention	6.6	(0.8)	5.8	(0.2)	5.6
Finance & Governance	24.6	(33.3)	(8.7)	6.0	(2.7)
Centrally Managed	(37.5)	16.0	(21.5)	(30.7)	(52.2)
Superannuation adjustment	-	-	-	11.8	11.8
Housing Revenue Account	-	(45.5)	(45.5)	(37.7)	(83.2)
<b>Net Cost of Services</b>	<b>851.6</b>	<b>(146.2)</b>	<b>705.4</b>	<b>78.1</b>	<b>783.5</b>
Other Income and Expenditure	(851.6)	44.9	(806.7)	(60.2)	(866.9)
<b>(Surplus)/Deficit</b>	<b>-</b>	<b>(101.3)</b>	<b>(101.3)</b>	<b>17.9</b>	<b>(83.4)</b>
Opening General Fund and HRA Balance			565.5		
Surplus/(Deficit) for the Year			101.3		
Closing General Fund and HRA Balance			666.8		

## 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.

2020/21	Depreciation reported at Directorate level	Reserve Appropriations	Other Adjustments (Note (a))	Total to arrive at amount charged to the General Fund and HRA	Adjustments for Capital Purposes	Net Change for the Pensions Adjustment	Other Adjustments (Note (b))	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care	(1.6)	(11.9)	(73.2)	<b>(86.7)</b>	7.1	(10.5)	0.0	<b>(3.4)</b>
Education and Skills	(51.2)	(39.2)	27.5	<b>(62.9)</b>	88.3	(31.1)	1.5	<b>58.7</b>
Neighbourhoods	(9.8)	(5.8)	3.9	<b>(11.7)</b>	11.8	(17.7)	0.0	<b>(6.0)</b>
Inclusive Growth	(23.4)	0.9	(51.2)	<b>(73.7)</b>	36.3	(4.8)	0.0	<b>31.5</b>
Human Resources	0.0	(0.1)	0.2	<b>0.1</b>	0.0	(1.2)	0.0	<b>(1.2)</b>
Digital & Customer Services	(0.3)	(10.8)	9.9	<b>(1.2)</b>	4.2	(9.0)	0.0	<b>(4.8)</b>
Partnerships, Insight & Prevention	0.0	(26.4)	(0.2)	<b>(26.6)</b>	0.0	(1.2)	0.1	<b>(1.1)</b>
Finance & Governance	(0.6)	(2.5)	(14.3)	<b>(17.4)</b>	23.9	(6.5)	0.4	<b>17.8</b>
Centrally Managed	(2.6)	(309.7)	274.4	<b>(37.9)</b>	16.0	118.3	107.4	<b>241.7</b>
Housing Revenue Account	(53.9)	(4.3)	8.9	<b>(49.3)</b>	75.3	(1.4)	(118.4)	<b>(44.5)</b>
<b>Net Cost of Services</b>	<b>(143.4)</b>	<b>(409.8)</b>	<b>185.9</b>	<b>(367.3)</b>	<b>262.8</b>	<b>34.9</b>	<b>(9.0)</b>	<b>288.7</b>
Other Income and Expenditure	143.4	0.0	(185.9)	<b>(42.5)</b>	(64.3)	63.8	(24.2)	<b>(24.7)</b>
Surplus or Deficit	0.0	(409.8)	0.0	<b>(409.8)</b>	198.5	98.7	(33.2)	<b>264.0</b>

2019/20	Depreciation reported at Directorate Level	Reserve Appropriation	Other Adjustments (Note (a))	Total to arrive at amount charged to the General Fund and HRA	Adjustments for Capital Purposes	Net Change for the Pensions Adjustment	Other Adjustments (Note (b))	Total Adjustment Between Funding and Accounting Basis
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care	(3.6)	17.2	(2.6)	<b>11.0</b>	12.3	(2.1)	-	<b>10.2</b>
Education and Skills	(77.9)	(8.5)	82.7	<b>(3.7)</b>	89.1	(6.5)	3.4	<b>86.0</b>
Neighbourhoods	(18.3)	(1.3)	14.9	<b>(4.7)</b>	13.6	(2.6)	(1.0)	<b>10.0</b>
Inclusive Growth	(37.6)	(26.5)	(22.5)	<b>(86.6)</b>	27.1	(0.9)	(6.0)	<b>20.2</b>
Human Resources	-	(0.4)	0.3	<b>(0.1)</b>	-	(0.2)	-	<b>(0.2)</b>
Digital & Customer Services	(2.7)	(0.9)	5.1	<b>1.5</b>	4.4	(1.7)	-	<b>2.7</b>
Partnerships, Insight & Prevention	-	(0.8)	-	<b>(0.8)</b>	-	(0.2)	-	<b>(0.2)</b>
Finance & Governance	(1.5)	(3.0)	(28.8)	<b>(33.3)</b>	7.6	(1.4)	(0.2)	<b>6.0</b>
Centrally Managed	(0.1)	(75.5)	91.6	<b>16.0</b>	69.5	(3.2)	(97.0)	<b>(30.7)</b>
Superannuation adjustment	-	-	-	<b>-</b>	-	11.8	-	<b>11.8</b>
Housing Revenue Account	(54.3)	(1.6)	10.4	<b>(45.5)</b>	91.1	2.7	(131.5)	<b>(37.7)</b>
<b>Net Cost of Services</b>	<b>(196.0)</b>	<b>(101.3)</b>	<b>151.1</b>	<b>(146.2)</b>	<b>314.7</b>	<b>(4.3)</b>	<b>(232.3)</b>	<b>78.1</b>
Other Income and Expenditure	196.0	-	(151.1)	<b>44.9</b>	(101.5)	57.1	(15.8)	<b>(60.2)</b>
<b>(Surplus)/Deficit</b>	<b>-</b>	<b>(101.3)</b>	<b>-</b>	<b>(101.3)</b>	<b>213.2</b>	<b>52.8</b>	<b>(248.1)</b>	<b>17.9</b>

## Notes

- (a) – includes levies, PFI grants and interest receipts and payments that are reported as part of Outturn but not included in Net Cost of Services within the CIES
- (b) – includes employee benefits accruals, the difference between amounts charged to the CIES for equal pay claims and the cost of settlements chargeable in year in accordance with statutory requirements; timing differences between what is chargeable under statutory regulation for Council Tax and Business Rates that were forecast to be received at the start of the year and the income recognised under generally accepted accounting practice.

**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.

2019/20 £m		2020/21 £m
	<b>Expenditure</b>	
890.5	Employee Benefits Expenses	941.7
1,826.1	Other Service Expenses	2,198.0
194.5	Depreciation, Amortisation and Impairment	143.4
256.8	Interest Payments	236.5
28.7	Movements in the value of financial assets	24.8
49.9	Precepts and Levies	49.8
6.2	Payments to Housing Capital Receipts Pool	6.4
85.3	Loss on Disposal of Non Current Assets	16.0
<b>3,338.0</b>	<b>Total Expenditure</b>	<b>3,616.6</b>
	<b>Income</b>	
(594.1)	Fees and Charges and Other Service Income	(524.6)
(793.3)	Income from Council Tax and Business rates	(821.3)
0.0	Movements in the value of financial assets	(2.2)
(1,996.7)	Government Grants and Contributions	(2,394.5)
(37.3)	Interest and Investment Income	(19.8)
<b>(3,421.4)</b>	<b>Total Income</b>	<b>(3,762.4)</b>
<b>(83.4)</b>	<b>(Surplus)/Deficit on Provision of services</b>	<b>(145.8)</b>

**Note 9****Material Items of Income and Expense**

As noted in the narrative report, the Covid pandemic has had 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 has been recorded 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 4 – referencing the uncertainty that Covid has caused in several of the key assumptions made in these financial statements;
- Note 14 – being those grants received in relation to Covid where the Council acts as principal;
- Note 47 – being those grants received where the Council acts as an agent;

Separately, given the significance of it to the Council, it has been regularly reported on by the Council in a number of separate publicly 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 in the CIES.

## Note 10

### Other Operating Expenditure

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

2019/20		2020/21
£m		£m
1.9	Parish Council Precepts	1.9
4.8	Enterprise Zone Growth Payment	11.0
45.0	Integrated Transport Authority Levy	44.9
0.3	Environment Agency Levy	0.3
2.7	Apprenticeship Levy	2.7
6.2	Payments re: Housing Capital Receipt Pool	6.4
85.3	(Gains)/Losses on the Disposal of non-current assets	16.0
<b>146.2</b>	<b>Total</b>	<b>83.2</b>

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.

2019/20			2020/21		
Gross Expenditure £m	Income £m	Net £m	Gross Expenditure £m	Income £m	Net £m
196.0	-	196.0	164.6	-	164.6
60.8	-	60.8	61.0	-	61.0
-	-	-	2.9	-	2.9
-	(31.4)	(31.4)	-	(18.9)	(18.9)
-	(0.5)	(0.5)	8.0	-	8.0
24.6	-	24.6	23.2	-	23.2
4.1	-	4.1	1.6	-	1.6
-	-	-	-	(2.2)	(2.2)
28.6	(31.0)	(2.4)	20.0	(20.8)	(0.8)
-	(5.4)	(5.4)	-	(0.9)	(0.9)
<b>314.1</b>	<b>(68.3)</b>	<b>245.8</b>	<b>281.3</b>	<b>(42.8)</b>	<b>238.5</b>

**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:

2019/20			2020/21		
Gross Expenditure £m	Gross Income £m	Net £m	Gross Expenditure £m	Gross Income £m	Net £m
-	(349.3)	(349.3)	-	(367.6)	(367.6)
-	(441.9)	(441.9)	-	(452.3)	(452.3)
0.9	-	0.9	17.7	-	17.7
13.0	(2.2)	10.8	240.4	(1.3)	239.1
-	(253.6)	(253.6)	-	(558.3)	(558.3)
-	(225.9)	(225.9)	-	(120.4)	(120.4)
-	0.1	0.1	-	-	-
<b>13.9</b>	<b>(1,272.8)</b>	<b>(1,258.9)</b>	<b>258.1</b>	<b>(1,499.9)</b>	<b>(1,241.8)</b>
<b>Total</b>					

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.

2019/20				2020/21		
Turnover £m	Expenditure £m	(Surplus) / Deficit £m	Trading activity	Turnover £m	Expenditure £m	(Surplus) / Deficit £m
(30.4)	27.7	(2.7)	Cityserve (Direct Services)	(17.0)	16.2	(0.8)
(10.0)	9.3	(0.7)	Trade Refuse	(7.8)	7.4	(0.4)
(13.7)	13.6	(0.1)	Birmingham Parks and Nurseries	(14.0)	12.4	(1.6)
(1.1)	1.2	0.1	Pest Control	(0.9)	1.1	0.2
(1.6)	1.7	0.1	Procurement	(0.6)	1.1	0.5
(3.2)	2.6	(0.6)	Schools' Human Resources	(2.7)	2.1	(0.6)
(1.8)	1.6	(0.2)	Central Payroll	(1.7)	1.5	(0.2)
(5.9)	5.7	(0.2)	Other Trading Activities	(5.1)	5.4	0.3
<b>(67.7)</b>	<b>63.4</b>	<b>(4.3)</b>		<b>(49.8)</b>	<b>47.2</b>	<b>(2.6)</b>
			Allocation of Surplus/Deficit on Trading Operations			
(36.7)	34.8	(1.9)	- consolidated in CIES	(29.0)	27.2	(1.8)
(31.0)	28.6	(2.4)	- consolidated in Note 11, Financing and Investment Income and Expenditure	(20.8)	20.0	(0.8)
<b>(67.7)</b>	<b>63.4</b>	<b>(4.3)</b>		<b>(49.8)</b>	<b>47.2</b>	<b>(2.6)</b>

#### Details of Trading Activities

##### Cityserve

During 2020/21, Cityserve's primary role in supplying school meals to around 200 of Birmingham's primary, secondary and special schools was affected by the Covid pandemic. The nature of the virus and the resultant impact this had on schools across the country, meant that Cityserve needed to adopt an agile and supportive function to the Council's emergency response to this national health emergency.

Education Catering became a somewhat fragmented service, where schools moved between an ever-changing requirement of being open, closed and somewhere between, accommodating only children of key workers and vulnerable children. Cityserve staff were asked to both cater for attending pupils, along with providing for vulnerable children who were confined to their respective homes during national lockdowns

The scale of the disruption to Cityserve's 2020/21 trading account was significant.

The reaction to Cityserve's civic response from the schools, colleagues, parents and children, as well as the Council has been outstanding. This has provided Cityserve with the confidence that, as Birmingham's only municipal provider of school meals, the service is highly valued and has a sustainable future despite the adversity of the fiscal and social health landscape that surrounds it.

The Covid pandemic continues to threaten and dislocate the school meal industry, however, for Cityserve there are signs of a robust return to pre-pandemic levels of consumption. Cityserve will take the learning from this challenging period and use it to adapt to a "new-normal" emerging in the wake of both the economic and social aftermath of Covid.

**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, SLAs or contracts are in place to provide payroll & 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.

2019/20		2020/21
£m		£m
	<b>Credited to Taxation and Non Specific Grant Income</b>	
54.4	Business Rates Top Up Grant	55.3
7.6	New Homes Bonus Grant	7.2
18.2	Schools PFI Grant	18.2
50.3	Highways Management and Maintenance PFI Grant	50.3
38.7	Covid Local Authority Support Grant	89.8
6.1	Troubled Families Grant	4.8
4.6	Housing Benefit Administration Grant	5.4
4.3	Discretionary Housing Payment	5.0
32.3	Small Business Rate Relief Grant	34.2
21.3	Business Rates S31 Grant	23.0
9.6	Adult Social Care Support Grant	36.7
-	- Additional Business Rates Relief Grant	183.5
-	- Covid Hardship Fund	17.4
-	- Local Tax Income Guarantee Grant	23.5
6.2	Other	4.0
<b>253.6</b>	<b>Revenue Grants credited to Taxation and Non Specific Grant Income</b>	<b>558.3</b>
	<b>Credited to Cost of Services</b>	
10.6	Adult Education	10.5
491.3	Housing Benefit Subsidy	526.8
636.2	Dedicated Schools Grant	644.9
9.3	Education Funding Agency	7.5
44.4	Pupil Premium Grant	42.7
4.0	Illegal Money Lending	4.2
9.4	Universal Infants Free School Meals Grant	9.4
10.5	NHS Trusts and Clinical Commissioning Group contributions	7.8
88.4	Public Health Grant	92.2
103.3	Better Care Fund (including improved Better Care Fund)	126.2
4.1	Independent Living Fund Grant	4.1
3.6	Youth Promise	2.8
5.8	Asylum Seekers	5.1
4.7	Flexible Homeless Support	4.7
4.1	Enterprise Zone - Projects	4.8
3.6	Primary PE and Sport Grant	3.5
10.2	NO2 Plan Clean Air Zone	-
9.5	Teachers' Pensions Grant	16.9
4.9	Teachers' Pay Grant	5.5
3.2	Vulnerable Persons Resettlement Grant	2.6
-	- Business Support Grant	9.6
-	- Test and Trace	39.4
-	- Additional Restrictions Grant (ARG)	33.0
-	- Sales, Fees, and Charges Support Grant	20.7
-	- Infection Control Grant	4.2

2019/20		2020/21
£m		£m
-	Winter Grant	6.2
-	Local Restrictions Support Grant (Open)	5.2
-	Track & Trace Self Isolation Payments & Administration	3.7
-	Asymptomatic Testing	3.8
-	Reimbursement of Covid related transport costs	3.1
42.8	Grants and contributions of less than £3m	47.9
<b>1,503.9</b>	<b>Total Revenue Grants Credited to Cost of Services</b>	<b>1,699.0</b>
<b>1,757.5</b>	<b>Total Revenue Grants</b>	<b>2,257.3</b>

2019/20		2020/21
£m		£m
	<b>Capital Grants</b>	
70.1	Education and Skills Funding Agency	28.4
82.2	Commonwealth Games - MHCLG	33.1
4.8	Commonwealth Games - West Midlands Combined Authority	4.6
6.9	Department of Health and Social Care - Better Care Fund	8.4
5.2	Integrated Transport Block	5.1
-	Homes & Communities Agency	2.4
41.9	Department for Transport	2.1
6.9	Local Growth Fund	29.6
7.9	Other Grants and Contributions	6.7
<b>225.9</b>	<b>Capital Grants credited to Taxation and Non Specific Grant Income</b>	<b>120.4</b>
	<b>Capital Grants funding Revenue Expenditure under Statute credited to Cost of Services</b>	
-	Local Growth Fund	2.2
-	Department for Transport - Hydrogen Buses	3.8
4.5	Department of Health and Social Care - Better Care Fund	4.5
2.1	Local Growth Fund – Unlocking Housing Sites	3.3
6.7	Other Grants and Contributions	3.0
<b>13.3</b>	<b>Total Capital Grants funding Revenue Expenditure Under Statute</b>	<b>16.8</b>
<b>239.2</b>	<b>Total Capital Grants Received</b>	<b>137.2</b>

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 2020/21. 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 2020/21 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2020/21 before Academy Recoupment	188.3	1,049.6	1,237.9
Academy figure recouped for 2020/21	-	(589.3)	(589.3)
<b>Total DSG after Academy recoupment for 2020/21</b>	<b>188.3</b>	<b>460.3</b>	<b>648.6</b>
Plus: Brought forward from 2019/20	(8.5)	-	(8.5)
Less: Carry forward to 2021/22 agreed in advance	-	-	-
<b>Agreed initial budgeted distribution in 2020/21</b>	<b>179.8</b>	<b>460.3</b>	<b>640.1</b>
In year adjustments	-	-	-
<b>Final budgeted distribution for 2020/21</b>	<b>179.8</b>	<b>460.3</b>	<b>640.1</b>
Less: Actual Central Expenditure	(176.2)	-	(176.2)
Less: Actual ISB deployed to schools	-	(460.3)	(460.3)
<b>Carry forward to 2021/22</b>	<b>3.6</b>	<b>-</b>	<b>3.6</b>

The year end net surplus of £3.6m is composed of 4 elements:

- All spending has been impacted by the Covid pandemic and therefore larger underspends have been incurred than in previous years.
- A net deficit of £3.6m on the High Needs Block relating to i) a continued £9m deficit and ii) a £5.4m 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 with the remainder being repaid in 2022-23.

- A surplus of £5.5m 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.
- A surplus of £0.7m on the Central Schools Services Block funding is primarily composed of lower than anticipated commitments against prescribed centrally managed DSG budgets.
- A surplus of £1.0m on the Early Years block is primarily due to lower take up of places, including additional funding for working parents.

**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.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£m	£m	£m	£m	£m
2020/21					
<b>Adjustments to Revenue Resources</b>					
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 (adjustment to 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)	124.2	75.3	-	-	42.6
<b>Total Adjustments to Revenue Resources</b>	<b>471.7</b>	<b>73.9</b>	<b>-</b>	<b>-</b>	<b>42.6</b>
<b>Adjustments between Revenue and Capital Resources</b>					
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)	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(163.2)</b>	<b>(118.3)</b>	<b>56.1</b>	<b>53.3</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(42.0)	-	-
Use of the Capital Receipts Reserve to repay debt	-	-	(13.8)	-	-
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	-	-	12.3	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(26.0)</b>	<b>(53.3)</b>	<b>(92.7)</b>
<b>Total Adjustments</b>	<b>308.5</b>	<b>(44.5)</b>	<b>30.1</b>	<b>-</b>	<b>(50.2)</b>

2019/20

**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:

	General Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m
Pension costs (transferred to/from the Pensions Reserve)	50.1	2.7	-	-	-
Financial Instruments (transferred to/from the Financial Instrument Adjustments Account)	18.7	-	-	-	-
Council Tax and Business Rates (adjustment to the Collection Fund adjustment account)	24.6	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	2.8	-	-	-	-
Equal pay settlements (transferred to/from the Unequal Pay Backpay Account)	(20.0)	(1.3)	-	-	-
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)	126.3	91.1	-	-	111.0
<b>Total Adjustments to Revenue Resources</b>	<b>202.5</b>	<b>92.5</b>	<b>-</b>	<b>-</b>	<b>111.0</b>

**Adjustments between Revenue and Capital Resources**

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(27.2)	(49.9)	64.6	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	1.0	-	(1.0)	-	-
Contribution to the costs of Equal Pay (funded by the Capital Receipts Reserve)	18.3	-	(18.3)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	6.2	-	(6.2)	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	(53.8)	-	53.8	-
Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(145.2)	(18.2)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	(8.3)	-	-	-

**Total Adjustments between Revenue and Capital Resources**

**(146.9) (130.2) 39.1 53.8 -**

**Adjustments to Capital Resources**

Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(61.5)	-	-
Use of the Capital Receipts Reserve to repay debt	-	-	(1.9)	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	(54.2)	-
Application of capital grants to finance capital expenditure	-	-	-	-	(75.1)
Cash payments in relation to deferred capital receipts	-	-	7.2	-	-
Other	-	-	0.1	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>(56.1)</b>	<b>(54.2)</b>	<b>(75.1)</b>

**Total Adjustments**

**55.6 (37.7) (17.0) (0.5) 35.9**

**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 2021 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.

	Balance at 31 March 2020	Transfers out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£m	£m	£m	£m
<b>Usable Reserves</b>				
<b><u>Unearmarked Reserves</u></b>				
General Fund Balances	32.3	0	6.0	38.3
Organisation Transition Reserve	24.5	(13.9)	59.5	70.1
Financial Resilience Reserve	84.9	(15.7)	20.1	89.3
<b>Total Unearmarked Reserves</b>	<b>141.7</b>	<b>(29.6)</b>	<b>85.6</b>	<b>197.7</b>
<b><u>Earmarked Reserves</u></b>				
Insurance Fund	9.4	(0.2)	1.1	10.3
Sums set aside to finance Capital Expenditure	49.6	(59.9)	15.0	4.7
Housing Benefit Subsidy Reserve	4.2	-	5.9	10.1
Cyclical Maintenance Reserve	13.8	(1.1)	4.1	16.8
Equipment Renewal Reserve	6.1	(3.2)	1.2	4.1
Management Capacity for Change	3.5	(1.6)	16.1	18.0
Business Rates	21.3	(2.8)	1.8	20.3
Covid Support	38.7	(38.7)	17.5	17.5
Education PFI	3.4	-	0.4	3.8
City Clean Up Reserve	-	-	12.1	12.1
Budget Smoothing Reserve	-	-	34.7	34.7
Community Recovery Plan Reserve	-	-	10.0	10.0
Funding Council Tax Hardship Payments	-	-	7.2	7.2
General Policy Contingency Reserve	-	-	5.5	5.5
Income Compensation re Collection Fund	-	-	23.5	23.5
Capital Receipts Flexibility Reserve	-	-	11.9	11.9
Support to the Business Plan	-	-	178.7	178.7
Commonwealth Games Reserve	11.3	-	-	11.3
Policy Contingency Enhanced Operations Commonwealth Games	9.1	-	-	9.1
Other Earmarked Reserves	22.7	(7.5)	25.3	40.5
<b>Total Reserves Earmarked by the Council</b>	<b>193.1</b>	<b>(115.0)</b>	<b>372.0</b>	<b>450.1</b>



**Revenue Grant Reserves**

Section 256 Grant from the NHS	1.1	-	-	1.1
Public Health	5.1	-	9.3	14.4
Better Care Fund	5.9	(5.9)	15.5	15.5
Highways PFI Grant	194.4	(27.0)	29.0	196.4
Section 106 Grants - General Fund	27.7	(3.2)	1.6	26.1
Section 106 Grants - Housing Revenue Account	1.5		1.6	3.1
Community Infrastructure Levy	13.8	(0.3)	1.3	14.8
National Business Rate Levy	0.8	(0.5)	-	0.3
Self Isolation Payments Grant	-	-	2.7	2.7
Additional Restrictions Support Grant Reserve	-	-	9.0	9.0
Public Health Test and Trace	-	-	15.7	15.7
Clean Air Zone Grant Reserve	9.7	(1.2)	-	8.5
Other Grant Reserves	17.3	(7.5)	18.0	27.8
<b>Total Revenue Grant Reserves</b>	<b>277.3</b>	<b>(45.6)</b>	<b>103.7</b>	<b>335.4</b>

**Unearmarked Non-Schools DSG**

Unearmarked Non-Schools DSG	(8.5)	-	12.1	3.6
<b>Total Unearmarked Non-Schools DSG</b>	<b>(8.5)</b>	<b>-</b>	<b>12.1</b>	<b>3.6</b>

**Ringfenced Reserves**

Schools' Balances	54.6	-	23.9	78.5
Housing Revenue Account	8.5	-	2.7	11.2
HRA Major Repairs Reserve	24.4	(53.3)	53.3	24.4
<b>Total Ringfenced Reserves</b>	<b>87.5</b>	<b>(53.3)</b>	<b>79.9</b>	<b>114.1</b>

**Capital Reserves**

Capital Receipts Reserve	223.4	(64.5)	94.6	253.5
Capital Grants Unapplied	142.6	(92.7)	42.6	92.5
<b>Total Capital Reserves</b>	<b>366.0</b>	<b>(157.2)</b>	<b>137.2</b>	<b>346.0</b>

**Total Usable Reserves**

<b>1,057.1</b>	<b>(400.7)</b>	<b>790.5</b>	<b>1,446.9</b>
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Details of the major usable reserves as at 31 March 2021 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.

Invest to Save Reserve - the reserve incorporates the Organisation Transition Reserve and is used to make funding available to assist in making changes to the way services are provided and ultimately reduce costs in the long term. Usage of this fund will require

repayment in the future through a planned repayment profile linked to specific savings proposals.

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 but 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 Support – reflects the remaining balance of Government funding received in the 2020/21 financial year to offset the additional costs incurred by the Council as a result of the Covid 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.

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.

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

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, a local innovations fund, highways initiatives, subvention for major events including the Commonwealth Games, replacement IT systems and repairs and maintenance for specific service chargeable buildings in support of the Financial Plan.

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 28 (2019/20: 40) local authority maintained schools with deficit balances totalling £6.3m (2019/20: £9.2m) and a deficit balance on the Non-Schools Dedicated Schools Grant of £9.1m (2019/20: £14.1m). The deficit balance of £9.1m is a reduction of £5.0m 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 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 2020 £m		31 March 2021 £m
1,955.6	Revaluation Reserve	2,092.1
(223.1)	Capital Adjustment Account	(41.8)
(67.0)	Financial Instruments Adjustment Account	(66.9)
(2,591.3)	Pensions Reserve	(3,430.2)
42.4	Deferred Capital Receipts Reserve	25.0
(14.6)	Collection Fund Adjustment Account	(262.1)
(153.2)	Equal Pay Back Pay Account	(150.4)
(16.7)	Accumulated Absences Account	(19.5)
<b>(1,067.9)</b>	<b>Total Unusable Reserves</b>	<b>(1,853.8)</b>

### 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.

2019/20 £m	£m		2020/21 £m	£m
	<b>1,996.9</b>	<b>Balance at 1 April</b>		<b>1,955.6</b>
359.7		Upward revaluation of assets	382.1	
(321.0)		Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(183.8)	
	38.7	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		198.3
(36.4)		Difference between fair value depreciation and historical cost depreciation	(32.4)	
(43.6)		Accumulated gains on assets sold or scrapped	(29.4)	
	(80.0)	Amount written off to the Capital Adjustment Account		(61.8)
	<b>1,955.6</b>	<b>Balance at 31 March</b>		<b>2,092.1</b>

Capital Adjustment Account

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

2019/20		2020/21	
£m	£m	£m	£m
	<b>(339.7)</b>		<b>(223.1)</b>
	<b>Balance at 1 April</b>		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
(127.5)	Charges for depreciation and impairment of non current assets	(121.3)	
(63.6)	Revaluation losses on Property, Plant and Equipment	(18.9)	
(3.2)	Amortisation and impairment of intangible assets	(2.9)	
0.5	Changes in the Fair Value of Investment Properties	(8.0)	
(4.1)	Changes in the Fair Value of Financial Instruments	(1.0)	
0.2	Impairment of Capital Debtors/Grants	(0.1)	
(96.8)	Revenue expenditure funded from capital under statute	(106.8)	
(161.4)	Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(77.7)	
	(455.9)		(336.7)
	80.0		61.8
	Adjusting amounts written out of the Revaluation Reserve		
	<b>(375.9)</b>		<b>(274.9)</b>
	Net written out amount of the cost of non-current assets consumed in the year		
	Capital financing applied in the year:		
61.5	Use of the Capital Receipts Reserve to finance new capital expenditure	42.0	
54.2	Use of the Major Repairs Reserve to finance new capital expenditure	53.3	
128.2	Capital grants and contributions credited to the CIES that have been applied to capital financing	94.7	
75.1	Application of grants to capital financing from the Capital Grants Unapplied Account	92.7	
1.9	Application of capital receipts to repay debt	13.8	
163.4	Provision for the financing of capital investment charged against the General Fund and HRA balances	148.4	
8.3	Capital expenditure charged against the General Fund and HRA balances	23.7	
	492.6		468.6
	(0.1)		(12.4)
	Repayment of long term debtors		
	<b>(223.1)</b>		<b>(41.8)</b>
	<b>Balance at 31 March</b>		

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 2020/21 financial year, the Council have not agreed early repayment of long term loans with the lenders (2019/20 the Council agreed early repayment of three long term loans with the lenders, at a total premium of £18.0m).

2019/20		2020/21	
£m	£m	£m	£m
<b>(48.1)</b>	<b>Balance at 1 April</b>		<b>(67.0)</b>
(18.0)	Premia incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
(0.9)	Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	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		0.1
<b>(67.0)</b>	<b>Balance at 31 March</b>		<b>(66.9)</b>

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 £245.0m at 31 March 2021 between the Pensions Reserve and the Pension Liabilities reflects the anticipated contributions in 2021/22 and 2022/23.

2019/20 £m		2020/21 £m
<b>(2,676.2)</b>	<b>Balance at 1 April</b>	<b>(2,591.3)</b>
137.6	Remeasurement of the net defined benefit liability	(740.2)
(206.6)	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	(248.8)
153.9	Employer's pensions contributions and direct payments to retirees payable in the year	150.1
<b>(2,591.3)</b>	<b>Balance at 31 March</b>	<b>(3,430.2)</b>

#### 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.

2019/20 £m		2020/21 £m
<b>37.7</b>	<b>Balance at 1 April</b>	<b>42.4</b>
(0.5)	Transfer of deferred sale proceeds credited to the General Fund under capital finance regulations	-
12.5	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(7.3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(17.4)
<b>42.4</b>	<b>Balance at 31 March</b>	<b>25.0</b>



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.

2019/20 £m		2020/21 £m
<b>10.0</b>	<b>Balance at 1 April</b>	<b>(14.6)</b>
	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	(247.5)
(24.6)		
<b>(14.6)</b>	<b>Balance at 31 March</b>	<b>(262.1)</b>

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.

2019/20 £m		2020/21 £m
<b>(174.5)</b>	<b>Balance at 1 April</b>	<b>(153.2)</b>
2.0	(Increase)/reduction in provision for back pay in relation to Equal Pay cases	1.9
19.3	Cash settlements paid in the year	0.9
	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	2.8
21.3		
<b>(153.2)</b>	<b>Balance at 31 March</b>	<b>(150.4)</b>

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.

2019/20 £m		2020/21 £m
<b>(14.0)</b>	<b>Balance at 1 April</b>	<b>(16.7)</b>
-	Settlement or cancellation of accrual made at the end of the preceding year	-
(2.7)	Amounts accrued at the end of the current year	(2.8)
(2.7)	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	(2.8)
<b>(16.7)</b>	<b>Balance at 31 March</b>	<b>(19.5)</b>

**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 3,782 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 2020/21, the Council paid £46.7m (2019/20: £41.3m) to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 23.68% (16.48% from 1 April 2019 and 23.68% from 1 September 2019) of pensionable pay. The contributions due to be paid in the 2021/22 financial year are estimated to be £46.7m 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 2020/21, the Council paid £0.69m (2019/20: £0.84m) to the NHS Pension Scheme in respect of employees' retirement benefits, representing 14.38% (2019/20: 14.38%) of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the 2021/22 financial year are estimated to be £0.69m 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 Wolverhampton City 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 2020/21 (2019/20: 18.3%).

- 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 2019/20 to 2020/21 in the table relate to a £614.8m movement in the net liabilities, driven by -

- £1.7bn increase in obligations as a result of lower discount rates, and
- £1.0bn increase in asset returns, largely as a result of improved returns on equity

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
current service cost	131.3	159.9		
past service costs, including curtailments	19.4	13.2		
effect of settlements	(7.6)	9.0		
administration expenses	2.7	2.9		
Financing and investment income and expenditure:				
Net interest expense	59.5	59.7	1.3	1.3
<b>Total post-employment benefit charged to the (Surplus)/Deficit on the provision of services</b>	<b>205.3</b>	<b>244.7</b>	<b>1.3</b>	<b>1.3</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus/Deficit on the provision of services for post-employment benefits in accordance with the Code	(180.4)	(101.9)	3.5	3.2
Release from pension reserve re prepayment	124.2	-		
<b>Net charge against the General Fund Balance for pensions in the year comprising:</b>				
<b>employer's contributions payable to scheme</b>	<b>149.1</b>	<b>142.8</b>		
<b>retirement benefits payable to retirees</b>			<b>4.8</b>	<b>4.5</b>
	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement				
Total post-employment benefit charged to the (Surplus)/Deficit on the provision of services	205.3	244.7	1.3	1.3
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
remeasurements (liabilities and assets)	(139.2)	742.6	1.6	(2.4)
<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>66.1</b>	<b>987.3</b>	<b>2.9</b>	<b>(1.1)</b>

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
<b>Present Value of Liabilities</b>					
- Local Government Pension Scheme	(6,863.0)	(6,919.7)	(6,706.6)	(6,552.9)	(8,247.1)
- Unfunded Teachers' Scheme	(64.2)	(68.5)	(62.2)	(60.4)	(54.8)
<b>Total Present Value of Liabilities</b>	<b>(6,927.2)</b>	<b>(6,988.2)</b>	<b>(6,768.8)</b>	<b>(6,613.3)</b>	<b>(8,301.9)</b>
Fair Value of Assets in the Local Government Pension Scheme	4,056.6	4,400.3	4,216.8	4,022.0	5,116.6
<b>Surplus/(Deficit) in the scheme</b>					
- Local Government Pension Scheme	(2,806.4)	(2,519.4)	(2,489.7)	(2,530.9)	(3,130.4)
- Unfunded Teachers' Scheme	(64.2)	(68.5)	(62.2)	(60.4)	(54.8)
<b>Net Liability arising from defined benefit obligation</b>	<b>(2,870.6)</b>	<b>(2,587.9)</b>	<b>(2,552.0)</b>	<b>(2,591.3)</b>	<b>(3,185.2)</b>

### 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:

	Local Government Pension Scheme				Unfunded Teachers' Pension Scheme		Total	
	Funded		Unfunded					
	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m
Benefit Obligation at 1 April	6,647.4	6,485.9	59.2	67.0	62.2	60.4	6,768.8	6,613.3
Current Service Cost	131.3	159.9					131.3	159.9
Interest on Pension Liabilities	157.4	136.8	1.4	1.2	1.3	1.3	160.1	139.3
Member Contributions	22.3	22.0					22.3	22.0
Actuarial (gains)/losses arising from changes in financial assumptions	(641.8)	(87.8)	(2.8)	(1.0)	(3.5)	(0.8)	(648.0)	(89.6)
Actuarial (gains)/losses arising from changes in demographic assumptions	195.9	1,659.1	2.9	7.0	5.0	5.4	203.8	1,671.5
Experience (gains)/losses on liabilities	166.6	(86.0)	11.9	(0.9)		(7.0)	178.5	(93.9)
Past Service Cost/Curtailments	19.4	13.2					19.4	13.2
Settlements	(12.0)	76.3					(12.0)	76.3
Unfunded Pension Payments			(5.5)	(5.3)		(4.5)	(5.5)	(9.8)
Benefits/Transfers paid	(200.5)	(200.3)			(4.6)		(205.1)	(200.3)
<b>Benefit Obligation at 31 March</b>	<b>6,485.9</b>	<b>8,179.1</b>	<b>67.0</b>	<b>68.0</b>	<b>60.4</b>	<b>54.8</b>	<b>6,613.3</b>	<b>8,301.9</b>

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme				Unfunded Teachers' Pension Scheme		Total	
	Funded		Unfunded					
	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m
Fair Value of Assets at 1 April	4,216.8	4,022.0	-	-			4,216.8	4,022.0
Interest on Plan Assets	99.3	78.3	-	-			99.3	78.3
Remeasurements (assets)	(269.5)	727.1	-	-			(269.5)	747.9
Other actuarial gains/losses	141.4	-	-	-			141.4	-
Administration expenses	(2.7)	(2.9)	-	-			(2.7)	(2.9)
Settlements	(4.5)	67.3	-	-			(4.5)	67.3
Employer contributions	19.4	382.3	5.5	5.4	4.8	4.5	29.7	392.2
Member contributions	22.3	22.0		-			22.3	22.0
Benefits/transfers paid	(200.5)	(200.3)	(5.5)	(5.4)	(4.8)	(4.5)	(210.8)	(210.2)
<b>Fair Value of Assets at 31 March</b>	<b>4,022.0</b>	<b>5,095.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,022.0</b>	<b>5,116.6</b>

Local Government Pension Scheme assets

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

	2019/20		2020/21	
	Total	Percentage of Total	Total	Percentage of Total
	£m	%	£m	%
<b>Equity</b>	1,958.3	49%	3090.1	60%
<b>Gilts</b>	-	-	424.1	8%
<b>Bonds</b>	893.1	22%	323.2	6%
<b>Property</b>	358.2	9%	382.4	8%
<b>Other</b>	701.0	17%	647.7	13%
<b>Cash</b>	132.4	3%	249.1	5%
<b>Forward Currency Contract</b>	(21.0)	-	-	-
<b>Total Assets</b>	<b>4,022.0</b>	<b>100.0%</b>	<b>5,116.6</b>	<b>100%</b>

Basis for estimating assets and liabilities

Liabilities for both the Local Government Pension Scheme and the unfunded Teachers' Pension Scheme have been assessed by Barnett Waddingham Limited, 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		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men (years)	21.9	21.6	21.9	21.6
Women (years)	24.1	23.9	24.1	23.9
Longevity at 65 for future pensioners retiring in 20 years:				
Men (years)	23.8	23.4	n/a	n/a
Women (years)	26.0	25.8	n/a	n/a
Rate of CPI inflation	1.9%	2.8%	1.95%	2.8%
Rate of increase in salaries	2.9%	3.8%	n/a	n/a
Rate of increase in pensions	1.9%	2.8%	1.95%	2.8%
Rate for discounting of scheme liabilities	2.35%	2.0%	2.25%	1.7%

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)	417.6	5.0%	13.0%
Pension increase assumptions (increase by 0.1%)	145.6	1.8%	4.5%
Salary increase assumption (increase by 0.1%)	13.9	0.2%	0.4%
Discount scheme liability assumptions (increase by 0.1%)	(158.5)	(1.9%)	(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 16 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
2021/22	21.3	49.9
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
<b>Cost or Valuation</b>									
<b>At 1 April 2020</b>	<b>2,458.1</b>	<b>2,339.3</b>	<b>129.2</b>	<b>695.8</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>6,131.1</b>	<b>814.9</b>
Additions	102.1	29.3	11.9	21.1	0.8	0.2	247.2	412.6	44.2
Assets reclassified between categories	6.9	3.0	1.4	21.7	0.7	-	(33.7)	-	-
Assets reclassified (to)/from Held for Sale	-	(2.7)	-	-	-	(40.6)	-	(43.3)	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	23.8	71.4	-	-	-	5.2	-	-	1.9
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(11.0)	-	-	-	0.2	-	(10.8)	(0.3)
Derecognition - Disposals	(22.9)	(39.9)	(16.7)	(3.2)	-	(3.4)	-	(86.1)	(4.3)
Derecognition - other	-	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	0.7	-	-	-	(0.7)	-	-	-
<b>At 31 March 2021</b>	<b>2,568.0</b>	<b>2,390.1</b>	<b>125.8</b>	<b>735.4</b>	<b>80.8</b>	<b>131.7</b>	<b>472.1</b>	<b>6,503.9</b>	<b>856.4</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2020</b>	<b>-</b>	<b>(25.5)</b>	<b>(51.2)</b>	<b>(214.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(291.4)</b>	<b>(215.3)</b>
Depreciation charge	(53.3)	(49.6)	(13.9)	(26.3)	-	(0.8)	-	(143.9)	(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	-	14.6	-	-	-	-	-	14.6	0.2
Derecognition - Disposals	0.4	1.3	16.3	3.2	-	-	-	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	-	-	-
<b>At 31 March 2021</b>	<b>-</b>	<b>(14.9)</b>	<b>(48.8)</b>	<b>(237.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(301.5)</b>	<b>(237.9)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>2,568.0</b>	<b>2,375.2</b>	<b>77.0</b>	<b>497.6</b>	<b>80.8</b>	<b>131.7</b>	<b>472.2</b>	<b>6,202.4</b>	<b>618.5</b>
<b>At 31 March 2020</b>	<b>2,458.1</b>	<b>2,313.8</b>	<b>78.0</b>	<b>481.1</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>5,839.7</b>	<b>599.6</b>

Movements in Balances: 2019/20

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	PFI / Service Concession assets included in Property, Plant and Equipment £m
<b>Cost or Valuation</b>									
<b>At 1 April 2019</b>	<b>2,445.0</b>	<b>2,385.4</b>	<b>162.8</b>	<b>660.9</b>	<b>63.4</b>	<b>172.7</b>	<b>200.0</b>	<b>6,090.2</b>	<b>843.7</b>
Additions	102.1	78.7	10.3	14.1	4.0	0.8	136.8	346.8	36.4
Donations	-	-	-	-	-	-	-	-	-
Assets reclassified between categories	8.3	19.1	0.1	20.8	11.9	16.5	(78.2)	(1.5)	-
Assets reclassified (to)/from Held for Sale	-	(3.2)	-	-	-	5.3	-	2.1	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(61.4)	32.2	(6.4)	-	-	(23.8)	-	(59.4)	(2.7)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(47.4)	(16.0)	-	-	(0.7)	-	(64.1)	-
Other Movements	-	-	-	-	-	-	-	-	(61.9)
Derecognition - Disposals	(35.9)	(125.5)	(21.6)	-	-	-	-	(183.0)	(0.6)
<b>At 31 March 2020</b>	<b>2,458.1</b>	<b>2,339.3</b>	<b>129.2</b>	<b>695.8</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>6,131.1</b>	<b>814.9</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2019</b>	<b>-</b>	<b>(28.9)</b>	<b>(70.6)</b>	<b>(189.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(288.9)</b>	<b>(201.6)</b>
Depreciation charge	(53.8)	(53.3)	(15.0)	(25.3)	-	(0.4)	-	(147.8)	(31.7)
Depreciation written out to the Revaluation Reserve	53.1	39.1	3.4	-	-	2.4	-	98.0	3.1
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	12.1	8.6	-	-	0.4	-	21.1	0.2
Revaluation (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	0.7	2.6	22.4	-	-	-	-	25.7	-
Assets reclassified (to)/from Held for Sale	-	0.7	-	-	-	(0.2)	-	0.5	-
Other movements in depreciation and impairment	-	2.2	-	-	-	(2.2)	-	-	14.7
<b>At 31 March 2020</b>	<b>-</b>	<b>(25.5)</b>	<b>(51.2)</b>	<b>(214.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(291.4)</b>	<b>(215.3)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>2,458.1</b>	<b>2,313.8</b>	<b>78.0</b>	<b>481.1</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>5,839.7</b>	<b>599.6</b>
<b>At 31 March 2019</b>	<b>2,445.0</b>	<b>2,356.5</b>	<b>92.2</b>	<b>471.5</b>	<b>63.4</b>	<b>172.7</b>	<b>200.0</b>	<b>5,801.3</b>	<b>642.1</b>

## Revaluations

The Royal Institution of Chartered Surveyors (RICS) created a forum to consider the impact of the Covid pandemic 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 21 June 2021 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 11 December 2020, 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 increase in building costs from valuation date to 31 March 2021.

A review was undertaken to assess the impact of the movement in building costs on the value of those assets not subject to revaluation in 2020/21. 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 2021, resulting in a relatively small increase in relevant asset values.

### Housing

The Council's housing stock was valued as at 5 February 2021 by Azmat Mir MRICS, and similarly qualified staff within the Council's Property Services section 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 2020/21 of 40% (2019/20: 40%). A review was undertaken to consider any material movement between 5 February and 31 March 2021 and advised accordingly.

HRA dwellings have seen a net increase in value of £109.9m since 31 March 2020. 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 yet meet the criteria to be classified as Assets Held for Sale. As such they are classified as surplus assets and revalued during 2020/21 at fair value, assessing the assets in their highest and best use, using Level 2 inputs. The reduction in value reflects the reclassification of previously identified surplus assets to Assets held for Sale, with disposal expected in 2021/22.

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2020 Fair Value £m	31 March 2021 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.	170.8	131.7

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					80.8		472.1	552.9
Carried at Depreciated Historical Cost			97.8	735.4				833.2
Valued at current value as at:								
31 March 2021	2,568.0	1,768.7				131.7		4,468.4
31 March 2020		141.9	28.0					169.9
31 March 2019		217.7						217.7
31 March 2018		127.4						127.4
31 March 2017		134.4						134.4
<b>Total cost or valuation</b>	<b>2,568.0</b>	<b>2,390.1</b>	<b>125.8</b>	<b>735.4</b>	<b>80.8</b>	<b>131.7</b>	<b>472.1</b>	<b>6,503.9</b>

## Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years. The major commitments are:

	£m
PFI Lifecycle Costs	481.5
Perry Barr Residential Scheme	159.2
CWG's Alexander Stadium	35.3
HRA Investment & Improvements	67.0
HRA New Build	27.8
Paradise Circus Enterprise Zone	28.8

## Capitalisation of Borrowing Costs

The Council has adopted an accounting policy, detailed in Note1 - section x., of capitalising borrowing costs in relation to qualifying assets. In 2020/21 the amount of borrowing costs capitalised during the period was £7.6m (2019/20: £4.0m). 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 4.16% in 2020/21 (2019/20: 4.45%). For 2020/21, interest capitalised by scheme was as follows:

	£m
Enterprise Zone	4.7
Perry Barr Residential Scheme	2.9

## 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
<b>01 April 2019</b>						
- At Cost	1.8	11.1	0.5	-	-	13.4
- At Valuation	216.2	-	-	18.4	1.8	236.4
Additions	0.2	-	-	-	-	0.2
Revaluations	0.1	-	-	-	-	0.1
Impairment losses /(reversals) recognised in the Surplus or Deficit on the Provision of Services	(0.2)	-	-	-	-	(0.2)
<b>31 March 2020</b>	<b>218.1</b>	<b>11.1</b>	<b>0.5</b>	<b>18.4</b>	<b>1.8</b>	<b>249.9</b>
- At Cost	1.8	11.1	0.5	-	-	13.4
- At Valuation	216.3	-	-	18.4	1.8	236.5
<b>31 March 2020</b>	<b>218.1</b>	<b>11.1</b>	<b>0.5</b>	<b>18.4</b>	<b>1.8</b>	<b>249.9</b>
<b>01 April 2020</b>						
- At Cost	1.8	11.1	0.5	-	-	13.4
- At Valuation	216.3	-	-	18.4	1.8	236.5
<b>31 March 2021</b>	<b>218.1</b>	<b>11.1</b>	<b>0.5</b>	<b>18.4</b>	<b>1.8</b>	<b>249.9</b>
- At Cost	1.8	11.1	0.5	-	-	13.4
- At Valuation	216.3	-	-	18.4	1.8	236.5
<b>31 March 2021</b>	<b>218.1</b>	<b>11.1</b>	<b>0.5</b>	<b>18.4</b>	<b>1.8</b>	<b>249.9</b>

### 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:

	2019/20			2020/21		
	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	-	42.1	42.1	-	13.1	13.1
- Accumulated amortisation	-	(34.6)	(34.6)	-	(6.0)	(6.0)
<b>Net carrying amount at start of year</b>	<b>-</b>	<b>7.5</b>	<b>7.5</b>	<b>-</b>	<b>7.1</b>	<b>7.1</b>
Additions:						
- Internal development	-	1.4	1.4	-	-	-
Assets reclassified between asset categories	-	1.5	1.5	-	-	-
Other disposals	-	(31.8)	(31.8)	-	(4.1)	(4.1)
Amortisation for the period	-	(3.2)	(3.2)	-	(2.9)	(2.9)
Amortisation written out for disposals/transfers	-	31.8	31.8	-	4.1	4.1
Other changes	-	(0.1)	(0.1)	-	-	-
Net carrying amount at end of year	-	7.1	7.1	-	4.2	4.2
Comprising:						
Gross carrying amounts	-	13.1	13.1	-	9.0	9.0
Accumulated amortisation	-	(6.0)	(6.0)	-	(4.8)	(4.8)
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>7.1</b>	<b>7.1</b>	<b>-</b>	<b>4.2</b>	<b>4.2</b>

## 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. Covid has had a significant impact on the economy, the extent of which may not be known for some time. An estimate has been made on the collectability of outstanding debt and a further explanation is set out in Note 4, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty. The outstanding balances have been split by type of debt.

31 March 2020 £m		31 March 2021 £m
88.3	External Loans	80.3
0.2	Employee Loans	0.8
0.3	Mortgages: former Council House Tenants	0.3
25.7	Other Debtors	26.1
<b>114.5</b>	<b>Total</b>	<b>107.5</b>

## 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 2020 £m		31 March 2021 £m
22.5	Money Market Funds	171.0
1.8	Financial Institutions	1.3
204.0	Other Investments	-
<b>228.3</b>	<b>Total</b>	<b>172.3</b>

**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.

	Current	
	2019/20	2020/21
	£m	£m
<b>Balance outstanding at start of year</b>	<b>23.4</b>	<b>16.7</b>
Assets newly classified as held for sale:		
- Property, Plant and Equipment	9.4	43.0
Assets declassified as held for sale:		
- Property, Plant and Equipment	(12.2)	-
- Assets sold	(4.1)	(12.8)
Other Movements	0.2	-
<b>Balance outstanding at year end</b>	<b>16.7</b>	<b>46.9</b>

At 31 March 2021, nine assets have been newly classified as held for sale, with the expectation that disposal will occur at some point within the next 12 months.

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. The potential difference in values cannot be quantified as those assets which may be disposed of may change and a 'fair' market valuation cannot be quantified with any accuracy. Given the size of the assets on the Council's Balance Sheet the sale of a small percentage of these could still result in a material difference.

**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 2020 £m		31 March 2021 £m
110.2	Central government bodies	131.5
29.3	Other local authorities	39.0
7.4	NHS bodies	7.9
3.5	Public corporations and trading funds	6.1
234.5	Other entities and individuals	216.4
<b>384.9</b>	<b>Total</b>	<b>400.9</b>

**Note 28****Cash and Cash Equivalents**

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

31 March 2020 £m		31 March 2021 £m
2.8	Cash held by the Council	4.5
59.2	Bank current accounts	49.8
(0.7)	Bank Overdrafts	(0.0)
<b>61.3</b>	<b>Total</b>	<b>54.3</b>

**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 2020 £m		31 March 2021 £m
(83.5)	Central government bodies	(102.3)
(7.2)	Other local authorities	(10.4)
(3.5)	NHS bodies	(2.9)
(50.5)	Public corporations and trading funds	(45.3)
(236.1)	Other entities and individuals	(270.7)
<b>(380.8)</b>	<b>Total</b>	<b>(431.6)</b>

### 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 1 April 2019		Balance at 1 April 2020	Additional provisions made in 2020/21	Amounts used in 2020/21	Transfer between current and non-current provision	Unused amounts reversed in 2020/21	Unwinding of discounting in 2020/21	Balance at 31 March 2021
£m		£m	£m	£m	£m	£m	£m	£m
<b>Short Term</b>								
174.5	Equal Pay	153.2	17.7	(0.9)	-	(16.2)	-	<b>153.8</b>
13.7	Business Rates Appeals	11.4	9.1	(6.4)	-	-	-	<b>14.1</b>
1.4	Pension Guarantees	1.3	-	-	-	(1.3)	-	-
15.8	Other Provisions	9.1	0.2	-	-	(1.2)	-	<b>8.1</b>
<b>205.4</b>	<b>Total</b>	<b>175.0</b>	<b>27.0</b>	<b>(7.3)</b>	-	<b>(18.7)</b>	-	<b>176.0</b>
<b>Long Term</b>								
-	Equal Pay	-	-	-	-	-	-	-
7.4	Business Rates Appeals	6.2	4.9	(3.4)	-	-	-	<b>7.7</b>
8.5	Pension Guarantees	7.6	-	-	-	(7.6)	-	-
-	Other Provisions	-	-	-	-	-	-	-
<b>15.9</b>	<b>Total</b>	<b>13.8</b>	<b>4.9</b>	<b>(3.4)</b>	-	<b>(7.6)</b>	-	<b>7.7</b>

#### Equal Pay

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 in Great Britain the principle that men and women should receive equal pay for equal work.

The Council has set aside a provision of £153.8m (2019/20: £153.2m) in respect of its estimate of liability for Equal Pay. The provision reflects the assessed position as at 31 March 2021.

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 Financial Plan 2021 - 2025.

#### Business Rates Appeals

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 is 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 £21.8m representing 99% of the total provision (2019/20: £17.6m 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 2021. 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 £4.1m in 2020/21 (2019/20: £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 2020/21 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. The Council received insurance services from Municipal Mutual Insurance (MMI). Due to financial difficulties, MMI ceased trading in October 1993 and entered into a solvent run off. MMI entered into a Scheme of Arrangement with its creditors, namely the Councils which were owed claim settlements. The Scheme of Arrangement stated that MMI would be able to claw back any claim settlements paid on behalf of its creditors after 1 October 1993 if a solvent run off was not likely to be achieved.

Following a decision of the Supreme Court in March 2012 regarding Employers' Liability Policy Trigger Litigation, MMI's liability in respect of asbestos related claims has increased substantially. As a result, the Scheme of Arrangement was enacted in 2012/13 and an Administrator was appointed.

At present, the Administrator has announced a levy of 25% on claims paid since 1 October 1993 and the Council has incurred costs of £0.7m to cover its share together with a share, based on population, of the claims paid in respect of the former West Midlands County Council. The maximum remaining liability faced by the Council, less the payments already made, is £2.3m.

5. 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 £153.8m (31 March 2020: £153.2m) which incorporates all claims received and negotiations agreed by 31 March 2021.

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 2021 the Council has identified the following material contingent assets.

1. 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:

2019/20			2020/21	
Long Term £m	Short Term £m		Long Term £m	Short Term £m
(30.4)	(42.1)	Lender's Option Borrower's Option (LOBO) loans	(30.4)	(42.1)
(469.6)	(7.9)	Local Bonds	(462.0)	(8.2)
(2,454.1)	(61.5)	Public Works Loan Board	(2,459.2)	(49.0)
(15.4)	(295.0)	Other Borrowing (mainly Other Local Authorities)	(37.8)	(391.2)
<b>(2,969.5)</b>	<b>(406.5)</b>	<b>Total</b>	<b>(2,989.4)</b>	<b>(490.5)</b>

## Note 33

### Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2019/20			2020/21	
£m			£m	
(31.4)		Interest received	(18.9)	
196.0		Interest paid	164.6	
(5.4)		Dividends received	(0.9)	
<b>159.2</b>			<b>144.8</b>	

## Note 34

### Cash Flow Statement - Investing Activities

The cash flows from investing activities include the following:

2019/20			2020/21	
£m			£m	
(334.9)		Purchase of property, plant and equipment, investment property and intangible assets	(391.0)	
(2,087.2)		Purchase of short-term and long-term investments	(5,237.9)	
71.9		Proceeds from the sale of property, plant and equipment, investment property and intangible assets	80.7	
1,923.1		Proceeds from short-term and long-term investments	5,302.6	
<b>(427.1)</b>		<b>Net cash flows from investing activities</b>	<b>(245.6)</b>	



**Note 35****Cash Flow Statement - Financing Activities**

The cash flows from financing activities include the following:

2019/20		2020/21
£m		£m
225.9	Other receipts from financing activities	120.4
1,851.2	Cash receipts of short-term and long-term borrowing	1,147.1
(23.0)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(31.3)
(1,905.7)	Repayments of short-term and long-term borrowing	(1,043.0)
1.5	Other payments for financing activities	6.6
<b>149.9</b>	<b>Net cash flows from financing activities</b>	<b>199.8</b>

**Note 36****Cash Flow Statement – Other Adjustments**

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

2019/20		2020/21
£m		£m
147.9	Depreciation/Impairment charge	144.0
3.2	Amortisation of Intangible Assets	2.9
3.9	Derecognition of Available for Sale Assets	(0.5)
42.7	Revaluation of Non-Current Assets	4.2
161.4	Derecognition of Non-Current Assets	77.7
(48.0)	(Increase)/Decrease in Debtors	(17.7)
68.2	Increase/(Decrease) in Creditors	41.4
(0.4)	(Increase)/Decrease in Inventories	(0.2)
(32.5)	Increase/(Decrease) in Provisions	(5.0)
176.9	Pensions Liability	(146.3)
<b>523.3</b>	<b>Net Cash Flow - Other Adjustments</b>	<b>100.5</b>

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

2019/20		2020/21
£m		£m
(225.9)	Capital Grants	(120.4)
(71.9)	Capital Receipts	(80.7)
(1.4)	Council Tax and Business Rates Adjustments	(6.4)
<b>(299.2)</b>		<b>(207.5)</b>

**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 comprised:

- 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
  - bank current and deposit 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 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
<b><u>Investments</u></b>				
Fair Value through Profit or Loss	3.1	2.1	-	172.3
Amortised Cost	-	-	228.3	-
Investments in subsidiaries, associates and joint ventures	34.2	35.7	-	-
<b>Total</b>	<b>37.3</b>	<b>37.8</b>	<b>228.3</b>	<b>172.3</b>
Investments that are not financial instruments	-	-	-	-
<b>Total investments</b>	<b>37.3</b>	<b>37.8</b>	<b>228.3</b>	<b>172.3</b>
<b><u>Debtors</u></b>				
Fair Value through Profit or Loss	0.0	3.4	-	-
Amortised Cost	90.4	80.0	254.4	262.0
<b>Total</b>	<b>90.4</b>	<b>83.4</b>	<b>254.4</b>	<b>262.0</b>
Debtors that are not financial instruments	24.1	24.1	130.5	138.9
<b>Total debtors</b>	<b>114.5</b>	<b>107.5</b>	<b>384.9</b>	<b>400.9</b>
<b><u>Cash</u></b>				
Cash in Hand			62.0	54.3
<b>Total cash: asset</b>			<b>62.0</b>	<b>54.3</b>
Cash Overdrawn			(0.7)	(0.0)
<b>Total cash: liability</b>			<b>(0.7)</b>	<b>(0.0)</b>
<b><u>Borrowings</u></b>				
Amortised Cost	(2,969.5)	(2,989.4)	(406.5)	(490.5)
<b>Total borrowings</b>	<b>(2,969.5)</b>	<b>(2,989.4)</b>	<b>(406.5)</b>	<b>(490.5)</b>
<b><u>Other Long Term Liabilities</u></b>				
PFI and finance lease liabilities	(382.2)	(369.2)		
<b>Total</b>	<b>(382.2)</b>	<b>(369.2)</b>		
Transferred Debt and Other Liabilities	(45.7)	(39.9)		
<b>Total long term liabilities</b>	<b>(427.9)</b>	<b>(409.1)</b>		
<b><u>Creditors</u></b>				
Amortised Cost	(0.7)	(0.6)	(243.6)	(265.5)
<b>Total</b>	<b>(0.7)</b>	<b>(0.6)</b>	<b>(243.6)</b>	<b>(265.5)</b>
Creditors that are not financial instruments	-	-	(137.2)	(166.1)
<b>Total creditors</b>	<b>(0.7)</b>	<b>(0.6)</b>	<b>(380.8)</b>	<b>(431.6)</b>

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 £17.5m, 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.

West Midlands Growth Company (formerly Marketing Birmingham) received a loan of £1.1m in 2012 to support the creation of the Birmingham Business Hub at Baskerville House. The loan is deemed to be a material soft loan and is carried in the accounts at £0.1m, pays an interest rate of 2.2% and matures in 2022.

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 loans are 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 £7.7m

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

	2019/20	2020/21
	£m	£m
<b>Opening balance at 1 April</b>	<b>17.7</b>	<b>25.3</b>
Adjustment to Opening Balance	-	-
Nominal value of new loans	10.0	-
Fair value adjustment of new loan	(2.5)	-
Loans repaid	-	(0.2)
Movement in Expected Credit Loss per IFRS9	0.1	(0.1)
(Increase)/Reduction in discount	-	0.3
<b>Closing Balance at 31 March</b>	<b>25.3</b>	<b>25.3</b>
Nominal value at 31 March	32.2	32.0

## 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 is undertaken with the borrowing counterparties, particularly in the light of the impact of Covid 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.

	2019/20		2020/21	
	Surplus/Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus/Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£m	£m	£m	£m
<b>Net (Gains)/Losses on financial instruments:</b>				
• financial assets measured at fair value through profit/loss	4.1	-	1.6	-
financial assets measured at amortised costs	24.6	-	23.2	-
<b>Net (Gains)/Losses on financial instruments</b>	<b>28.7</b>	<b>-</b>	<b>24.8</b>	<b>-</b>
<b>Income/Expenditure in (Surplus)/Deficit on the Provision of Services</b>				
Interest Receivable from financial assets measured at amortised costs	(31.4)	-	(18.9)	-
Other investment income and expenditure	(5.4)	-	(0.9)	-
Interest Expense	196.0	-	164.6	-
<b>Net Income/Expenditure in (Surplus)/Deficit on the Provision of Services</b>	<b>159.2</b>	<b>-</b>	<b>144.8</b>	<b>-</b>
<b>Net (Gain)/Loss for the year</b>	<b>187.9</b>	<b>-</b>	<b>169.6</b>	<b>-</b>

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### 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 2021, 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 2020		31 March 2021	
			Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial Liabilities held at amortised cost:						
PWLB	Level 2	PWLB new maturity loan certainty rate	2,515.6	3,203.8	2,508.1	3,378.3
Bonds issued (BIRCTY 9.675% 21/04/2030)	Level 2	Market rate for similar instruments	307.8	391.8	302.0	380.2
Bonds issued (NECF 7.5625% 30/09/2027)	Level 1	Quoted price from Bloomberg	82.2	103.4	82.2	97.9
LOBO loans	Level 2	Market rate for similar instruments	72.5	129.6	72.5	140.3
Other long-term loans	Level 2	Market rate for similar instruments	105.2	122.8	137.0	156.9
Lease payables and PFI Liabilities	Level 2	PWLB new annuity loan certainty rate	395.3	619.8	383.2	586.3
Transferred debt	Level 2	Market rate for similar instruments	39.4	43.6	34.7	38.5
Other long-term liabilities/creditors	N/A	Fair value is	11.4	11.4	11.5	11.5
Short term loans (mainly from other local authorities)		approximated at their carrying amount	292.4	292.4	378.0	378.0
Short term trade creditors			225.3	225.3	245.9	245.9
Total			4,047.1	5,143.9	4,155.1	5,413.8

*\*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.

### 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 £3,910.7m.

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

below:

Financial Assets	Input level in Fair Value Hierarchy	Valuation inputs and assumptions used to measure Fair Value	31 March 2020		31 March 2021	
			Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Financial assets held at fair value:						
Money Market Funds - short term	Level 1	Market price	22.5	22.5	172.3	172.3
Shares in companies - long term	Level 3	With significant unobservable inputs	3.1	3.1	2.1	2.1
Loans to organisations for service purposes - long term			0.0	0.0	3.4	3.4
Financial assets held at amortised cost:						
Deposits (DMADF and other local authorities) - short term	N/A	Fair value is approximated at their carrying amount	205.8	205.8	-	-
Loans to organisations for service purposes	Level 3	With significant unobservable inputs	90.4	98.6	79.4	83.9
Long term asset/long term debtors	N/A	Fair value is approximated at their carrying amount	0.0	0.0	2.7	2.7
Short term debtors			254.4	254.4	259.9	259.9
Cash/bank deposits - short term			62.0	62.0	54.3	54.3
Total			638.1	646.4	574.1	578.6

*In 2019/20 input level 2 as valuation technique was used to measure fair value of Shares in companies - long term and Loans to organisations for service purposes - long term. This has been changed to level 3 in the current period to better reflect the valuation technique used in measuring the fair value of these assets. Similarly, Money Market Funds - short term was at input level 2 in fair value hierarchy but has been changed to level 1 in the current period.*

*Cash/bank deposits was not included in the table above in 2019/20. For completeness, it has been included in the current period with prior year comparative numbers. The inclusion of Cash/bank deposits in the table above does not have any impact to other part of the Statement of Accounts.*

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:

<b>'Specified' short term loan investments (all in Sterling)</b>	<b>Minimum Short term rating*</b>	<b>Minimum Long term rating*</b>	<b>Maximum investment per counterparty</b>
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 2021 that this was likely to crystallise.

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

#### Liquidity Risk

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 2020	31 March 2021
	£m	£m
Less than 1 year*	(788.0)	(756.0)
Between 1 and 2 years	(72.0)	(120.1)
Between 2 and 5 years	(287.8)	(281.6)
Between 5 and 20 years	(1,628.3)	(1,617.1)
Between 20 and 40 years	(1,250.0)	(1,280.3)
Over 40 years	(160.0)	(100.1)
<b>Total</b>	<b>(4,186.1)</b>	<b>(4,155.2)</b>

All trade and other payables are due to be paid in less than 1 year.

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 RiskInterest 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 2021, 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	3.8
Increase in interest receivable on variable rate investments	(1.9)
Impact on Surplus/(Deficit) on the Provision of Services	1.9
Share of overall impact charged to the HRA	1.4
Decrease in fair value of fixed rate investment assets	5.0
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)	(534.6)

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 2021.

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 2020 £m	31 March 2021 £m
<b>Opening Capital Financing Requirement</b>	<b>4,549.1</b>	<b>4,501.9</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	345.2	412.5
Heritage Assets	0.2	-
Intangible Assets	2.9	-
Revenue Expenditure funded from Capital under Statute	68.6	86.8
Secretary of State Direction - Flexible use of Capital		
Receipts - see note	28.2	20.1
Long Term Loans	0.1	1.9
Increase in Share Equity	0.2	1.5
<b><u>Sources of Finance</u></b>		
Capital Receipts	(61.5)	(42.0)
Government Grants and other Contributions	(203.3)	(187.4)
Sums set aside from Revenue:		
- Direct Revenue Contributions	(8.3)	(23.7)
- Use of Major Repairs Reserve	(54.2)	(53.3)
- Revenue Provision for Debt Redemption	(163.4)	(148.4)
- Capital Receipts set aside for debt redemption	(1.9)	(13.8)
<b>Closing Capital Financing Requirement</b>	<b>4,501.9</b>	<b>4,556.1</b>
<b><u>Explanation of Movements in Year</u></b>		
Movement in underlying need to borrow	(59.7)	33.7
Assets acquired under finance leases	1.4	19.8
Assets acquired under PFI contracts	11.1	0.7
Increase/(decrease) in Capital Financing Requirement	<b>(47.2)</b>	<b>54.2</b>
<b>Movement in Year</b>	<b>(47.2)</b>	<b>54.2</b>

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 2020 to finance the revenue costs of transformation that deliver savings to the public sector.

## 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 2020 £m		31 March 2021 £m
26.6	Other Land and Buildings	30.0
3.3	Vehicles, Plant, Furniture & Equipment	3.0
<b>29.9</b>	<b>Total</b>	<b>33.0</b>

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 2020 £m		31 March 2021 £m
	Finance lease liabilities (net present value of minimum lease payments):	
1.3	- current (not later than 1 year)	1.1
1.2	- non-current (later than 1 year)	1.2
1.9	Finance costs payable in future years	1.9
<b>4.4</b>	<b>Minimum Lease Payments</b>	<b>4.2</b>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
Not later than 1 year	1.4	1.2	1.3	1.1
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
<b>Total</b>	<b>4.4</b>	<b>4.2</b>	<b>2.5</b>	<b>2.3</b>

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 2020/21 contingent rents of £nil were payable (2019/20: £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 2020 £m		31 March 2021 £m
0.3	Not later than 1 year	0.3
0.5	Later than 1 year and not later than 5 years	0.5
1.3	Later than 5 years	1.2
<b>2.1</b>	<b>Total</b>	<b>2.0</b>

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 2020 £m		31 March 2021 £m
0.2	Minimum lease payments	0.2
0.1	Contingent rents	0.1
<b>0.3</b>	<b>Total</b>	<b>0.3</b>

**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 2020 £m		31 March 2021 £m
	Finance lease debtor (net present value of minimum lease payments):	
0.2	- current (not later than 1 year)	0.0
24.1	- non-current (later than 1 year)	24.1
204.7	Unearned finance income	203.5
(28.2)	Less – Unguaranteed residual value of property	(28.3)
<b>200.8</b>	<b>Gross investment in the lease</b>	<b>199.3</b>

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 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
Not later than 1 year	0.2	0.0	1.8	1.6
Later than 1 year and not later than 5 years	0.1	0.1	6.3	6.3
Later than 5 years	24.0	24.0	192.7	191.4
<b>Total</b>	<b>24.3</b>	<b>24.1</b>	<b>200.8</b>	<b>199.3</b>

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 2020/21 £1.5m contingent rents were receivable by the Council (2019/20 £1.4m).

### 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 2020 £m		31 March 2021 £m
9.5	Not later than 1 year	9.5
27.9	Later than 1 year and not later than 5 years	27.9
66.5	Later than 5 years	64.1
<b>103.9</b>	<b>Total</b>	<b>101.5</b>

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 2020/21 £3.1m contingent rents were receivable by the Council (2019/20 £2.5m).

### Leases - contingent rent

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

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**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 eight 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 is currently being negotiated, with an expected restructuring completion date of August 2023. Cabinet has been advised of progress and the Council's



options for maximising investment in the network, which have been submitted to the Department for Transport (DfT) for consideration.

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.

<b>Payments Remaining as at 31 March 2021</b>	<b>Interest</b>	<b>Repayment of Liability</b>	<b>Payment for Services</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Within 1 year	30.0	12.9	43.7	86.6
Between 2 and 5 years	107.4	72.8	192.1	372.3
Between 6 and 10 years	97.1	123.0	279.6	499.7
Between 11 and 15 years	41.1	147.1	260.1	448.3
Between 16 and 20 years	3.2	25.2	27.3	55.7
	<b>278.8</b>	<b>381.0</b>	<b>802.8</b>	<b>1,462.6</b>

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:

2019/20 £m		2020/21 £m
404.3	Liability outstanding at the start of the year	392.4
(23.0)	Repayment of liability	(31.9)
11.1	Lifecycle and further capital expenditure	20.5
<b>392.4</b>	<b>Liability outstanding at the year end</b>	<b>381.0</b>

#### **Service Concessions - contingent rent**

Contingent rents in respect of service concession arrangements total £1.5m (£11.3m 2019/20).

#### **Note 42**

##### **Members' Allowances**

Allowances paid to Members of the Council in 2020/21 totalled £2.3m (2019/20: £2.3m). These figures include Members' allowances and expenses. Further information can be found on the Council's website.

### Note 43 Officers' Remuneration

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

		Salary, fees and allowances	Compensation for loss of office	Expense allowances	Pension contributions	Total
		£	£	£	£	£
Professor Graeme Betts, Acting Chief Executive and Director, Adult Social Care <sup>(1)</sup>	2019/20	166,167	-	-	-	166,167
	2020/21	173,060	-	-	-	173,060
Interim Chief Executive <sup>(2)</sup>	2019/20	N/A	N/A	N/A	N/A	N/A
	2020/21	N/A	N/A	N/A	N/A	N/A
Assistant Chief Executive	2019/20	116,451	-	-	21,311	137,762
	2020/21	119,368	-	-	25,425	144,793
Interim Director for Finance and Governance <sup>(3)</sup>	2019/20	N/A	N/A	N/A	N/A	N/A
	2020/21	N/A	N/A	N/A	N/A	N/A
Programme Director, Commonwealth Games 2022 <sup>(4)</sup>	2019/20	N/A	N/A	N/A	N/A	N/A
	2020/21	N/A	N/A	N/A	N/A	N/A
Acting Director, Inclusive Growth <sup>(5)</sup>	2019/20	55,266	-	315	10,114	65,695
	2020/21	139,068	-	315	29,621	169,004
Director, Digital and Customer Services <sup>(6)</sup>	2019/20	77,250	-	-	14,137	91,387
	2020/21	105,833	-	-	22,542	128,375
Director, Place <sup>(7)</sup>	2019/20	152,035	-	-	27,822	179,857
	2020/21	31,661	167,000	-	5,397	204,058
Director, Human Resources	2019/20	105,222	-	-	19,256	124,478
	2020/21	108,116	-	-	23,029	131,145
Acting Director, Neighbourhoods	2019/20	135,346	-	-	24,768	160,114
	2020/21	139,068	-	-	29,621	168,689
Director, Public Health	2019/20	101,192	-	17,434	18,518	137,144
	2020/21	103,975	-	-	22,147	126,122
Director, Education and Skills <sup>(8)</sup>	2019/20	142,800	-	-	26,132	168,932
	2020/21	142,532	16,884	-	26,044	185,460
Acting Director, Adult Social Care <sup>(9)</sup>	2019/20	-	-	-	-	-
	2020/21	27,290	-	-	5,813	33,103
Acting Director, Education and Skills <sup>(10)</sup>	2019/20	N/A	N/A	N/A	N/A	N/A
	2020/21	N/A	N/A	N/A	N/A	N/A

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**Notes:**

- (1) Professor Graeme Betts, Director Adult Social Care took responsibility for the post of Acting Chief Executive on 1 April 2020 until 17 May 2020 and then again from 7 March 2021.
- (2) The Interim Chief Executive took up post with effect from 18 May 2020 until 6 March 2021. The role holder was seconded to the Council from Barking & Dagenham London Borough Council. Payments due to Barking and Dagenham London Borough Council in respect of the arrangement were £244,867 in 2020/21. This amount is not the amount that would have been received by the postholder.
- (3) The Interim Director for Finance and Governance (& Section 151 Officer) was employed through a third party, the costs of which were £316,750 in 2020/21 (2019/20: £155,841 commencing from 2 October 2019). This amount is not the amount that would have been received by the postholder.
- (4) The Programme Director, Commonwealth Games 2022 took up the role on 11 May 2020 and was employed through a third party, the costs of which were £261,600 in 2020/21. This amount is not the amount that would have been received by the postholder.
- (5) The Acting Director, Inclusive Growth took up the role on 4 November 2019. The expenses incurred relate to reimbursement of expenditure incurred.
- (6) The Director, Digital and Customer Services took up the role on 1 July 2019.
- (7) The Director, Place took early retirement and left the Council on 31 May 2020.
- (8) The Director, Education and Skills left the Council on 31 January 2021.
- (9) The Acting Director, Adult Social Care took up the role on 01 April 2020 until 17 May 2020 and then again from 7 March 2021.
- (10) The Chief Executive of Birmingham Children's Trust took up the additional role of Acting Director for Education and Skills from 1 February 2021, the costs of which were £6,600, in 2020/21.

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.

Teaching Staff & Staff in Schools	2019/20	Total	Remuneration band	Teaching Staff & Staff in Schools	2020/21	Total
	Other Council Employees				Other Council Employees	
No	No	No		No	No	No
151	166	317	£50,000 - £54,999	173	140	313
104	75	179	£55,000 - £59,999	102	129	231
78	41	119	£60,000 - £64,999	61	31	92
52	22	74	£65,000 - £69,999	68	40	108
25	28	53	£70,000 - £74,999	38	22	60
23	8	31	£75,000 - £79,999	18	17	35
14	8	22	£80,000 - £84,999	13	3	16
6	6	12	£85,000 - £89,999	14	8	22
6	4	10	£90,000 - £94,999	7	5	12
3	2	5	£95,000 - £99,999	4	2	6
4	6	10	£100,000 - £104,999	2	8	10
-	-	-	£105,000 - £109,999	-	3	3
1	1	2	£110,000 - £114,999	1	-	1
-	-	-	£115,000 - £119,999	-	-	-
1	1	2	£120,000 +	1	1	2
<b>468</b>	<b>368</b>	<b>836</b>		<b>502</b>	<b>409</b>	<b>911</b>

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

The figures for both years include those employees with planned termination payments, 9 in 2020/21 (37 in 2019/20). Excluding employees in receipt of planned termination payments, 400 employees in 2020/21 (331 in 2019/20) 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 235 in 2020/21 (2019/20: 192).

#### 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.

		2019/20				Value of individual package £000			2020/21			
Compulsory No.	£m	Voluntary No.	£m	Total No.	£m		Compulsory No.	£m	Voluntary No.	£m	Total No.	£m
-	-	4	1.3	4	1.3	£250+	-	-	-	-	-	-
-	-	1	0.2	1	0.2	£200 - £250	1	0.2	-	-	1	0.2
-	-	14	2.3	14	2.3	£150 - £200	-	-	1	0.2	1	0.2
-	-	16	1.9	16	1.9	£100 - £150	2	0.2	2	0.3	4	0.5
-	-	5	0.5	5	0.5	£80 - £100	2	0.2	-	-	2	0.2
4	0.3	8	0.5	12	0.8	£60 - £80	2	0.1	1	0.1	3	0.2
4	0.2	18	0.9	22	1.1	£40 - £60	2	0.1	1	0.1	3	0.2
11	0.3	25	0.7	36	1.0	£20 - £40	6	0.2	11	0.3	17	0.5
77	0.5	206	1.6	283	2.1	less than £20	51	0.4	57	0.2	108	0.6
<b>96</b>	<b>1.3</b>	<b>297</b>	<b>9.9</b>	<b>393</b>	<b>11.2</b>	<b>Total</b>	<b>66</b>	<b>1.4</b>	<b>73</b>	<b>1.2</b>	<b>139</b>	<b>2.6</b>

In addition to the costs of exit packages identified above, the Council incurred costs of £0.018m in 20/21 (£0.065m in 19/20) 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.

2019/20 £m		2020/21 £m
0.2	Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	0.5
0.1	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year	0.0
<b>0.3</b>	<b>Total</b>	<b>0.5</b>

**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 2021 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 2020/21 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 Sandwell and West Birmingham 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 Council and NHS bodies, and reviews the expenditure plans for the services but there is no arrangement in place to pool the 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.

	2019/20 £m	2020/21 £m
Funding provided to the pooled budget		
Birmingham City Council	109.0	109.2
Combined Clinical Commissioning Groups	53.3	71.6
	<b>162.3</b>	<b>180.8</b>
Expenditure met from the pooled budget		
Birmingham City Council	109.0	109.2
Combined Clinical Commissioning Groups	53.3	71.6
	<b>162.3</b>	<b>180.8</b>
<b>Net surplus arising from the pooled budget during the year</b>	<b>-</b>	<b>-</b>

#### 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 the Covid pandemic 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 up to 31 March 2021, and in total £13.8m was received by the Local Authority to support these clients.

In addition to this further Local Authority and CCG funding to support Health and Social Care system improvements were also included in 2020/21 totalling £16.7m.

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 2020/21 remained at £60.3m and included the Winter Pressures Grant Funding of £5.6m.

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 Sandwell and West Birmingham 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 2020/21 funding of £116.3m (2019/20: £92.6m) was earmarked for the BCF by the Department of Health via the CCGs as detailed in the table below. The Council's contribution was made up of the Disabled Facilities Grant, iBCF Grant (including Winter Pressure Grant), together with £6.7m of addition support to the wider Health and Social Care System.

	2019/20	2020/21
	£m	£m
Contribution to the BCF Pooled Fund		
Birmingham & Solihull CCG	80.5	103.1
Sandwell and West Birmingham CCG	12.1	13.2
<b>NHS Contribution</b>	<b>92.6</b>	<b>116.3</b>
 Birmingham City Council	 13.6	 21.1
iBCF Section 31 Grant	60.3	65.9
<b>Total BCF Pooled Fund</b>	<b>166.5</b>	<b>203.3</b>

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
	2019/20	2020/21	
	£m	£m	
Bed Based Additional Provision	1.6	1.5	Lead Commissioning – Council
Social Care Based Additional Provision	1.6	1.7	Sole Control – Council
Reablement – Kenrick Centre	1.6	1.7	Sole Control – Council
Care Act	3.2	3.4	Lead Commissioning – Council
Carers Strategy	1.3	1.4	Joint Control
Eligibility Criteria	21.6	22.8	Sole Control – Council
Management of Programme	0.1	0.1	Joint Control
Community Services	48.8	50.9	Sole Control – CCGs
Reablement – Rapid Assessment, Interface and Discharge	1.7	1.8	Sole Control – CCGs
Planned Community/Intermediate Care	0.4	0.0	Sole Control – CCGs
Outpatient Antimicrobial Therapy – University Hospitals Birmingham NHSFT	0.0	0.1	Sole Control – CCGs
Dementia	2.7	2.9	Sole Control – CCGs
Assertive Outreach	0.3	0.3	Sole Control – CCGs
Enhanced Assessment Bed Support	0.5	0.0	Sole Control – CCGs
Equipment Contracts	5.5	5.5	Lead Commissioning – Council
Disabled Facilities Grant and Capital	11.4	12.9	Sole Control – Council
Health & Social Care System Improvements	3.9	16.8	Joint Control
Hospital Discharge Service	0.0	13.6	Sole Control – Council
	<b>106.2</b>	<b>137.4</b>	
Balance of funding			
iBCF (including Winter Pressures in 2020/21)	60.3	65.9	Sole Control – Council
<b>Total BCF</b>	<b>166.5</b>	<b>203.3</b>	

### **Other Related Parties**

During 2020/21 payments, to the value of £439.3m, inclusive of VAT, were payable to related parties of which £21.6m remained outstanding at 31 March 2021. Additionally, £54.1m inclusive of VAT, was receivable during 2020/21 from companies in which the Council had a related party interest, of which £35.9m remained outstanding at 31 March 2021. 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 2021 are: assets of £37.8m of investments and £85.4m of loans (of which £76.5m is repayable after 31 March 2022); liabilities of £82.2m of funding guarantee (NEC Developments Plc), £32m held as cash invested by Birmingham Children's Trust and £4.9m of borrowings (of which £2.5m is repayable after 31 March 2022).

**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 2020/21.

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

	Exp. £m	Income £m	Loans Council as Grantor Granted £m	Repaid £m	Council Assets at year end £m	Council Liabilities at year end £m
Acivico Limited	23.2	0.2	4.2	0.4	5.6	4.7
Birmingham Children's Trust CIC	210.2	14.9	-	-	14.0	36.2
Birmingham City Propco Limited	-	0.1	-	-	20.3	-
InReach (Birmingham) Limited	-	-	0.8	1.4	14.0	-
National Exhibition Centre (Developments) Plc	5.6	-	-	-	-	82.3
PETPS (Birmingham) Limited	-	-	-	-	-	-
PETPS (Birmingham) Pension Funding Scottish Limited Partnership	2.5	-	-	-	-	4.9

Separate to the numbers in the table above: The Council has made a provision of £4.1m in its accounts for potential reimbursement right support to its subsidiaries; During 2020/21 the Council made a £1.5m equity investment in Acivico Limited.

**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)	-	0.1	0.6	-
Paradise Circus Limited Partnership	16.7	0.5	0.3	-

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 2020/21.

Birmingham Business Support Centre Limited	Fields Millennium Green Trust (Kings Norton)
Birmingham Charities Limited	Finance Birmingham Limited*
Birmingham Curzon Regeneration Company Limited	Forward Homes (Birmingham) Limited
Birmingham Endeavour Limited	Frontier Development Holding Limited
Birmingham Municipal Housing Limited	Gallery 37 Foundation
Birmingham Museums Trust*	Greater Birmingham and West Midlands Brussels Office*
Birmingham Venture Capital Limited*	NEC Pension Trustee Company Limited*
Birmingham Wheels Ltd	NEC Pension Trustee Company No.2 Limited
Creative Advantage West Midlands 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 2020/21.

Ascarii Limited	Frontier Development Capital Limited
Ascension Ventures	Goodfish Limited
Auctus	Icknield Port Loop LLP
Big Button	Inceptum Development Limited
Birmingham LEP Company (also known as Birmingham Lend Lease Partnership)	Info-Ctrl Limited
Birmingham Schools SPC Phase 1A Limited*	Learning Labs Limited
Birmingham Schools SPC Phase 1B Limited*	Midlands Industrial Association Ltd
Birmingham Wholesale Market Company Limited*	Mutt Motorcycles Limited
Bridge Street Management Ltd	Natural HR Limited
Central Technology Belt	Obillex Limited
Crowd Technologies	Opinsta Limited
CSR City Limited	Owned It
Droplet Online	Pure Business Services Limited
Ex Cathedra	Stockfield Community Association
Eyoto Group Limited	UK Municipal Bonds Agency Plc
Foodient T/A Whisk	Veolia Environmental Services Birmingham Ltd*
Formatzone Limited	Vision Technologies
Friends of Rectory Park	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 detailed below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2020/21.

Acocks Green Primary School Academy*	Harborne Parish Lands Charity
Active Wellbeing Society Limited*	King Edward VI Academy Trust*
Bartley Green School Academy*	Leigh Trust*
Birmingham Asian Resource Centre	Midlands Arts Centre
Birmingham Citizens Advice Bureau Service Ltd	Millennium Point Property Ltd*
Birmingham Disability Resource Centre*	Millennium Point Trust
Birmingham Opera Company	Rowheath Pavilion
Birmingham Organising Committee for the 2022 Commonwealth Games Limited*	Sikh Council UK
Birmingham Repertory Theatre*	St Barnabas School (Academy)
Birmingham Royal Ballet*	St. Basil's*
Birmingham Settlement Ltd*	St. Michael's Primary School Academy
Birmingham Voluntary Service Council*	St. Paul's Community Development Trust
Bournville Village Trust*	Warwickshire County Cricket Club*
Canal & River Trust*	Waverley School Academy*
Castle Vale Neighbourhood Partnership Board	West Midlands Ambulance Service
City of Birmingham Symphony Orchestra*	West Midlands Combined Authority*
Clifton Road Youth Centre	West Midlands Fire and Rescue Authority

Acocks Green Primary School Academy\*  
 Cottesbrooke Infant and Nursery School  
 Academy\*  
 Dance Xchange  
 Greater Birmingham and Solihull LEP Ltd.  
 Gurdwara Baba Deep Singh Ji Shaheed

Harborne Parish Lands Charity  
 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 2020/21.

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 2020/21.

Bloomsbury Estate Management Board\*  
 Four Towers TMO\*  
 Holly Rise Housing Co-operative

Manor Close Residents' Management  
 Organisation\*  
 Roman Way Estate Community Interest  
 Company\*

### 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 2020/21 with the following organisations which fall within the definition of related parties:

Ashley Community Housing (ACH)  
 Barking & Dagenham London Borough Council  
 Birmingham and Solihull Mental Health Trust  
 Birmingham and Solihull Women's Aid  
 Birmingham Community Healthcare NHSFT  
 Birmingham Women's and Children's NHSFT  
 Birmingham YMCA  
 Black Country Housing Group Limited  
 Kingstanding Regeneration Trust  
 National Centre for Conductive Education (NICE)

Norton Hall Children and Family Centre  
 Penderels Trust Limited  
 Sandwell and West Birmingham Hospitals NHST  
 Sandwell College  
 Sir Josiah Mason Trust  
 South and City College (Birmingham) Limited  
 St. Anne's Hostel  
 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 2020/21 was net expenditure of £0.1m (£0.8m expenditure and £0.7m 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:

<b>Agency Role</b>	<b>No</b>	<b>Level of Reserve</b>	<b>Gross Expenditure</b>
		£m	£m
Accountable Body	27	157.3	163.1
Provision of External Payrolls	107		276.9
Arrangements supporting Housing activities	1	2.5	2.0
Reporting of Trust activities	17	26.6	0.3
Subsidiary Companies	5	22.4	0.1
Other transactions	10	0.6	0.2

In addition to these regular activities the Covid grants where the Council is acting as agent are shown in the table below;

**Covid Grants Received where the Council is Acting as Agent**

<b>Name of Grant</b>	<b>£ m</b>
Infection Control Grant	14.3
Rapid Testing Grant	1.9
Workforce Capacity Fund	2.8
Covid School Fund	1.3
Covid Job Retention Scheme	0.5
Covid Catch – Up Premium	4.1
Coronavirus (Covid) National Testing Programme	0.4
Covid Business Improvement Districts	0.2
Local Restrictions Support Grant (Closed) Addendum	13.3
Christmas Support Payment (CSP) for Wet Led Pubs	0.2
Local Restrictions Support Grant (Closed) 2 December	1.5
T4 (Pro Rata) Local Restrictions Support Grant (Closed)	5.4
National Lockdown (Local Restrictions Support Grant (Closed))	17.9
National Lockdown One Off	35.6
Test and Trace Self Isolation Payments (Main Scheme Only)	0.9
Business Support Grant	216.8
Local Restrictions Support Grant (Closed) Addendum Sector	18.5
<b>Total Covid Agent Grants</b>	<b>335.6</b>

**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 receive directly 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 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.

#### 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

Following the disposal of the Council's interests in NEC Group Limited, NEC (Developments) Plc has a minimal number of transactions going through it in respect of its loan stock. The company is consolidated into the Council's Group Accounts. The Council provided guarantees to the Trustees of the Fund and the Scheme to meet the current and future funding obligations that may arise in respect of the liabilities. In 2017/18, the Council set up an arrangement through PETPS (Birmingham) Capital, PETPS (Birmingham) General Partner Limited and their joint partnership, PETPS (Birmingham) Pension Funding Scottish Limited Partnership that will enable the Council to spread the implications of the guarantee across the anticipated deficit recovery period.

### 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 2021 was £31.4m (2019/20: £29.7m). 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 2020	Income	Expenditure	Balance at 31 March 2021
	£m	£m	£m	£m
<b>Council acting as Sole Trustee</b>				
Birmingham Municipal Charity - general charitable objectives	0.7	0.0	0.0	0.7
Charles Baker Trust – for the elderly and disabled	0.3	0.0	0.0	0.3
Cropwood Estate – management of the estate	14.9	0.1	0.0	15.0
Elford Trust – healthy recreation for Birmingham citizens	4.2	0.3	0.0	4.5
Harriet Louisa Loxton Charity – for the aged and infirm	1.7	0.2	0.0	1.9
Highbury Trust – for the benefit of the citizens of Birmingham	2.0	0.1	0.0	2.1
Other	0.2	0.1	0.1	0.2
<b>Total Council acting as Sole Trustee</b>	<b>24.0</b>	<b>0.8</b>	<b>0.1</b>	<b>24.7</b>
<b>Council acting as Custodian</b>				
Alderson – to let dwelling houses to ex-servicemen and other persons in need	0.5	0.1	0.0	0.6
Bodenham Trust – for children with special educational needs	0.7	0.1	0.1	0.7
Clara Martineau Trust – for children with special educational needs	4.2	0.9	0.0	5.1
Moseley Road Friends Institute – provision and maintenance	0.2	0.0	0.0	0.2
Other	0.1	0.1	0.1	0.1
<b>Total Council acting as Custodian</b>	<b>5.7</b>	<b>1.2</b>	<b>0.2</b>	<b>6.7</b>
<b>Total Trust Balances</b>	<b>29.7</b>	<b>2.0</b>	<b>0.3</b>	<b>31.4</b>



## Analysis of the assets of the main funds:

	Restricted Funds at 31 March 2021 £m	Unrestricted Funds at 31 March 2021 £m	Total Funds at 31 March 2021 £m
<b>Council acting as Sole Trustee</b>			
Birmingham Municipal Charity - general charitable objectives	0.7	-	<b>0.7</b>
Charles Baker Trust – for the elderly and disabled	0.2	0.1	<b>0.3</b>
Cropwood Estate – management of the estate	0.7	14.3	<b>15.0</b>
Elford Trust – healthy recreation for Birmingham citizens	4.1	0.4	<b>4.5</b>
Harriet Louisa Loxton Charity – for the aged and infirm	1.7	0.2	<b>1.9</b>
Highbury Trust – for the benefit of the citizens of Birmingham	1.8	0.3	<b>2.1</b>
Other	0.1	0.1	<b>0.2</b>
<b>Total Council acting as Sole Trustee</b>	<b>9.3</b>	<b>15.4</b>	<b>24.7</b>
<b>Council acting as Custodian</b>			
Alderson – to let dwelling houses to ex-servicemen and other persons in need	-	0.6	<b>0.6</b>
Bodenham Trust – for children with special educational needs	0.7	-	<b>0.7</b>
Clara Martineau Trust – for children with special educational needs	4.8	0.3	<b>5.1</b>
Moseley Road Friends Institute – provision and maintenance	0.2	-	<b>0.2</b>
Other	-	0.1	0.1
<b>Total Council acting as Custodian</b>	<b>5.7</b>	<b>1.0</b>	<b>6.7</b>
<b>Total Assets</b>	<b>15.0</b>	<b>16.4</b>	<b>31.4</b>

# SUPPLEMENTARY FINANCIAL STATEMENTS 2020/21

## 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.

2019/20		Note	2020/21
£m			£m
	<b>Income</b>		
(249.7)	Dwellings rents		(253.5)
(9.3)	Non-dwellings rents		(8.6)
(19.2)	Charges for services and facilities		(20.1)
<b>(278.2)</b>	<b>Total Income</b>		<b>(282.2)</b>
	<b>Expenditure</b>		
55.7	Repairs and maintenance		58.4
80.0	Supervision and management		71.5
5.0	Rent, rates, taxes and other charges		4.6
54.0	Depreciation and impairment charge	H3 & H6	53.6
0.3	Debt management costs		0.3
<b>195.0</b>	<b>Total Expenditure</b>		<b>188.4</b>
<b>(83.2)</b>	<b>Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement and Net (Income) / Cost of HRA Services</b>		<b>(93.8)</b>

**HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:**

4.3	Change in fair value of financial instruments	4.7
48.9	Interest payable and similar charges	46.7
0.7	Amortisation of premia and discounts	0.7
(0.9)	HRA interest and investment income	(0.6)
(13.7)	(Gains)/ Losses on the disposal of HRA non-current assets	(8.8)
3.7	Pensions interest cost and expected return on pensions assets	3.6
(2.1)	Capital Grants and Contributions Receivable	(1.3)
<hr/>		<hr/>
<b>(42.3)</b>	<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>(48.8)</b>

**Movement on the Housing Revenue Account Statement**

2019/20		2020/21
£m		£m
(42.3)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(48.8)
37.7	Adjustments between accounting basis and funding basis under statute (Note 16)	44.5
<hr/>		<hr/>
<b>(4.6)</b>	Net (increase) / decrease before transfers to / (from) reserves	<b>(4.3)</b>
1.5	Transfers to / (from) reserves	1.6
<hr/>		<hr/>
<b>(3.1)</b>	(Increase) / decrease for the year on HRA Balance	<b>(2.7)</b>
(5.4)	HRA Balance Brought Forward	(8.5)
<hr/>		<hr/>
<b>(8.5)</b>	HRA Balance Carried Forward	<b>(11.2)</b>
<hr/>		<hr/>
<b>Total HRA Reserve</b>		
(8.5)	HRA Balance	(11.2)
(1.5)	HRA Earmarked Reserve	(3.1)
<hr/>		<hr/>
<b>(10.0)</b>	<b>Total HRA Reserve</b>	<b>(14.3)</b>

## 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 2020		31 March 2021
3,706	1 bedroom bungalows	3,702
14,853	1 bedroom flats	14,785
59	1 bedroom houses	56
295	2 bedroom bungalows	293
10,490	2 bedroom flats	10,426
8,327	2 bedroom houses	8,275
30	3 or more bedroom bungalows	30
3,860	3 or more bedroom flats	3,769
18,565	3 or more bedroom houses	18,374
<b>60,185</b>	<b>Total housing stock</b>	<b>59,710</b>

The change in the property numbers is analysed below:

2019/20		2020/21
60,836	Stock at 1 April	60,185
(694)	Sales	(418)
(88)	Demolitions / transfers	(160)
131	Acquisitions	103
<b>60,185</b>	<b>Stock at 31 March</b>	<b>59,710</b>

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

31 March 2020		31 March 2021
£m		£m
2,458.1	Council dwellings/garages	2,568.0
14.9	Assets under construction	12.1
54.7	Other land and buildings	58.2
<b>2,527.7</b>	<b>Total operational assets</b>	<b>2,638.3</b>
12.9	Non-operational assets	11.5
<b>2,540.6</b>	<b>Total</b>	<b>2,649.8</b>

The housing stock, land and other property within the HRA are valued in line with the 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 2020/21 of 40%. The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £106.1m was spent on HRA dwellings during the year.

As at 31 March 2021, the Council also owned 189 dwellings (31 March 2020: 126) 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 £8.1m (31 March 2020: £5.1m).

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

31 March 2020		31 March 2021
£m		£m
608.1	Land	632.9
16.4	Kitchens	16.5
21.4	Bathrooms	21.7
29.9	Windows	43.6
47.4	Heating	49.7
11.9	Roofs	11.8
1,723.0	Remaining Structure	1,791.8
<b>2,458.1</b>	<b>Total</b>	<b>2,568.0</b>

## 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 2021 is £6,205m.

(b) The difference between the above figure and the figure of £2,568.0m 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 no identified impairment in HRA asset values in 2020/21 (2019/20: £nil). The net value of HRA dwellings has increased by £109.9m to £2,568.0m.

#### 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

2019/20		2020/21
£m		£m
24.9	Balance on Major Repairs Reserve at 1 April	24.4
53.7	Amount transferred to Major Repairs Reserve during the year	53.3
(54.2)	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	(53.3)
<b>24.4</b>	<b>Balance on Major Repairs Reserve at 31 March</b>	<b>24.4</b>

#### H5. Capital Expenditure on HRA Assets

Expenditure on HRA assets was funded from the following sources:

2019/20		2020/21
£m		£m
33.4	Usable Capital Receipts (Right to Buy/Land)	21.9
54.2	Major Repairs Reserve	53.3
4.8	HRA Revenue contributions	22.6
8.5	Prudential Borrowing	7.0
5.7	Other resources	1.3
<b>106.6</b>		<b>106.1</b>

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £31.7m (land £5.3m, houses £26.4m). The value for 2019/20 was £49.8m (land £7.1m and houses £42.7m). The Government operates a capital receipts pooling framework and of these amounts £6.4m was paid to Central Government (2019/20: £6.2m).

#### H6. Depreciation Charges

The total charge for depreciation for the houses and other property within the Council's HRA is £53.6m (2019/20: £54.0m). 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 2021 totalled £16.9m (2019/20: £13.7m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £24.5m at 31 March 2021 (2019/20: £24.9m).

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 £36.7m at 31 March 2021 (2019/20: £32.8m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

31 March 2020		31 March 2021
£m		£m
13.7	Current tenants	16.9
12.8	Housing benefit overpayment	11.9
12.1	Other debt (services/leaseholders)	12.6
<b>38.6</b>	<b>Total arrears</b>	<b>41.4</b>
32.8	Provision for bad debts	36.7



## 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.

2019/20			<div>Income</div> <div>Collectable Council Tax</div> <div>Collectable Business Rates</div> <div>Transitional Payment Payable to Government</div> <div>Enterprise Zone Deficit Repayable to the Collection Fund</div> <div>Apportionment of Prior Year Deficit:</div> <div>Birmingham City Council</div> <div>Central Government</div> <div>West Midlands Fire &amp; Rescue Authority</div> <div>West Midlands Police and Crime Comm.</div> <div>Total Apportionment of Prior Year Deficit</div>	2020/21		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m		£m	£m	£m
(415.3)		(415.3)		(431.6)		(431.6)
(415.3)	(461.5)	(415.3) (461.5)		(431.6)	(282.2)	(431.6) (282.2)
	0.9	0.9			4.3	4.3
	(460.6)	(460.6)			(277.9)	(277.9)
	(1.6)	(1.6)		(10.0)	(10.0)	
-	-	-	-	(0.6)	(0.6)	
-	-	-	-	0.6	0.6	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
(415.3)	(462.2)	(877.5)	TOTAL INCOME	(431.6)	(287.9)	(719.5)
2019/20			<div>Expenditure</div> <div>Precepts Demands &amp; Shares Incl Prior Years Surplus:</div> <div>Birmingham City Council</div> <div>New Frankley in Birmingham Parish Council</div> <div>Sutton Coldfield Town Council</div> <div>Central Government</div> <div>West Midlands Fire &amp; Rescue Authority</div> <div>West Midlands Police and Crime Comm.</div> <div>Charges:</div> <div>Increase/(Decrease) in Provision for Bad and Doubtful Debts</div> <div>Increase/(Decrease) in Provision for Appeals</div> <div>Cost of Collection</div>	2020/21		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m		£m	£m	£m
347.4	453.7	801.1		371.8	436.0	807.8
0.0		0.0		0.0		0.0
1.9		1.9		1.9		1.9
	-	-			-	-
15.2	4.5	19.7	16.0	4.3	20.3	
38.4		38.4	42.1		42.1	
13.4	15.6	29.0	27.3	27.9	55.2	
	11.1	11.1		34.5	34.5	
	1.8	1.8		1.8	1.8	
416.3	486.7	903.0	TOTAL EXPENDITURE	459.1	504.5	963.6
1.0	24.5	25.5	(Surplus)/Deficit for the year	27.5	216.6	244.1
(4.9)	(7.5)	(12.4)	(Surplus)/Deficit brought forward	(3.9)	17.0	13.1
(3.9)	17.0	13.1	(Surplus)/Deficit carried forward	23.6	233.6	257.2

**Notes to the Collection Fund****C1. Contributions from Council Tax Payers**

The Council's tax base at January 2020 (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:

<b>Band</b>	<b>Number of Properties</b>	<b>Ratio</b>	<b>Band D equivalent dwellings</b>
AR	167	5/9	93
A	88,582	6/9	59,055
B	90,480	7/9	70,373
C	61,865	8/9	54,991
D	32,608	1	32,608
E	18,394	11/9	22,482
F	8,258	13/9	11,928
G	5,486	15/9	9,143
H	794	18/9	1,588
<b>Total</b>	<b>306,634</b>		<b>262,261</b>
Less adjustment for collection rate			(7,607)
			<b>254,654</b>

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:

<b>Band</b>	<b>Number of Properties</b>	<b>Ratio</b>	<b>Band D equivalent dwellings</b>
AR	1	5/9	1
A	710	6/9	473
B	1,028	7/9	800
C	86	8/9	76
D	54	1	54
E	1	11/9	1
F	0	13/9	0
G	0	15/9	0
H	1	18/9	2
<b>Total</b>	<b>1,881</b>		<b>1,407</b>
Less adjustment for collection rate			(41)
			<b>1,366</b>

The figures for Sutton Coldfield Town Council are:

<b>Band</b>	<b>Number of Properties</b>	<b>Ratio</b>	<b>Band D equivalent dwellings</b>
AR	1	5/9	1
A	1,706	6/9	1,137
B	3,994	7/9	3,106
C	6,240	8/9	5,547
D	8,362	1	8,362
E	7,897	11/9	9,652
F	3,878	13/9	5,602
G	2,444	15/9	4,073
H	364	18/9	728
<b>Total</b>	<b>34,886</b>		<b>38,208</b>
Less adjustment for collection rate			(1,107)
			<b>37,101</b>

## C2. Business Rate Payers

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 2020/21: 49.1p for 2019/20). The total non-domestic rateable value at 31 March 2021 was £1,133.91m (31 March 2020: £1,141.58m).

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 City 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 City 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**

	2019/20			2020/21		
	BCC £m	Fire £m	Police £m	BCC £m	Fire £m	Police £m
Council Tax Arrears	95.8	4.1	10.8	117.5	4.9	13.8
Impairment Allowance for doubtful debts	(31.0)	(1.3)	(3.5)	(52.5)	(2.2)	(6.1)
Amounts Past Due but not Impaired	64.8	2.8	7.3	65.0	2.7	7.6
Represented by Amounts:						
Less than 1 Year	24.0	1.0	2.7	29.8	1.2	3.5
1-2 Years	11.0	0.5	1.3	14.5	0.6	1.7
2-6 Years	23.3	1.0	2.6	20.1	0.8	2.4
Over 6 Years	6.5	0.3	0.7	0.6	0.0	0.1
TOTAL	64.8	2.8	7.3	65.0	2.7	7.6

**Analysis of Business Rates debtors past due but not impaired**

	2019/20			2020/21		
	BCC £m	Fire £m	MHCLG £m	BCC £m	Fire £m	MHCLG £m
Business Ratepayer Arrears	95.4	1.0	0.0	126.7	1.3	0.0
Impairment Allowance for doubtful debts	(47.1)	(0.5)	0.0	(71.9)	(0.7)	0.0
Amounts Past Due but not Impaired	48.3	0.5	0.0	54.8	0.6	0.0
Represented by Amounts:						
Less than 1 Year	29.3	0.3	0.0	28.7	0.3	0.0
1-2 Years	8.8	0.1	0.0	13.5	0.2	0.0
2-6 Years	10.2	0.1	0.0	12.6	0.1	0.0
Over 6 Years	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	48.3	0.5	0.0	54.8	0.6	0.0



## Statement of GROUP Accounts 2020/21

## 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 2020 to 31 March 2021. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 2021, 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 2020/21.

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

#### Subsidiaries

Acivico Limited  
Birmingham Children's Trust 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 G21 and G22

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**

The Covid pandemic has been a major issue during 2020/21. Details of the impact on the Council can be found in the Narrative Report.

There has been a direct impact of the Covid pandemic on asset values within certain companies and details of the performance are set out in more detail in the following notes.

The Airport has been significantly impacted by the Covid pandemic, with a loss for 2020/21 of £66.5m compared to a profit for 2019/20 of £16.4m.

The Council will continue to monitor the performance of its companies. The Council has given no additional letters of comfort to its companies as a result of Covid.

**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.

	2019/20		2020/21	
	Entity £m	Group £m	Entity £m	Group £m
Surplus/(Deficit) on Provision of Services	83.4	70.3	145.8	127.2

The 2020/21 GCIES shows a positive movement of £56.9m from £70.3m to £127.2m in the movement on the net Surplus/(Deficit) on Provision of Services compared to 2019/20 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 2021 and the level of reserves, split into usable and unusable.

	2019/20		2020/21	
	Entity £m	Group £m	Entity £m	Group £m
Long Term Assets	6,261.7	6,265.2	6,607.0	6,595.0
Current Assets	693.7	687.3	676.2	675.2
Current Liabilities	(963.0)	(951.3)	(1,098.1)	(1,091.7)
Long Term Liabilities	(6,003.2)	(6,063.9)	(6,592.0)	(6,756.2)
<b>Net Assets/(Liabilities)</b>	<b>(10.8)</b>	<b>(62.7)</b>	<b>(406.9)</b>	<b>(577.7)</b>
Represented by:				
Usable Reserves	1,057.1	989.2	1,446.9	1,412.4
Unusable Reserves	(1,067.9)	(1,051.9)	(1,853.8)	(1,990.1)
<b>Total Reserves</b>	<b>(10.8)</b>	<b>(62.7)</b>	<b>(406.9)</b>	<b>(577.7)</b>

The net Group liability has increased to £577.7m in 2020/21 from £62.7m in 2019/20, a movement of £515.0m. This is mainly due to an increase in the pension liabilities in the Council's Accounts, Acivico Ltd Accounts and Birmingham Children's Trust Community Interest Company Accounts. Further details on this can be found in Note 20 of the Entity Accounts and Note G19 of the Group Accounts.

The difference in the level of usable reserves attributable to Group entities has increased from £989.2m in 2019/20 to £1,412.4m in 2020/21, a movement of £423.2m. 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.





## 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
<b>Balance at 1 April 2019</b>	<b>560.1</b>	<b>5.4</b>	<b>240.3</b>	<b>24.9</b>	<b>106.7</b>	<b>937.4</b>	<b>(1,207.9)</b>	<b>(270.5)</b>	<b>(76.5)</b>	<b>(347.0)</b>
<b>Movement in Reserves during 2019/20</b>										
Surplus/(Deficit) on the provision of services	243.7	42.3				286.0		286.0	(215.18)	70.2
Other Comprehensive Income and Expenditure						-	176.3	176.3	37.8	214.1
<b>Total Comprehensive Income and Expenditure</b>	<b>243.7</b>	<b>42.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>286.0</b>	<b>176.3</b>	<b>462.3</b>	<b>(178.0)</b>	<b>284.3</b>
Adjustments between Group Accounts and Council Accounts	(202.6)					(202.6)		(202.6)	202.6	-
Changes in Group Reserves accounted for through equity (G22)									-	-
<b>Net Increase/(Decrease) before Transfers</b>	<b>41.1</b>	<b>42.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83.4</b>	<b>176.3</b>	<b>259.7</b>	<b>24.6</b>	<b>284.3</b>
Adjustments between accounting basis and funding basis under regulations (Note 16)	55.6	(37.7)	(17.0)	(0.5)	35.9	36.3	(36.3)	-		-
<b>Increase/(Decrease) in 2019/20</b>	<b>96.7</b>	<b>4.6</b>	<b>(17.0)</b>	<b>(0.5)</b>	<b>35.9</b>	<b>119.7</b>	<b>140.0</b>	<b>259.7</b>	<b>24.6</b>	<b>284.3</b>
<b>Balance at 31 March 2020</b>	<b>656.8</b>	<b>10.0</b>	<b>223.3</b>	<b>24.4</b>	<b>142.6</b>	<b>1,057.1</b>	<b>(1,067.9)</b>	<b>(10.8)</b>	<b>(51.9)</b>	<b>(62.7)</b>
<b>Movement in Reserves during 2020/21</b>										
Surplus/(Deficit) on the provision of services	320.5	48.8				369.3		369.3	(256.0)	113.3
Other Comprehensive Income and Expenditure						0.0	(541.9)	(541.9)	(86.4)	(628.3)
<b>Total Comprehensive Income and Expenditure</b>	<b>320.5</b>	<b>48.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>369.3</b>	<b>(541.9)</b>	<b>(172.6)</b>	<b>(342.4)</b>	<b>(515.0)</b>
Adjustments between Group Accounts and Council Accounts	(223.5)					(223.5)		(223.5)	223.5	-
Changes in Group Reserves accounted for through equity (G22)										0.0
<b>Net Increase/(Decrease) before Transfers</b>	<b>97.0</b>	<b>48.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>145.8</b>	<b>(541.9)</b>	<b>(396.1)</b>	<b>(118.9)</b>	<b>(515.0)</b>
Adjustments between accounting basis and funding basis under regulations (Note 16)	308.5	(44.5)	30.1	0.0	(50.2)	243.9	(243.9)	-		-
<b>Increase/(Decrease) in 2020/21</b>	<b>405.5</b>	<b>4.3</b>	<b>30.1</b>	<b>0.0</b>	<b>(50.2)</b>	<b>389.7</b>	<b>(785.8)</b>	<b>(396.1)</b>	<b>(118.9)</b>	<b>(515.0)</b>
<b>Balance at 31 March 2021</b>	<b>1,062.3</b>	<b>14.3</b>	<b>253.4</b>	<b>24.4</b>	<b>92.4</b>	<b>1,446.8</b>	<b>(1,853.8)</b>	<b>(406.9)</b>	<b>(170.8)</b>	<b>(577.8)</b>

## 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 2020		Note	31 March 2021
£m			£m
5,841.5	Property, Plant and Equipment	G5	6,202.6
249.9	Heritage Assets		249.9
45.4	Investment Properties	G6	36.9
12.7	Intangible Assets		9.3
3.2	Long Term Investments		5.9
90.3	Long Term Debtors		82.8
22.2	Investments in Associates and Joint Ventures	G22	7.6
<b>6,265.2</b>	<b>Total Long Term Assets</b>		<b>6,595.0</b>
228.3	Short Term Investments		172.3
16.7	Assets Held for Sale		46.9
1.8	Inventories		1.9
376.6	Short Term Debtors	G8	397.9
63.9	Cash and Cash Equivalents		56.2
<b>687.3</b>	<b>Total Current Assets</b>		<b>675.2</b>
(1.7)	Cash and Cash Equivalents		-
(385.0)	Short Term Borrowing		(458.5)
(392.4)	Short Term Creditors	G9	(457.1)
(172.2)	Provisions		(176.1)
<b>(951.3)</b>	<b>Total Current Liabilities</b>		<b>(1,091.7)</b>
(73.7)	Long Term Creditors		(73.6)
(13.8)	Provisions		(5.4)
(2,878.8)	Long Term Borrowing		(2,902.1)
(427.9)	Other Long-Term Liabilities		(409.1)
(2,669.7)	Net Liability on Defined Benefit Pension Scheme	G19	(3,366.0)
<b>(6,063.9)</b>	<b>Total Long-Term Liabilities</b>		<b>(6,756.2)</b>
<b>(62.7)</b>	<b>Net Assets/(Liabilities)</b>		<b>(577.7)</b>
989.2	Usable Reserves	G10	1,412.4
(1,051.9)	Unusable Reserves	G11	(1,990.1)
<b>(62.7)</b>	<b>Total Reserves</b>		<b>(577.7)</b>

## Group Cash Flow Statement

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

2019/20		Note	2020/21
£m			£m
70.2	Net Surplus/(Deficit) on Continuing Operations		113.3
<b>70.2</b>	<b>Net Surplus/(Deficit) on the provision of services</b>		<b>113.3</b>
519.4	Adjustments to net Surplus/(Deficit) on the provision of services for non-cash movements	G15	143.3
(299.1)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	G15	(207.5)
<b>290.5</b>	<b>Net cash flows from Operating Activities</b>		<b>49.1</b>
(421.1)	Investing Activities	G13	(258.3)
159.5	Financing Activities	G14	203.2
<b>28.9</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6.0)</b>
33.3	Cash and cash equivalents at the beginning of the reporting period		62.2
<b>62.2</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>56.2</b>

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## NOTES TO THE GROUP ACCOUNTS

### Note G1

#### Accounting Policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2020/21 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 G21 and G22. 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 G19.

#### 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 G19.

**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**

RICS has set up a forum to consider the unique events related to the global Covid pandemic and its impact on valuation assignments. The latest forum output recommends that, with adequate market evidence and property markets mostly functioning again, the material valuation uncertainty that existed in 2019/20 is less relevant in 2020/21, other than for those assets with trading potential such as hospitality venues. The valuation of these assets is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards and therefore, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

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 G19 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.

2019/20			2020/21		
Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
£m	£m	£m	£m	£m	£m
196.3	-	196.3	164.9	-	164.9
62.8	-	62.8	62.5	-	62.5
-	-	-	2.9	-	2.9
21.5	-	21.5	23.2	-	23.2
4.4	-	4.4	1.9	-	1.9
-	-	-	-	(2.2)	(2.2)
-	(28.3)	(28.3)	-	(17.9)	(17.9)
-	(0.5)	(0.5)	8.3	-	8.3
28.6	(31.0)	(2.4)	20.0	(20.8)	(0.8)
-	(5.5)	(5.5)	0.0	(0.9)	(0.9)
<b>313.6</b>	<b>(65.3)</b>	<b>248.3</b>	<b>283.7</b>	<b>(41.8)</b>	<b>241.9</b>

## Note G5

### Property, Plant and Equipment

Details of the Group Property, Plant and Equipment are set out below.

#### Movement in Balances 2020/21

	Council Dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	Service Concession Assets included in Property, Plant & Equipment £m
<b>Cost or Valuation</b>									
<b>At 1 April 2020</b>	<b>2,458.1</b>	<b>2,339.3</b>	<b>131.9</b>	<b>695.8</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>6,133.8</b>	<b>814.9</b>
Additions	102.1	29.3	11.9	21.1	0.8	0.2	247.3	412.6	44.2
Assets reclassified between categories	6.9	3.0	1.4	21.7	0.7	(0.0)	(33.7)	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23.9	71.4	-	-	-	5.2	-	100.5	1.9
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(11.0)	-	-	-	0.2	-	(10.9)	(0.3)
Derecognition - Disposals	(22.9)	(39.9)	(16.6)	(3.3)	-	(3.4)	-	(86.1)	(4.3)
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(2.7)	-	-	-	(40.6)	-	(43.3)	-
Other movements in Cost or Valuation	-	0.7	-	-	-	(0.7)	-	-	-
<b>At 31 March 2021</b>	<b>2,568.0</b>	<b>2,390.0</b>	<b>128.5</b>	<b>735.4</b>	<b>80.8</b>	<b>131.7</b>	<b>472.1</b>	<b>6,506.5</b>	<b>856.4</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2020</b>	<b>-</b>	<b>(25.5)</b>	<b>(52.1)</b>	<b>(214.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(292.3)</b>	<b>(215.3)</b>
Depreciation charge	(53.3)	(49.7)	(14.2)	(26.3)	-	(0.8)	-	(144.3)	(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	-	14.6	-	-	-	-	-	14.7	0.2
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	3.8
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	(1.3)	-	-	-	-	(1.3)	-
Derecognition - Disposals	0.4	1.2	16.2	3.3	-	-	-	21.2	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified to/(from) Held for Sale	-	-	-	-	-	0.3	-	0.3	-
Other movements in Depreciation and Impairment	-	(0.2)	-	-	-	0.2	-	-	-
<b>At 31 March 2021</b>	<b>-</b>	<b>(14.9)</b>	<b>(51.3)</b>	<b>(237.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(304.0)</b>	<b>(237.9)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>2,568.0</b>	<b>2,375.1</b>	<b>77.2</b>	<b>497.6</b>	<b>80.8</b>	<b>131.7</b>	<b>472.1</b>	<b>6,202.6</b>	<b>618.5</b>
<b>At 31 March 2020</b>	<b>2,458.1</b>	<b>2,313.8</b>	<b>79.8</b>	<b>481.1</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>5,841.5</b>	<b>599.6</b>



Movement in Balances 2019/20

	Council Dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	Service Concession Assets included in Property, Plant & Equipment £m
<b>Cost or Valuation</b>									
<b>At 1 April 2019</b>	<b>2,445.0</b>	<b>2,386.7</b>	<b>165.6</b>	<b>660.9</b>	<b>63.4</b>	<b>172.7</b>	<b>200.0</b>	<b>6,094.3</b>	<b>843.7</b>
Additions	102.1	78.7	10.4	14.1	4.0	0.8	136.8	346.9	36.4
Assets reclassified between categories	8.3	17.8	0.1	20.8	11.9	16.5	(78.2)	(2.8)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(61.4)	32.1	(6.4)	-	-	(23.8)	-	(59.5)	(2.7)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(47.4)	(16.0)	-	-	(0.7)	-	(64.1)	(61.9)
Derecognition - Disposals	(35.9)	(125.4)	(21.8)	-	-	-	-	(183.1)	(0.6)
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(3.2)	-	-	-	5.3	-	2.1	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>2,458.1</b>	<b>2,339.3</b>	<b>131.9</b>	<b>695.8</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>6,133.8</b>	<b>814.9</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2019</b>	<b>-</b>	<b>(28.9)</b>	<b>(71.3)</b>	<b>(189.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(289.6)</b>	<b>(201.6)</b>
Depreciation charge	(53.8)	(53.3)	(15.3)	(25.3)	-	(0.4)	-	(148.1)	(31.7)
Depreciation written out to the Revaluation Reserve	53.1	39.1	3.4	-	-	2.4	-	98.0	3.1
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	12.1	8.6	-	-	0.4	-	21.1	0.2
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	0.7	2.6	22.5	-	-	-	-	25.8	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified to/(from) Held for Sale	-	0.7	-	-	-	(0.2)	-	0.5	-
Other movements in Depreciation and Impairment	-	2.2	-	-	-	(2.2)	-	-	14.6
<b>At 31 March 2020</b>	<b>-</b>	<b>(25.5)</b>	<b>(52.1)</b>	<b>(214.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(292.3)</b>	<b>(215.3)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>2,458.1</b>	<b>2,313.8</b>	<b>79.8</b>	<b>481.1</b>	<b>79.3</b>	<b>170.8</b>	<b>258.6</b>	<b>5,841.5</b>	<b>599.6</b>
<b>At 31 March 2019</b>	<b>2,445.0</b>	<b>2,357.8</b>	<b>94.3</b>	<b>471.5</b>	<b>63.4</b>	<b>172.7</b>	<b>200.0</b>	<b>5,804.7</b>	<b>693.5</b>

Further details on the Council's policies for fixed asset revaluations and depreciation are provided in Note 1 to the Council entity accounts.

## Note G6

### Investment Properties

The Council, Birmingham City Propco Limited and InReach 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.

	2019/20 £m	2020/21 £m
<b>Cost or Valuation</b>		
<b>At 1 April</b>	<b>44.6</b>	<b>45.4</b>
Assets reclassified between categories	-	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0.8	(8.5)
<b>At 31 March</b>	<b>45.4</b>	<b>36.9</b>

Recurring Fair Value Measurement	Input Level in Fair Value Hierarchy	Valuation Technique used to measure Fair Value	Fair Value 31 March 2020 £m	Fair Value 31 March 2021 £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.	37.5	31.7
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.	7.9	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, David Farrow MRICS and Annie Stanford MRICS of Savills (UK) Limited
- For Birmingham City Propco Limited, James Williamson MRICS and Ian Elliot MRICS of Avison Young (UK) Ltd

## Note G7

### 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 G8.

#### 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 G9.

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.

	Long-term	
	31 March 2020	31 March 2021
	£m	£m
<b>Creditors</b>		
NEC 7.56% Loan Stock – maturity 30 September 2027	(73.0)	(73.0)

The fair value of the loan stock is based on the Market Value as quoted by Bloomberg on 31 March 2021.

Financial Liabilities	Input level in Fair Value Hierarchy	Valuation inputs and assumptions used to measure Fair Value	31 March 2020		31 March 2021	
			Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
NEC Loan Stock	Level 1	Stock Market valuation	73.0	103.1	73.0	97.9

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 2021 between the Council entity accounts, £2,989.4m and the group accounts, £2,902.1m, 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 G8****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. In determining the level of debtors, an additional assessment has been made of the likelihood of recoverability in light of the impact of Covid on the economy. The actual level of recovery will continue to be monitored to ensure that the recovery rate is as high as practicable.

31 March 2020		31 March 2021
£m		£m
110.2	Central government bodies	131.5
29.3	Other local authorities	39.0
7.4	NHS bodies	7.9
3.5	Public corporations and trading funds	6.1
226.2	Other entities and individuals	213.4
<b>376.6</b>	<b>Total</b>	<b>397.9</b>

**Note G9****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 2020		31 March 2021
£m		£m
(83.5)	Central government bodies	(102.3)
(7.2)	Other local authorities	(10.4)
(3.5)	NHS bodies	(2.9)
(50.5)	Public corporations and trading funds	(45.3)
(247.7)	Other entities and individuals	(296.2)
<b>(392.4)</b>	<b>Total</b>	<b>(457.1)</b>

## Note G10

### Usable Reserves

Details of the Group's usable reserves are set out below.

31 March 2020		31 March 2021
£m		£m
656.8	General Fund Balances	1,062.3
10.0	Housing Revenue Account (HRA)	14.3
223.3	Capital Receipts Reserve	253.4
24.4	Major Repairs Reserve	24.4
142.6	Capital Grants Unapplied	92.4
(72.7)	Company Profit & Loss	(39.2)
4.8	Merger Reserve	4.8
<b>989.2</b>	<b>Total</b>	<b>1,412.4</b>

Details of General Fund Balances are set out in Note 17 of the entity accounts.

## Note G11

### 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 2020		31 March 2021
£m		£m
1,965.3	Revaluation Reserve	2,101.4
(220.0)	Capital Adjustment Account	(38.7)
(64.3)	Financial Instruments Adjustment Account	(64.7)
42.4	Deferred Capital Receipts	25.0
(2,591.3)	Pensions Reserve	(3,602.5)
(14.6)	Collection Fund Adjustment Account	(262.1)
(153.2)	Equal Pay Back Pay Account	(150.4)
(16.8)	Accumulated Absences Account	(19.6)
0.6	Called up Share Capital	0.6
<b>(1,051.9)</b>	<b>Total</b>	<b>(2,011.0)</b>

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.

2019/20		2020/21
£m		£m
<b>2,004.3</b>	<b>Balance at 1 April</b>	<b>1,965.3</b>
	<b>Revaluations not posted to (Surplus)/Deficit on the Provision of Services</b>	
359.7	Council: Upward revaluation of assets	382.1
(321.0)	Council: Downward revaluation of assets	(183.8)
<b>38.7</b>	<b>Council: Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services</b>	<b>198.3</b>
	<b>Amounts written off to the Capital Adjustment Account</b>	
(36.4)	Council: Difference between fair value depreciation and historical cost depreciation	(32.4)
(43.6)	Council: Accumulated gains on assets sold or scrapped	(29.4)
<b>(80.0)</b>	<b>Council: Amount written off to the Capital Adjustment Account</b>	<b>(61.8)</b>
	<b>Group Movements</b>	
2.3	Other movements in reserve in Group entities	(0.4)
<b>2.3</b>	<b>Total Group Movements</b>	<b>(0.4)</b>
<b>1,965.3</b>	<b>Balance at 31 March</b>	<b>2,101.4</b>

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 Financial Statements, reducing the carrying value of assets, would need to be reversed prior to elimination. Details of the impacts are detailed below.

### Capital Adjustment Account

31 March 2020		31 March 2021
£m		£m
<b>(223.1)</b>	<b>Carrying Value in Council Financial Statements</b>	<b>(41.8)</b>
3.1	Reversal of downward revaluation of equity	3.1
<b>(220.0)</b>	<b>Revised Value in Group Financial Statements</b>	<b>(38.7)</b>

### Financial Instruments Adjustment Account

31 March 2020		31 March 2021
£m		£m
<b>(67.0)</b>	<b>Carrying Value in Council Financial Statements</b>	<b>(66.9)</b>
2.7	Reversal of impact of 'soft' loan given to group entity	2.2
<b>(64.3)</b>	<b>Revised Value in Group Financial Statements</b>	<b>(64.7)</b>

### Note G12

#### Cash Flow Statement - Operating Activities

The cash flows from operating activities include the items set out below.

2019/20		2020/21
£m		£m
(28.3)	Interest Received	(17.9)
196.3	Interest Paid	164.9
(5.5)	Dividends Received	(0.9)

**Note G13****Cash Flow Statement - Investing Activities**

The cash flows from investing activities are set out below.

2019/20		2020/21
£m		£m
(334.8)	Purchase of property, plant and equipment, investment property and intangible assets	(391.0)
(2,081.1)	Purchase of short-term and long-term investments	(5,250.6)
71.8	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	80.7
1,923.0	Proceeds from short-term and long-term investments	5,302.6
<b>(421.1)</b>	<b>Net cash flows from investing activities</b>	<b>(258.3)</b>

**Note G14****Cash Flow Statement - Financing Activities**

The cash flows from financing activities are set out below.

2019/20		2020/21
£m		£m
225.9	Other receipts from financing activities	120.4
1,627.7	Cash Receipts from short-term and long-term borrowing	1,147.1
(23.0)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(31.3)
(1,672.6)	Repayments of short-term and long-term borrowing	(1,039.6)
1.5	Other payments for financing activities	6.6
<b>159.5</b>	<b>Net cash flows from financing activities</b>	<b>203.2</b>



**Note G15****Cash Flow Statement – Other Adjustments**

The cash flow adjustments to the net surplus/deficit on the provision of services are set out below.

2019/20		2020/21
£m		£m
148.2	Depreciation/Impairment charge	146.8
4.5	Amortisation of Intangible Assets	2.9
157.6	Derecognition of Non-Current Assets	77.2
0.8	(Increase)/Decrease in Investments	-
7.6	(Increase)/Decrease in Associate & Joint Venture	14.6
36.1	Revaluation of Non-Current Assets	4.2
(6.7)	(Increase)/Decrease in Assets Held for Sale	(0.5)
(45.3)	(Increase)/Decrease in Debtors	(22.4)
54.5	Increase/(Decrease) in Creditors	55.4
(0.4)	(Increase)/Decrease in Inventories	(0.2)
(27.3)	Increase/(Decrease) in Provisions	(4.5)
191.7	Pensions Liability	(129.3)
(1.9)	Other Non-Cash Movements	(0.9)
<b>519.4</b>		<b>143.3</b>

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

2019/20		2020/21
£m		£m
(225.9)	Capital Grants	(120.4)
(71.8)	Capital Receipts	(80.7)
(1.4)	Council Tax and Business Rates Adjustments	(6.5)
<b>(299.1)</b>		<b>(207.5)</b>

**Note G16****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.

2019/20		2020/21
£m	Expenditure	£m
975.9	Employee Benefits Expenses	1,019.1
1,739.5	Other Service Expenses	2117.6
194.5	Depreciation, Amortisation and Impairment	145.2
259.4	Interest Payments	238.6
22.9	Movement in the valuation of financial assets	24.6
49.9	Precepts and Levies	49.8
6.2	Payments to Housing Capital Receipts Pool	6.4
85.3	Loss on Disposal of Non-Current Assets	16.0
<b>3,333.6</b>	<b>Total Expenditure</b>	<b>3,617.3</b>
	Income	
(579.6)	Fees, Charges and Other Services Income	(507.7)
(793.3)	Income from Council Tax and Business Rates	(821.3)
(1,996.7)	Government Grants and Contributions	(2,394.5)
-	Movement in Value of Financial Assets	(2.2)
(34.3)	Interest and Investment Income	(18.8)
<b>(3,403.9)</b>	<b>Total Income</b>	<b>(3,744.5)</b>
<b>(70.3)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(127.2)</b>

**Note G17****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 of group entities are detailed in the relevant Notes G21 and G22 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 G18 Leases

### Group as the lessee

Details of the Council's finance and operating leases are included in Note 40 to the Council entity accounts.

### Group as the lessor

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 41 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

#### Finance leases

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 2020 £m		31 March 2021 £m
	Finance lease debtor (net present value of minimum lease payments):	
0.1	- Current	0.1
20.1	- Non-current	19.9
45.1	Unearned finance income	44.1
<b>65.3</b>	<b>Gross investment in the lease</b>	<b>64.1</b>

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 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
Not later than one year	0.1	0.1	1.1	1.1
Later than one year and not later than five years	0.2	0.2	4.1	4.0
Later than five years	19.8	19.7	60.1	59.0
<b>Total</b>	<b>20.1</b>	<b>20.0</b>	<b>65.3</b>	<b>64.1</b>

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 2020		31 March 2021
£m		£m
0.4	Not later than one year	0.4
1.7	Later than one year and not later than five years	1.7
25.9	Later than five years	25.2
<b>28.0</b>	<b>Gross investment in the lease</b>	<b>27.3</b>

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 G19****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.

	2019/20	2020/21
	£m	£m
Present value of funded defined benefit obligations	(70.8)	(89.7)
Fair value of plan assets	71.9	83.6
Adjustment for pension surplus in Acivico (Building Consultancy)	(1.7)	0.5
<b>Net (Liability)/Asset</b>	<b>(0.6)</b>	<b>(5.6)</b>

## Movements in the present value of defined benefit obligation:

	2019/20 £m	2020/21 £m
Balance at beginning of period	89.4	70.8
Current service cost	1.3	1.3
Interest cost	1.9	1.6
Actuarial (gains)/losses	(11.5)	17.2
Contributions by members	0.3	0.2
Liabilities Extinguished on Settlement	(9.9)	-
Past Service cost including Curtailments	1.0	-
Benefits paid	(1.7)	(1.9)
<b>31 March</b>	<b>70.8</b>	<b>89.2</b>

## Movements in the fair value of plan assets:

	2019/20 £m	2020/21 £m
Balance at beginning of period	79.3	71.9
Interest on assets	1.8	1.7
Actuarial (losses)/gains	(2.7)	12.0
Settlements	(6.2)	-
Contributions	1.5	0.4
Benefits paid	(1.7)	(1.9)
<b>31 March</b>	<b>71.9</b>	<b>84.1</b>

## Expense recognised in the profit and loss account:

	2019/20 £m	2020/21 £m
<b>Operating Costs:</b>		
Current Service Cost	(1.4)	(1.2)
Included in Operating Cost	(1.4)	(1.2)
<b>Financing Costs:</b>		
Interest cost on pension scheme liabilities	1.9	-
Interest income on plan assets	(1.8)	-
Net interest cost	0.1	-
<b>Total income statement expense/(income)</b>	<b>(1.3)</b>	<b>(1.2)</b>

Other Comprehensive Income

The amounts recognised in Acivico's Other Comprehensive Income and consolidated into the Group Consolidated Other Comprehensive Income are as follows:

	2019/20 £m	2020/21 £m
Actuarial (gain)/loss on liabilities	(11.5)	17.2
Actuarial (gain)/loss on plan assets	2.7	12.0
<b>Remeasurement (gain)/loss recognised during the period</b>	<b>(8.8)</b>	<b>29.2</b>

The fair value of the plan assets and the return on those assets were as follows:

	2019/20		2020/21	
	Fair Value		Fair Value	
	£m	%	£m	%
Equities	42.4	59	49.5	59
Government Bonds	7.1	10	8.4	10
Other Bonds	2.8	4	3.3	4
Property	5.7	8	6.1	7
Cash/Liquidity	3.7	5	5.0	6
Other	10.2	14	11.8	14
<b>Total</b>	<b>71.9</b>	<b>100</b>	<b>84.1</b>	<b>100</b>

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2019/20	2020/21
	%	%
Discount rate	2.35	2.0
Future salary increases	2.9	3.8
Future pension increases	1.9	2.8
CPI increases	1.9	1.9

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below.

The life expectancy for members as at the Balance Sheet date:

	31 March 2020	31 March 2021
Male: member aged 65 (current life expectancy)	21.9	21.6
Female: member aged 65 (current life expectancy)	24.1	23.4
Male: member aged 45 (life expectancy at age 65)	23.8	23.9
Female: member aged 45 (life expectancy at age 65)	26.0	25.8

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	0.1
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.

	2019/20 £m	2020/21 £m
Present value of funded defined benefit obligations	(252.2)	(375.8)
Fair value of plan assets	179.6	224.1
<b>Net (Liability)/Asset</b>	<b>(72.6)</b>	<b>(151.7)</b>

## Movements in the present value of defined benefit obligation:

	2019/20 £m	2020/21 £m
Balance at beginning of period	258.7	252.2
Current service cost	21.3	17.3
Interest cost	6.5	5.9
Past Service Cost	4.3	-
Change in financial assumptions	(37.0)	105.1
Change in demographic assumptions	7.0	(3.2)
Contributions by scheme members	3.4	3.4
Experience/(gain) on defined benefit obligation	(10.9)	(2.0)
Benefits paid	(1.1)	(2.9)
<b>31 March</b>	<b>252.2</b>	<b>375.8</b>

## Movements in the fair value of plan assets:

	2019/20 £m	2020/21 £m
Balance at beginning of period	182.4	179.6
Return on assets (less interest)	(13.1)	31.1
Other actuarial losses	(8.3)	-
Interest on assets	4.6	4.3
Administrative expenses	(0.1)	(0.1)
Settlement prices received/(paid)	11.8	-
Contributions paid by employer	-	8.7
Contributions by scheme members	3.4	3.4
Benefits paid	(1.1)	(2.9)
<b>31 March</b>	<b>179.6</b>	<b>224.1</b>

Expense recognised in the profit and loss account:

	2019/20 £m	2020/21 £m
<b>Operating Costs:</b>		
Current Service Cost	9.5	17.3
Administrative Expenses	0.1	0.1
Included in Operating Cost	9.6	17.4
<b>Financing Costs:</b>		
Interest cost on pension scheme liabilities	6.5	5.9
Interest income on plan assets	(4.6)	(4.3)
Net interest cost	1.9	1.6
<b>Total Income Statement expense</b>	<b>11.5</b>	<b>19.0</b>

#### 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:

	2019/20 £m	2020/21 £m
Return on plan assets in excess of interest income	(13.1)	31.1
Actuarial gain/(loss) on liabilities due to changes in financial assumptions	37.0	(105.1)
Actuarial gain/(loss) on liabilities due to changes in demographic assumptions	(7.0)	3.2
Other actuarial losses on assets	(8.3)	-
Experience gain on defined benefit obligation	10.9	2.0
<b>Remeasurement gain/(loss) recognised during the period</b>	<b>19.4</b>	<b>(68.8)</b>

The fair value of the plan assets and the return on those assets are as follows:

	2019/20 Fair Value		2020/21 Fair Value	
	£m	%	£m	%
Equities	102.2	57	132.0	59
Gilts	20.9	12	22.3	10
Other Bonds	7.5	4	8.6	4
Property	16.0	9	16.2	7
Cash/Liquidity	6.4	4	13.4	6
Other	26.6	14	31.6	14
<b>Total</b>	<b>179.6</b>	<b>100</b>	<b>224.1</b>	<b>100</b>



Principal actuarial assumptions (expressed as weighted averages) at the year-end are as follows:

	2019/20	2020/21
	%	%
Discount rate	2.35	2.05
Future salary increases	2.8	3.85
Future pension increases	1.8	2.85
CPI increases	1.8	2.85

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below.

The life expectancy for members as at the Balance Sheet date:

	31 March 2020	31 March 2021
Male: member aged 65 (current life expectancy)	21.9	21.6
Female: member aged 65 (current life expectancy)	24.1	23.9
Male: member aged 45 (life expectancy at age 65)	23.8	23.4
Female: member aged 45 (life expectancy at age 65)	26.0	25.8

The valuation of the defined benefit obligation and the impact on current service cost are sensitive to a number of factors. Details of the impact of changes to relevant factors are set out below.

	Defined Benefit Obligation	Impact of Change Current Service Cost
	£m	£m
An increase in the discount rate of 0.1%	(9.3)	(0.9)
An increase in long term salary estimate of 0.1%	1.6	-
An increase in the rate of pension increases of 0.1%	7.9	0.9
An increase in anticipated life expectancy of 1 year	15.0	1.2

**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 2019/20 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 2020	31 March 2021
	£m	£m
Present value of funded obligations	(194.0)	(221.6)
Fair value of plan assets	190.7	200.0
Deficit for funded plans	(3.3)	(21.6)
Unrecognised asset due to the asset ceiling	-	-
<b>Retirement Benefit Obligation</b>	<b>(3.3)</b>	<b>(21.6)</b>

Income Statement

The amounts recognised in PETPS' Income Statement and consolidated into the Group Consolidated Income and Expenditure Statement are as follows:

	2019/20 £m	2020/21 £m
<b>Operating Costs:</b>		
Administration Expenses	0.9	0.6
Past Service Cost	-	-
Included in Operating Cost	0.9	0.6
<b>Financing Costs:</b>		
Interest cost on pension scheme liabilities	4.9	4.2
Interest income on plan assets	(4.6)	(4.2)
Net interest cost	0.3	0.0
<b>Total income statement expense</b>	<b>1.2</b>	<b>0.6</b>

Other Comprehensive Income

The amounts recognised in PETPS' Other Comprehensive Income and consolidated into the Group Consolidated Other Comprehensive Income are as follows.

	2019/20 £m	2020/21 £m
Return on plan assets in excess of interest income	(1.7)	9.5
Actuarial gain/(loss) on liabilities due to changes in financial assumptions	9.5	(30.7)
Actuarial gain/(loss) on liabilities due to changes in demographic assumptions	(3.0)	0.3
Actuarial gain/(loss) on liabilities due to experience	5.6	0.1
<b>Remeasurement gain/(loss) recognised during the period</b>	<b>10.4</b>	<b>(20.8)</b>

Reconciliation of Liabilities and Assets

Movements in the retirement benefit obligations are as follows:

	2019/20 £m	2020/21 £m
Beginning of Period	(206.8)	(194.0)
Past Service Cost	-	-
Interest Cost	(4.9)	(4.2)
Actuarial gain/(loss) on liabilities due to changes in financial assumptions	9.5	(30.7)
Actuarial gain/(loss) on liabilities due to changes in demographic assumptions	(3.0)	0.3
Actuarial gain/(loss) on liabilities due to experience	5.6	0.1
Benefits Paid	5.6	6.9
<b>Present value of obligation at 31 March</b>	<b>(194.0)</b>	<b>(221.6)</b>

Movements in the fair value of plan assets are as follows:

	2019/20 £m	2020/21 £m
Beginning of Period	190.2	190.7
Interest income on plan assets	4.5	4.2
Return on plan assets in excess of interest income	(1.7)	9.4
Contributions by employer	4.2	3.2
Administration expenses paid	(0.9)	(0.6)
Benefits paid	(5.6)	(6.9)
<b>Fair value of plan assets at 31 March</b>	<b>190.7</b>	<b>200.0</b>

Plan Assets

The major categories of plan assets are as follows:

	31 March 2020		31 March 2021	
	£m	%	£m	%
Equities, GTAA and Hedge Funds	70.2	37	65.7	33
Bonds and Cash	96.9	51	111.1	55
Property	17.2	9	17.1	9
Gilts	6.4	3	6.1	3
	<b>190.7</b>	<b>100</b>	<b>200.0</b>	<b>100</b>

Assumptions

The principal assumptions made by the actuary were:

	31 March 2020 %	31 March 2021 %
Discount rate – Fund/Scheme	2.20/2.25	2.00/1.95
RPI Inflation rate	2.55/2.70	3.25/3.40
CPI Inflation rate	1.85/1.90	2.80/2.85
Future Pension increases		
- pension accrued prior to 5 April 2005	2.55/2.70	3.15/3.30
- pension accrued after 5 April 2005	1.95/2.05	2.20/2.25

The base mortality assumptions for the Fund and the Scheme are based on the SAPS tables (S3 series) (2020: SAPS tables (S3 series)). Future improvements are based on the CMI 2020 projection (2020: CMI 2019 projection) with a long-term rate of improvement of 1.25% p.a. (2020: 1.25% p.a.).

The life expectancy for members as at the Balance Sheet date:

	31 March 2020 Years		31 March 2021 Years	
	Fund	Scheme	Fund	Scheme
Male: member aged 65 (current life expectancy)	22.0	23.4	22.0	23.4
Female: member aged 65 (current life expectancy)	25.1	26.3	25.2	26.4
Male: member aged 45 (life expectancy at age 65)	22.8	24.7	22.7	24.7
Female: member aged 45 (life expectancy at age 65)	26.5	27.7	26.5	27.8

Sensitivity Analysis

An increase of 0.25% in the discount rate would decrease the retirement benefit obligations by £9.9m

An increase of 0.25% in the inflation rate would increase the retirement benefit obligations by £8.6m

An increase of one year to life expectancy would increase the retirement benefit obligations by £10.0m

The duration of the NEC Limited Pension liabilities is around 22 years, and the duration of the NEC Executive Pension Scheme liabilities is around 14 years.

Expected Contributions for 2021/22

The contribution schedule in force sets out contributions of £2.5m that will be paid into the Fund in the 2021/22 financial year. The contribution into the Fund will be paid from the Asset Backed Funding arrangement that was put in place in 2017. No contributions are expected to be paid to the Scheme in the 2021/22 financial year.

**Note G20****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.

	£m 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
<u>2019/20</u>										
Provision of goods and services to subsidiaries	19.1					19.1		19.1	(19.1)	-
Purchases of goods and services from subsidiaries	(221.7)					(221.7)		(221.7)	221.7	-
<b>Total adjustments between Group accounts and Council accounts</b>	<b>(202.6)</b>	-	-	-	-	<b>(202.6)</b>	-	<b>(202.6)</b>	<b>202.6</b>	-
<u>2020/21</u>										
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	-
<b>Total adjustments between Group accounts and Council accounts</b>	<b>(223.5)</b>	-	-	-	-	<b>(223.5)</b>	-	<b>(223.5)</b>	<b>223.5</b>	-

## **Note G21**

### **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 2021, to ensure that it was able to meet its liabilities as they fell due. The Council also purchased £1.5m of shares in Acivico during 2020/21.

The year-end of the company is 31 March and for the purposes of consolidation the accounts for the period to 31 March 2021 have been used, as amended for alignment of accounting policies and the guarantee given by the Council.

	2019/20	2020/21
	£m	£m
Total Comprehensive Income for the Year	6.4	(4.8)
Net Assets/(Liabilities) at the year-end	(1.3)	(9.5)

There was no qualification to the audit opinion on the last audited accounts of the group. 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 2020/21, as amended for alignment of accounting policies. Details of the outturn, before elimination of intra-group transactions, are set out below.

	2019/20 £m	2020/21 £m
<b>Comprehensive Income and Expenditure</b>		
Turnover	212.4	213.5
Operating Expenses	(223.4)	(228.3)
<b>Operating Profit/(Loss)</b>	<b>(11.0)</b>	<b>(14.8)</b>
Interest Receivable	0.2	-
Interest Payable	(1.9)	(1.8)
<b>Profit/(Loss) for the Year</b>	<b>(12.7)</b>	<b>(16.6)</b>
Other Comprehensive Income		
Actuarial Gain/(Loss) on defined benefit scheme	19.4	(60.1)
<b>Total Comprehensive Income for the Year</b>	<b>6.7</b>	<b>(76.7)</b>
<b>Balance Sheet</b>		
Intangible Asset	5.3	4.6
<b>Total Non-Current Assets</b>	<b>5.3</b>	<b>4.6</b>
Debtors	13.7	6.4
Short Term Investments	21.5	32.0
Cash and Cash Equivalents	-	(0.8)
<b>Total Current Assets</b>	<b>35.2</b>	<b>37.6</b>
Cash Overdrawn	(1.0)	-
Creditors due within one year	(20.5)	(20.9)
<b>Total Current Liabilities</b>	<b>(21.5)</b>	<b>(20.9)</b>
Long Term Borrowing	(10.0)	(10.0)
Pension Liabilities	(72.6)	(151.7)
<b>Total Long-Term Liabilities</b>	<b>(82.6)</b>	<b>(161.7)</b>
<b>Total Assets/(Liabilities)</b>	<b>(63.6)</b>	<b>(140.4)</b>
Reserves	(63.6)	(140.4)
<b>Total Reserves</b>	<b>(63.6)</b>	<b>(140.4)</b>

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.

	2019/20	2020/21
	£m	£m
Profit/(Loss) for the year	(1.0)	(1.0)
Net Assets/(Liabilities) at the year-end	6.9	6.0

The year end of the company is 31 March 2021. For the purposes of consolidation these 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.

	2019/20	2020/21
	£m	£m
Profit/(Loss) for the year	-	-
Net Assets/(Liabilities) at the year-end	-	-

The year-end of the company is 31 March 2021 and for the purposes of consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

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 2021, the level of investment in SLP that is currently assigned to the NEC Pension Fund Trustees was £4.9m (31 March 2020: £7.3m).

At 31 March 2021, there were nominal balances in PETPS Capital and PETPS General with the major transactions in SLP.

	2019/20 £m	2020/21 £m
Profit/(Loss) for the year	-	-
Net Assets/(Liabilities) at the year-end	-	-

The year-end of the company is 31 March 2021 and for the purposes of consolidation these 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.

	2019/20 £m	2020/21 £m
Operating Profit/(Loss) for the year	0.4	0.6
Change in value of Investment Property	-	(0.3)
Interest Payable	(0.7)	(0.7)
Tax	(1.8)	-
Total Comprehensive Income for the Year	(2.1)	(0.4)
Net Assets/(Liabilities) at the year-end	8.7	8.3

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 2021 have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

## 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.

	2019/20	2020/21
	£m	£m
Profit/(Loss) for the year	(2.6)	-
Net Assets/(Liabilities) at the year-end	6.4	8.1

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 2021 have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

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.

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**Note G22**  
**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 2021. For the purposes of consolidation these 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;
- Between 1 April 2019 and 5 November 2019, 4 of the 16 Directors were Council officers or councillors and from 6 November 2019 to 31 March 2021 this was amended to 3 of the 15 Directors.

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 2020		31 March 2021
£m		£m
496.7	Non-Current Assets	481.7
239.6	Current Assets	88.3
(176.7)	Current Liabilities	(50.9)
(440.8)	Non-Current Liabilities	(478.6)
<u>118.8</u>	Net Assets	<u>40.5</u>
<b>22.2</b>	<b>Council Interest in Net Assets @ 18.68%</b>	<b>7.6</b>
<b>171.1</b>	<b>Revenue</b>	<b>27.0</b>
16.4	Post-Tax Profit/(Loss)	(66.5)
24.6	Other Comprehensive Income/(Expenditure)	(12.1)
-	Adj. for difference in Balance Sheet between draft and final accounts 2019/20	0.3
<u>41.0</u>	Total Comprehensive Income/(Expenditure)	<u>(78.3)</u>
(29.1)	Less Dividends paid	-
<u>11.9</u>	<b>Change in Net Assets</b>	<u><b>(78.3)</b></u>
<b>7.7</b>	<b>Council Interest in Total Comprehensive Income/(Expenditure) @ 18.68%</b>	<b>(14.6)</b>

The carrying value of the Council's interest in this entity is £7.6m (2019/20: £22.2m), which is included within Investments in Associates and Joint Ventures in the Group Balance Sheet.

Birmingham Airport Holdings Limited at 31 March 2021 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.
- 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.
- On 16 January 2019, the company along with other group members of Birmingham Airport Holding Limited, provided a guarantees to Royal Bank of Scotland plc in support of a £25 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 16 January 2024, with an option to extend by 2 further 12 month periods. At the date of signing these financial statements, the total amount of the facility has been drawn down.
- 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 2021. This guarantee allows the subsidiary companies to take the audit exemption form 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 2020. For the purposes of consolidation these accounts have been used and supplemented by management accounts information for the nine month period to 31 March 2021. 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 2020		31 March 2021
£m		£m
20.3	Non-Current Assets	23.1
14.3	Current Assets	16.5
(5.6)	Current Liabilities	(6.0)
(41.9)	Non-Current Liabilities	(49.6)
<u>(12.9)</u>	Net Assets/(Liabilities)	<u>(16.0)</u>
<b>(6.5)</b>	<b>Council Interest in Net Liabilities @ 50%</b>	<b>(8.0)</b>
<b>19.3</b>	<b>Revenue</b>	<b>12.6</b>
(2.6)	Post-Tax Profit/(Loss)	(3.0)
-	Other Comprehensive Income/(Expenditure)	-
<u>(2.6)</u>	Total Comprehensive Income/(Expenditure)	<u>(3.0)</u>
<b>(1.3)</b>	<b>Council Interest in Total Comprehensive Income/(Expenditure) @ 50%</b>	<b>(1.5)</b>

The carrying value of the Council's interest in this entity is a net deficit of £8.0m (2019/20: £6.5m deficit), which is included within the current liabilities in the Group Balance Sheet.



## Annual Governance Statement 2020/21



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**Annual Governance Statement 2020/21****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 2020/21 and it also identifies significant changes that have arisen as a result of the Covid 19 pandemic.
- 1.5. The Covid 19 pandemic has meant that the Council has made significant changes to governance arrangements since activating its emergency plan on 18 March 2020. As a result of this, emergency Covid 19 decisions have been made in accordance with the Emergency Plan and in line with the Council's Constitution, therefore, normal reporting and decision-making rules have changed and do not apply. The Council's Emergency Plan and the Constitution adopts the Strategic / Tactical / Operational Command and Control structure, which is a nationally adopted framework by all emergency response organisations. The command and control structure ensures a joined-up approach to emergencies at various scales and provides Officers with wide delegations to make decisions at pace as the Council responds to the developing situation. The Council has been dealing with the need to continually respond to the crisis as it develops, 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. The Council has now published a log of the decisions taken during the emergency response and a Covid 19 decision log will be published as required, to reflect new decisions and information throughout the pandemic and beyond.
- 1.6. The Strategic / Tactical/ Operational Command and Control structure used as part of the emergency response to Covid, was deactivated in August 2021.

## 2 The purpose of the governance framework

- 2.1. The Council is committed to good governance and to improving governance on a continuous basis through a process of evaluation and review.
- 2.2. 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.
- 2.3. 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.
- 2.4. 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.
- 2.5. The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts, subject to changes highlighted relating to the Covid 19 pandemic.

## 3 The governance framework

- 3.1. The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

### The Council's vision and priorities for Birmingham

- 3.2. The Council has a clear vision for Birmingham, to create 'a city of growth where every child, citizen and place matters' and a set of outcomes and priorities to underpin this vision. The Council's aim is to transform and modernise services in response to changing demand from a growing population and to support this, the Council will focus resources on six clear 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.**

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- 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 sets out the work programme for full delivery by May 2022 with a continued focus on the six priority outcomes identified above. The Council will focus on understanding where the city should be over the next 10-20 years. Working in partnership with others, the Council will develop comprehensive proposals for change to maximise the opportunities to tackle inequality and address both longstanding and new challenges facing the city.
- 3.5. The Plan will also focus on specific deliverables and commitments the Council needs to achieve over the next 18 months by Portfolio Holder such as ensuring the city is ready for and benefits from the Birmingham 2022 Commonwealth Games and supporting the city to respond and then recover from the Covid 19 pandemic.
- 3.6. Longer term, three priority areas have been identified in the Plan which the Council believes are fundamental to tackling the critical challenges of creating a more equal and inclusive city whilst managing demand on Council services to a more affordable level. 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**
- 3.7. 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.
- 3.8. Alongside the Delivery Plan, the corporate priorities are supported by more detailed Directorate and Service Plans which are also regularly monitored and reviewed with a golden thread through to appraisals.
- 3.9. In response to the Covid 19 pandemic, 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 are:
- 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 council services to an appropriate level and prioritise services to maintain those which are critical to life and the protection of vulnerable groups.

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- 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.
- 3.10. 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.
- 3.11. The Council set a Financial Plan for 2020-2024 that was driven by the Delivery Plan and invested in services and set out savings plans that would deliver a balanced budget over this period. By March 2020 the impact of the Covid 19 pandemic was felt in the UK and across the world. As a result, Government and public sector financial plans have been significantly changed and the outlook remains uncertain.
- 3.12. In responding to the Covid 19 pandemic in 2020, the Council promptly put in place weekly monitoring and reporting of financial impacts and quantified financial risks, a process that the Local Government Association held up as an example to others. The Council lobbied and engaged with Government directly over the need for sufficient funding for the impact of Covid 19. Through rigorous and diligent financial management coupled with additional funding provided by the Government, the Council has achieved spend within its budget for 2020/21.
- 3.13. The Council undertook a mid-year update to its Medium Term Financial Plan at the end of September and reported findings in November to both Cabinet and Overview & Scrutiny Resources, alongside its Delivery Plan proposals. An updated Medium Term Financial Plan was incorporate into the Financial Plan 2021 – 2025 approved by Council in February 2021 alongside the presentation of the balanced budget proposals for 2021/22. To improve financial resilience the Financial Plan 2021 -2025 increased the Financial Resilience Reserve and increased General Balances to represent 4.5% of the net budget requirement.

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- 3.14. Given the significant impact the Covid 19 pandemic has had on the Council, a fundamental review of the savings programme took place during the year, supported by the monthly Star Chamber process and Directorate Management Team budget challenge sessions. The review identified that some savings had to be rephased due to changing circumstances, some had to be replaced with an alternative saving and others had to be removed from the programme since they were no longer considered to be deliverable. Through this rigorous challenge the Council has ensured deliverability of a savings programme for the future.
- 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 enterprise partnerships in conjunction with the WMCA) and the Birmingham and Solihull Sustainability and Transformation Plan (to deliver 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 has a strong public, third sector, and business engagement role. Through City Board, the Council has embarked on a city vision plan for Birmingham (2020-2035) which will bring about a change in partnership activity and the relationship with citizens, provide sector leaders with shared objectives based on the UN Sustainable Development Goals and represent a strong statement of collective leadership. The Council has a Community Cohesion Strategy and there is an established partnership toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets.
- 3.18. From 1 September 2019 the Local Enterprise Partnership (LEP) transferred its revenue operations and full executive team to 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 Greater Birmingham and Solihull Local Enterprise Partnership (LEP) and where applicable, jointly and in consultation with the West Midlands Combined Authority (WMCA). As Accountable Body and partner to the LEP, 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. LEP projects are delivered within the LEP 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.
- 3.19. 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 that it either wholly owns, or in which it has an interest or a relationship through nominees through for example, holding entity boards to account for their performance and reviewing business plans and strategies of the entities where applicable.

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- 3.20. 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. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee (CBMC).
- 3.21. The Council facilitates policy and decision-making via an Executive Structure. There were ten members of Cabinet for the 2020/21 financial year:
- The Leader with responsibilities for Strategic Policies, Structure and Governance of the Council, Financial Strategy, Communications, Policy and Partnerships, Major Projects, Commonwealth Games, Sports and Events Development, Economic Growth and Jobs and Commissioning
  - Deputy Leader with responsibilities for Business Change, Efficiency and Improvement, Revenues and Benefits, Customer Services, Emergency Planning, ICT and Legal.
- Eight other Cabinet Members have the following portfolios:
- Cabinet Member – Children's Wellbeing (changed to Cabinet Member – Vulnerable Children and Families, August 2021);
  - 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.
- 3.22. 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.
- 3.23. 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.
- 3.24. 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.
- 3.25. 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.
- 3.26. The purpose of the Audit Committee is to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance. The role of the Audit Committee includes active involvement in the review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the Annual Accounts and to review and make recommendations to the executive regarding the effectiveness of

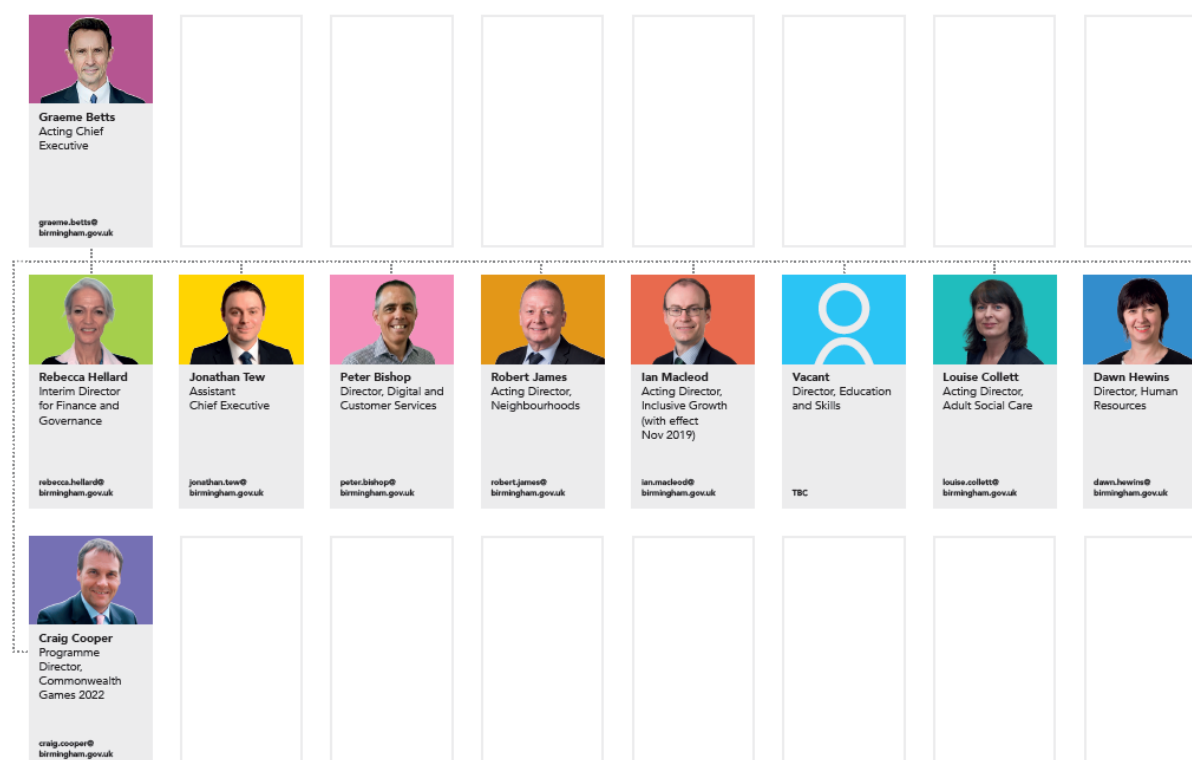
internal audit on the Council's arrangements for deterring, preventing, detecting and investigating fraud .

### Roles, Values and Standards of Conduct and Behaviour of Members and Officers

- 3.27. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice.
- 3.28. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Corporate Directors.
- 3.29. 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.

### Management Structure

- 3.30. During 2020/21, the Council operated through eight Directorates, Adult Social Care and Health, Education and Skills, Inclusive Growth, Finance and Governance, Neighbourhoods, Digital and Customer Services, Partnerships, Insight and Prevention, and Human Resources.
- 3.31. The Council's management structure as at 31 March 2021 was as per the diagram below:



3.32. In addition, the following key changes occurred:

- Chris Naylor became Interim Chief Executive 18 May 2020 to 6 March 2021.
- Graeme Betts took up the role of Acting Chief Executive prior to and after, Chris Naylor's secondment from London Borough Council of Barking & Dagenham.
- Louise Collett became Acting Director of Adult Social Care during the period Graeme Betts took up the role of Acting Chief Executive
- Jacqui Kennedy, Director of Neighbourhoods, announced her early retirement on 3 June 2020
- Craig Cooper was appointed Programme Director Commonwealth Games on 11 May 2020.
- Tim O'Neill, Director Education and Skills left the Council on 31 January 2021.
- Deborah Cadman was appointed as Interim Chief Executive from 14 June 2021.
- In line with the structure outlined in the 'Investing in our Future' Report, Rob James was appointed Managing Director City Operations and Julie Griffin appointed managing Director of City Housing in April 2021.
- Rebecca Hellard was appointed Director of Council Management on a permanent basis in September 2021.
- Jonathan Tew, Assistant Chief Executive left the Council in July 2021.
- Darren Hockaday was appointed as Interim HR Director in October 2021.

#### Financial Management Arrangements

3.33. 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 Council Management Team (CMT), 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.

3.34. In October 2019 the CIPFA Financial Management Code 2019 (FM Code) was introduced. The FM Code provides guidance for good and sustainable financial management and compliance will provide assurance that resources are being managed effectively. 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 member of the Council Management Team.

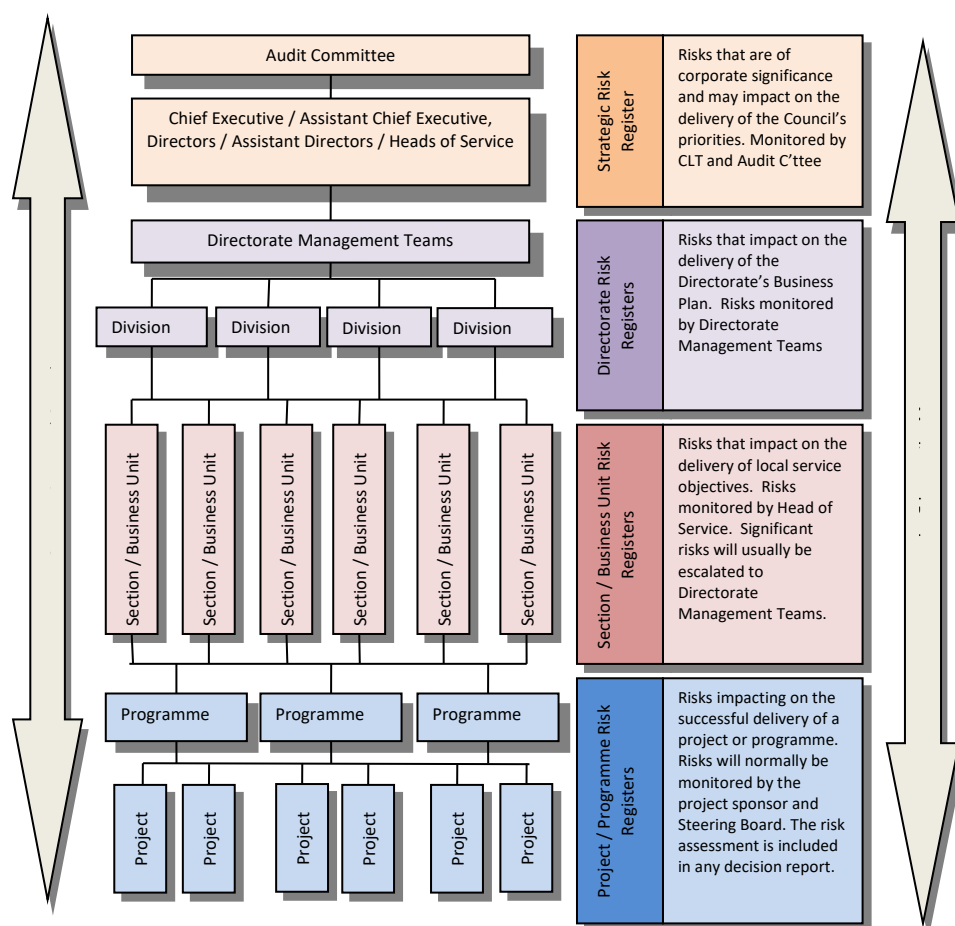
3.35. 2021/22 is the first year of compliance with the FM Code. As recommended by CIPFA, the Council has undertaken a self-assessment against the FM Code standards. The Council assessment is that its financial management, procedures and practices are generally in a good place. A position further endorsed by CIPFA's



recent Financial Management Capability Review with CIPFA commenting that “Birmingham can now demonstrate strong compliance with the Code”.

### Scrutiny, Accountability and Risk Management

- 3.36. The Overview & Scrutiny Committees cover all Cabinet Member portfolios and the Districts collectively. All Executive decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.
- 3.37. 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.
- 3.38. 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 policy, internal and external consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.
- 3.39. A Revised Risk Management Framework was reported to Audit Committee on 28 January 2020. The framework set out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels, formalising processes already in place.
- 3.40. The schematic diagram below illustrates how risk was managed during 2020/21:



- 3.41. The Council's Strategic Risk Register continues to be reviewed and updated on a regular basis. The Strategic Risk Register is reported to CLT on a monthly basis 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.
- 3.42. Independent assessments of the effectiveness of Audit Committee and of the Total Impact of Internal Audit were undertaken independently by PWC LLP in 2020. Audit Committee Members have expressed a wish to enhance their effectiveness by drawing upon wider sources of assurance; specifically, that of management and where appropriate, cabinet members and producing an annual report on the work it has undertaken. Internal Audit's Total Impact review will be supplemented by a Peer Review in 2021 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

- 3.43. In March 2019 Cabinet considered the stock-take report of the Council's improvement journey and endorsed an outline plan of improvement areas for 2019-20 whilst also agreeing to report, voluntarily, to the Secretary of State in autumn 2019 and spring 2020.
- 3.44. Cabinet endorsed the adoption of an innovative new model of "progressive assurance." This model entailed the formation of a quarterly Strategic Programme Board (SPB) and the engagement of specialist Non-Executive Advisors (NEAs) (aligned to specific risk and professional areas of focus) to support the Council Management Team for twelve months from July 2019 to July 2020. It built on analysis of assurance and improvement models across a range of different sectors and sought to embed an innovative and novel model with wider applicability and learning for Local Government.
- 3.45. Two reports to Cabinet during the 2019-20 financial year were a testament to the excellent and constructive analysis of the NEAs and the model was regarded by MHCLG and peers as a very significant step forward for the Council's improvement agenda. A final NEA report to Cabinet was considered in July 2020.
- 3.46. The 'Investing in the Future' Cabinet Report and delivery plan is guiding 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. Through the Corporate Delivery Oversight Group and the Corporate Delivery Board, there is specific oversight of major improvement and service transformation programmes.

#### External Audit

- 3.47. At Audit Committee on 25 November 2020, the external auditor issued the Audit Findings Report (AFR) on the audit of the 2019/20 financial statements based on work

completed at that date. Upon completion of the audit, a final AFR was reported to Audit Committee on 26 January 2021. The AFR included no Statutory 24 recommendations but qualified two value for money conclusions in respect of two separate singular incidents:

- the financial Implications of the Commonwealth Games and
- the contractual arrangements relating to Highways PFI scheme.

### Member Development

- 3.48. 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 21<sup>st</sup> 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.
- 3.49. 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.
- 3.50. 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.
- 3.51. During the Covid 19 pandemic and the increased requirement for more agile and online working, the main focus of the Members' Development Programme for 2020/21 has been to provide briefing/training sessions through Microsoft Teams to facilitate this. There has been encouragement of online learning opportunities and assisting in learning the skills required in participating and managing meetings remotely. Provision of information 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 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.

### Workforce

- 3.52. The Council's workforce has experienced many changes and challenges as the workforce is modernised. 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.
- 3.53. 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. The workforce adapted to working from home for all but essential front line services and the Council is now looking at new ways of working for the future.

- 3.54. During 2020/21, 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

#### Engagement with the community and other stakeholders

- 3.55. The Council has seen, during the pandemic, how effective a coordinated voluntary, community, faith and social enterprise response can be in supporting individuals and neighbourhoods cope with the challenges presented. The Council has worked closely with the sector, strengthening relationships and developing an understanding of how the Council can effectively serve communities and create greater trust.
- 3.56. The Council has started work with the sector and other partners on initiatives including the Birmingham Recovery Framework which focuses on six key recovery themes. It emphasises the need for an inclusive economic recovery built on collaborative public services, stronger community capacity and citizen resilience with a more significant focus on localised working in neighbourhoods.
- 3.57. In response to the Covid 19 pandemic, the Council adopted an on-line approach to consultation during the year. The Council Financial Plan 2021 to 2025 consultation process included an on-line meeting led by the Council's Leader with the business community.
- 3.58. The Council's Scrutiny function regularly 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.
- 3.59. Clear channels of communication are in place with service users, citizens and stakeholders although due to the Covid 19 pandemic this has been online throughout the 2020/21 financial year. The Council holds meetings in public wherever possible and safe to do so, although all meetings have been held virtually this year, 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.

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- 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.
- 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, although due to the Covid 19 pandemic there was a reprioritisation of the original plan to ensure our assurance resources were targeted at significant systems and risks.
- 4.7. The resulting work-plan, (reprioritised on a Must/Should/Could basis) 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 2020/21 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 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.*

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- 4.9. In response to the Covid 19 pandemic, the Council developed a 12 point plan to meet the needs of the city, residents and communities 2020/21 as identified in paragraph 3.9 above. New areas of activity as part of the national response to the Covid 19 pandemic included 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 has been and will continue to be, closely monitored.
- 4.11. 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 2020/21**' below.
- 4.12. 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 and against issues raised in the AGS through the Corporate Risk Register.
- 4.13. The Council's Overview and Scrutiny Committees received reports on key control issues throughout 2020/21 including the impact of Covid 19, the impact of Brexit on the City, the Commonwealth Games and Action Plans on Air Quality and Climate Emergency.
- 4.14. The Vision and Priorities Council Plan and organisational health targets were monitored through the Council Plan Measures by CLT, the Deputy Leader and Cabinet. Directorate and Business Unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.
- 4.15. The Monitoring Officer advises that there were 45 concerns raised and considered under the Council's Whistleblowing & Serious Misconduct policy in the 2020/21 financial year, a reduction of 28 in comparison to 2019/20.

## **5 Review of 2019/20 governance issues**

- 5.1. The significant 2019/20 governance issues were considered by Audit Committee in June 2020, agreed as part of the Statement of Accounts in November 2020 and reviewed as part of the Corporate Risk Register updates in the 2020/21 financial year. In addition, this Committee received reports relating to Final Accounts, Fraud, Treasury Risk Management Arrangements, Retrospective Purchase Orders and Audit Findings Report Updates.
- 5.2. The review of the impact of the Covid 19 pandemic across services featured heavily in Overview and Scrutiny schedules. Areas reviewed included the Covid 19 Governance Arrangements by Co-Ordinating Overview and Scrutiny Committee, the Covid 19 impact on Public Health by the Health and Social Care Overview and Scrutiny Committee and the impact of Covid 19 on the City's Economy and Supporting the Economic Recovery of the City by the Economy and Skills 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 and Special Educational Needs and Disability (SEND) Written Statement of Action. This O&S Committee also considered Covid 19 pandemic

issues such as SEND's response to Covid 19 and the Covid 19 Impact on Schools and Preparations to Return to Schools.

- 5.4. Housing and Neighbourhoods Overview and Scrutiny Committee reviewed progress of Fire Safety in High Rise Buildings and received the annual report on Birmingham's Community Safety Partnership. The impact of the Covid 19 pandemic was reported on areas such as Homelessness, Parks, Bereavement Services and the Commonwealth Games Village.
- 5.5. The impact of the Covid 19 pandemic on the City was regularly considered by Cabinet. Cabinet also received and reviewed Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports throughout the year.

## 6 Significant governance issues 2020/21

- 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	<p><b>Covid 19 Pandemic impact on services</b></p> <p>The Covid 19 pandemic had a massive impact on Council services, both in terms of day to day running and long-term planning.</p> <p>The impact and response were also complex - some services operated remotely, others were closed and new responsibilities such as testing and food parcels were introduced as a response to community needs.</p>	<p>Strategic Cell (Gold Command) is supported by Tactical Cell and a number of thematic cells to manage the Council's emergency response.</p> <p>New legislation enabled democratic decision-making to resume remotely, with meetings web cast on a priority basis.</p> <p>City Council received reports in June and September 2020 and February 2021, detailing the Council's response to the pandemic</p>
2	<p><b>Covid 19 Pandemic impact on Financial Resilience</b></p> <p>The pandemic created financial uncertainty throughout 2020/21 and many income streams were impacted.</p> <p>Uncertainty will extend into 2021/22.</p>	<p>Government has provided some direct funding and other supportive financial measures to lessen the impact on local government. This includes providing Birmingham with £128.5m unringfenced grant funding in 2020/21 to offset costs incurred in that year and a further £43.8m for 2021/22 which has been fully applied in setting the 2021/22 budget, approved by Council in February 2021. The, government's income compensation scheme, which compensates councils for</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
		<p>lost fees, charges and sales, introduced in 2020/21 continues to June 2021, using the 2020/21 income budgets as the baseline for the compensation. Any balance of un-ringfenced funding from 2020/21 will be transferred to reserves to manage 2021/22 Covid spend and risks.</p> <p>Weekly monitoring of the financial impact of Covid has continued in the new financial year.</p>
3	<p><b>Major Projects and Delivery Plan</b></p> <p>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.</p> <p>Several services have highlighted issues of attracting and retaining high quality staff.</p>	<p>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. The purpose of the CPMO is to support the establishment, resourcing, delivery, assurance, monitoring and reporting of programmes that will deliver the Council's Corporate Delivery Plan and wider priority programmes.</p>
4	<p><b>Homelessness</b></p> <p>The implementation of the Homelessness Reduction Act from 1 April 2018 has seen an increase in households approaching the homelessness service.</p> <p>The Council has refurbished and opened two buildings for the use of temporary accommodation. Reduced B&amp;B from a peak of 690 in May 2018 to 573 in B&amp;B on 28th January 2021.</p>	<p>Temporary accommodation and dispersed (TADs). To alleviate the pressures in B&amp;B expansion of TADs has led to delivery of 1817 units as at January 2021.</p> <p>A procurement exercise will commence throughout the summer of 2021, to ensure we have an adequate supply of temporary accommodation over the coming years, this will also give us flexibility to hand back/lease more properties as demand dictates.</p>
5	<p><b>Asset Condition and Sufficiency</b></p> <p>Many operational assets are in very poor condition following years of budget restrictions and lack of investment.</p> <p>There is an aging schools' estate with some assets that are beyond repair.</p>	<p>The Council approved a Property Strategy 2018/19 – 2023/24 to better join up decision making, realignment of assets and enable strategic development.</p> <p>Condition surveys of the maintained estate have been commissioned. The outcome will be to produce a priority list of</p>



Issue No	Governance Issue	Mitigation Action / Proposed Action
	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.	<p>schools where buildings and blocks need to be replaced completely.</p> <p>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.</p>
6	<p><b>Commonwealth Games</b></p> <p>Hosting the Commonwealth Games in 2022 brings with it significant delivery expectations (in terms of capital project management and delivery of legacy benefits) for the Council as well as significant financial commitments.</p>	The Council is alive to the delivery, financial and reputational risks associated with the Games and has active risk management and programme management arrangements in place to ensure prompt and timely resolution of issues. The Council is working closely with strategic and regional partners.
7	<p><b>Commissioning and Contract Management</b></p> <p>Intelligent Client Functions are not robust enough, leading to a number of contracts underperforming or developing risks to service provision.</p> <p>The pandemic has impacted on the Council's suppliers' capacity and the market's appetite for bidding in uncertain outlook.</p>	<p>Early identification of issues or problems, ensuring the contracts and output specifications are delivered to required standards and deliver continuous improvement – tailored to each contract as necessary.</p> <p>On-going identification of mitigating actions to reduce the level of risk.</p>
8	<p><b>Birmingham SEND Inspection –</b> Inadequate provision and Written Statement of Action required</p> <p>Joint CQC and Ofsted inspection of Birmingham SEND provision raised significant concerns requiring the CCG and Council to provide a joint response in the form of a Written Statement of Action.</p> <p>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</p>	<p>Monthly board meetings for inclusion take place with the CCG, Trust and the education and skills directorate, alongside quarterly review meetings with the DfE is closely monitoring progress and ensuring the authority is on track to make the expected progress and deliver the important improvement agenda.</p> <p>A revisit was announced by Ofsted in May 2021.</p>

Issue No	Governance Issue	Mitigation Action / Proposed Action
	<p>addressing the issues raised in the OFSTED and CQC inspection.</p> <p>The results of the May review identified that of the 13 significant weaknesses identified at the initial inspection, insufficient progress had been made on 12.</p>	<p>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 more recent Education Health and Care Plans and the work the Council is doing with mainstream and special schools.</p>

- 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  
 Interim 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.

Usable Reserves

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).

Unusable Reserves

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**