Birmingham City Council

# Draft Statement of Accounts 2023/24

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## NARRATIVE REPORT

### Organisational overview and external environment

Potential Equal Pay Liability

During the early stages of the 2023/24 financial year, refreshed analysis of the Council's potential Equal Pay liabilities identified an increased potential liability estimated to be in the region of £650m to £760m. The Council announced the results of this analysis on 28th June 2023, outlining that it would not be able to afford the liabilities from existing resources including reserves. This is one of the biggest financial challenges that the Council has ever faced, and it means that significantly fewer resources will be available for future financial years.

The Council is working to address the underlying cause of the liability, to ensure that colleagues are fairly and legally remunerated and that any settlement of the liability also represents the best value for the residents of Birmingham. This involves active and ongoing dialogue with staff and their representatives.

Issuance of s114 Report

In addition to the potential equal pay liability noted above, a number of significant financial issues were identified that gave the s151 officer cause to issue a Section 114 (3) notice on 5 September 2023. While the issuance of the s114 notice was a result of all of these issues, the one that is pertinent to these accounts is the recognition of the equal pay liability, which effectively causes a negative General Fund position.

As at that date the audit of the 2020/21 and 2021/22 financial years had not been concluded and those Statement of Accounts have been updated for the revised weighted litigation liability as at those Balance Sheet dates.

Subsequent Budgets

On 5 February 2024 the Council received permission to increase the Council Tax level above the referendum limit to 9.99%.

On 27 February 2024, the Leader of the City Council received confirmation from Simon Hoare MP, Minister for Local Government, that the Department for Levelling Up, Housing and Communities (DLUHC) was minded to approve a capitalisation direction of a total not exceeding £1,225.1m for the financial years 2020/21 to 2024/25. This 'minded to' letter was to cover the Equal Pay accounting liability, the costs involved in a potential redundancy scheme, and support to deliver a balanced budget for the 2024/25 financial year

The City Council approved its 2024/25 budget on 5 March 2024 as part of the annual budget setting cycle. The budget for 2024/25 was balanced and 2025/26 remained to be balanced on the assumption that:

a) The Council's Exceptional Financial Support request of £1.255bn was applied to enable the City Council to set a balanced budget for 2024/25.
b) Included a 9.99% increase in Birmingham City Council's Council Tax element for 2024/25 and 2025/26.

c) £149.8m of savings were delivered in 2024/25 rising to £226.1m in 2025/26 with further savings to be identified to balance 2025/26.

It should be noted that without this EFS, the Council would not have been able to set a balanced budget for 2024/25. There would be a significant budget gap of £225.9m impacting the Council's revenue budget.

On 5 March 2024 the Section 151 Officer submitted her Section 25 Report of the Local Government Act 2003 to City Council as part of the budget setting for 2024/25. This clearly stated that the budget as presented was credible and deliverable, only on the basis that certain arrangements were put in place and regularly monitored throughout the 2024/25 financial year. That report should be read in conjunction with this foreword.

Other Statutory Notices

1. Issuance of 'Section 5' notice.

On 21st September 2023 the Council's Monitoring Officer issued a report under Section 5 of the Local Government and Housing Act 1989 highlighting the need for the Council to agree and commence a new Job Evaluation Programme. This was subsequently agreed in October 2023 with a target implementation date of no later than April 2025. At the time of issue this work was ongoing.

2. Statutory Recommendations

On Friday 29th September 2023, the Council's External Auditors Grant Thornton, issued Statutory Recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act 2014. The External Auditor outlined 12 Statutory Recommendations, with significant and widespread implications across the Council. These recommendations are contained with the report titled 'Birmingham City Council External Audit 2020-21 to 2023-24' and can be found on the Council's website.

3. Best Value intervention

On the 5th of October 2023, the Secretary of State announced that he was using his powers under the Local Government Act 1999 to intervene at Birmingham City Council. As such, directions have been made under Section 15(5) and (6) of the Local Government Act 1999 in respect of Birmingham City Council, including the appointment of Commissioners and mandating immediate action by the Council in relation to several significant matters.

Details of the intervention are listed in the Intervention Letter on the Council's and Government website.

At the issue date the Council is still subject to this intervention.

Oracle implementation issues

Since the implementation of the Oracle Enterprise Resource Planning (ERP) system in April 2022, there have been significant issues with the processes, interfaces, and the system's ability to produce meaningful reports.

Work is ongoing to stabilise and improve the operations of the Oracle finance and HR system, but significant difficulties remain around the financial integrity of the finance ledger. Simply put, the system is still posting transactions incorrectly and significant manual work is required to ensure that the finance system is accurate.

This has led to:

a) Delays in closing the accounts – an additional twelve months' worth of work was required across finance teams to manually adjust inaccuracies in the ledger, to ensure transactions were posted to the correct cost centres. This delay in closing has taken up significant finance team resource and meant the production of the 2023/24 accounts has been delayed;

b) Forecasting being done manually – this is the result of continuing issues with the accuracy of the finance ledger (which finance staff have to manually correct), as well as the delay in implementing system modules that would have enabled budget holders to view and forecast their budget spend more easily. Therefore, forecasting has been carried out based on the best available data and organisational intelligence;

A stabilisation plan was put in place for 2023/24, and a decision was made in May 2024 for the reimplementation of the ERP system, as a 'vanilla' solution, removing customisations and relying on the tried and tested industry standard functionality in successful use by other Councils, by March 2026.

In light of the implementation costs the Oracle costs incurred in 2020/21 and 2021/22 have been assessed for impairment and adjustments made to the Accounts.

Laws and Regulation breaches

There have been a number of suspected breaches of laws and regulations. The breaches relate to recharges to the HRA, a Pollinations Public Realm scheme overspend, and activities undertaken by the Council that have given rise to Equal Pay liabilities. The multiple suspected breaches increases their significance and materiality to the financial statements. In addition, it also increases the risk that the control environment and / or system of internal control is inherently weak and, therefore, the risk that other breaches, with material consequences for the financial statements may have occurred.

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 £3.57bn 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 7th 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 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.
- Health inequalities remain stark and unemployment rates in the city are higher than the national average.

In addition to this, the Council is facing the following nationwide issues:

- Service pressures – As with all Councils, Birmingham City Council is seeing increased demand for services, particularly among children, as well as continued strong demand for homelessness support.
- Inflation – The Bank of England’s forecasts show that, whilst inflation has been nearing the 2% target since the middle of 2024, it is expected to rise temporarily to 3.7% during 2025/26, before subsequently falling back to 2%. However, it is worth noting that prices are still increasing but the rate at which they are increasing is falling, from a high of 11.1% in October 2022. Therefore, inflationary pressures remain for the Council, particularly in relation to energy costs.
- Uncertain central government funding – The December 2024 Local Government Finance Settlement has provided clarity for the 2025/26 financial year only, with no information on the financial settlement for future years. In addition, it is hard to predict what the new government’s policy will be on Council Tax and Business Rates increases. Cabinet will be advised accordingly as soon as any announcements are made by the new government.
- The Council declared a ‘Cost of Living Emergency’ in September 2022, and we are working hard with a wide range of partners across the City to support families, households and businesses struggling to make ends meet.

Through our HelpinBrum campaign we are:

- Working with the local community and a partnership of voluntary and community sector organisations to expand a network of warm spaces, available for people to use and visit during the winter period and beyond.
- Helping people access information, advice, and guidance to help them access the right benefits and money advice.

- Providing information and guidance on energy schemes available to residents to reduce energy bills.
- Supporting foodbanks, food clubs, food pantries, social supermarkets and community cafés that are providing food to Birmingham residents.

However, even as we face these issues, we will deliver on our priorities to build a City which is prosperous, inclusive, safe, healthy, and green.

Organisational overview - key facts

Birmingham City Council is comprised of 101 councillors. The Labour Party currently has the majority of councillors and runs the Council.

The current number of councillors in each of the political parties are as follows:

| Party | Councillors at May 2024 | Councillors at May 2025 |
|---|---|---|
| Labour | 65 | 63 |
| Conservative | 22 | 22 |
| Liberal Democrats | 12 | 13 |
| Green | 2 | 2 |
| Independent | 0 | 1 |
| **Total Councillors** | **101** | **101** |

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

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

The Managing Director (formerly termed "Chief Executive") is the senior officer who leads and takes responsibility for the work of the paid staff of the Council. The role of Managing Director is a full time appointment.

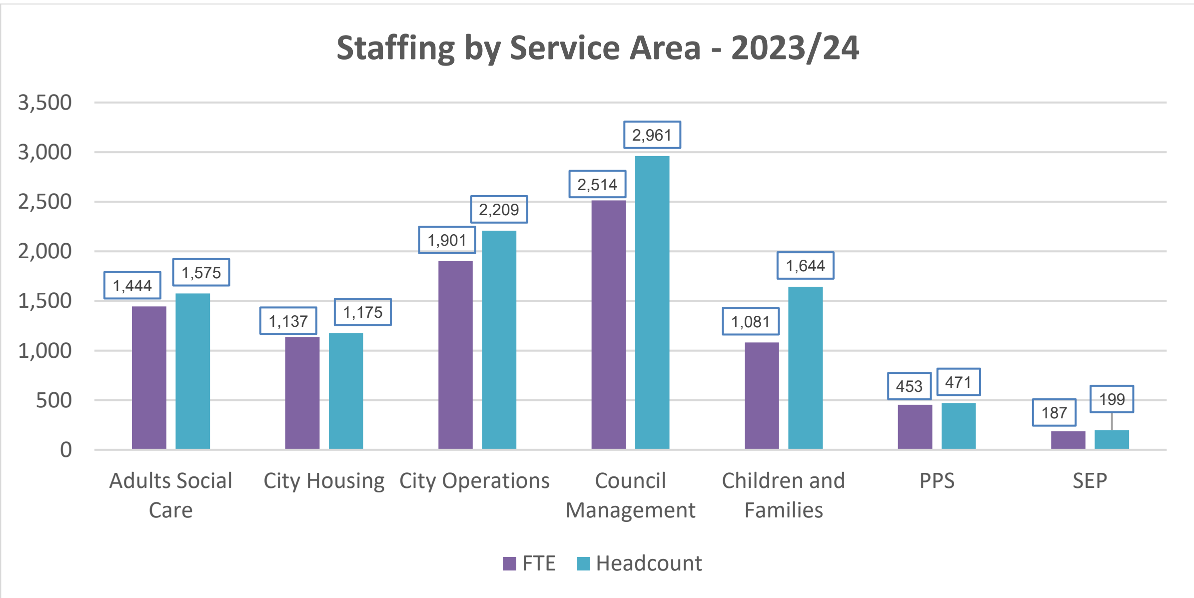
The Leader, together with the Cabinet, takes all of the significant decisions within the Council (excluding planning and licensing issues) through their Cabinet meetings or individual decision-making process.

The Council's services are delivered through directorates, designed to deliver those services as efficiently as possible. The 2023/24 structure is as follows:

| Directorate | Purpose/Services |
|---|---|
| Place, Prosperity and Sustainability (PPS) | International and domestic investment including tourism and visitor economy. Economic growth including development and housing programmes. Transport and connectivity including major transport strategies and air quality. Planning and property services. |
| Adult Social Care | Services to support adults including integration of health and social care services, information and advice, and prevention, recovery and re-enablement services. Safeguarding of adults including multiagency arrangements. Assessment of eligibility for services. |
| Children and Families | Education of children and young people, special educational needs, and early years provision. Children's services and safeguarding. Skills and employability, youth engagement, employment opportunities, and libraries. |
| City Operations | Waste strategy and services, cleaner neighbourhoods, graffiti removal, dog warden services and recycling. Arts, culture and sports, including museums, galleries, sporting events and leisure facilities. Parks and allotments. Bereavement services. Highways and infrastructure. |
| City Housing | Council housing services and support. |
| Council Management | Central services including Finance & Governance (incl. City Solicitor), Human Resources and Digital Customer Services. Included also are Procurement and Traded Services such as CityServe, Civic Catering and Cleaning. |
| SEP | Strategy, Equalities and Partnerships (SEP) |

<u>Our Staffing</u>

In supporting the delivery of services, the Council employed, as at 31 March 2024, 21,332 staff (31 March 2023: 22,291) which equated to 17,174 full time equivalents (FTE) (31 March 2023: 18,712). If schools' staff are excluded, the Council employed 10,234 staff (31 March 2023: 10,438) which equated to 8,718 FTE (31 March 2023: 8,863 FTE). The chart below shows the Council's staffing, excluding school staff, by service area for 31 March 2024:



Financial resources to support the Council

The Council's revenue and capital budgets were allocated between seven Directorates with other budgets being managed corporately. The Council's net revenue budget for 2023/24 was £955.7m.

The General Fund revenue outturn position for 2023/24 is an overspend of £76.5m.

The capital programme final outturn spend position for the 2023/24 financial year is £397.0m. This is £149.5m below the planned expenditure of £546.5m.

Details of the forecast net expenditure and resources available to the Council for 2024/25 and 2025/26 can be found in the published 2024-2028 Financial Plan.

Our purpose

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

The Council's strategy and objectives

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

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

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

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

**Governance arrangements**

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

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

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

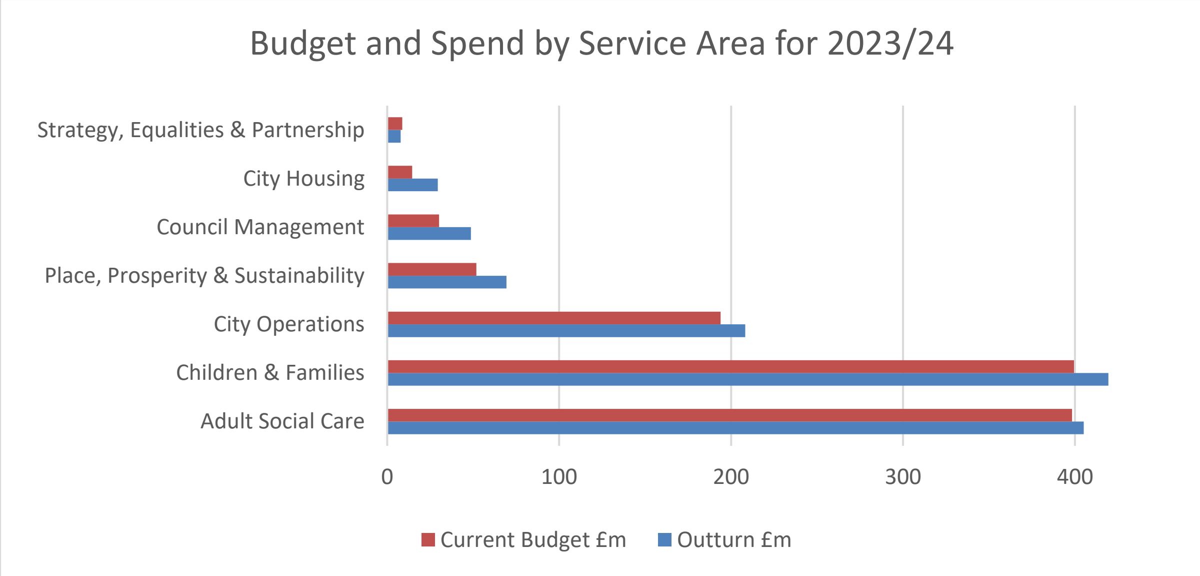
It also considers individually significant items of financial interest or focus for the Council.

Revenue Expenditure

The Council's revenue and capital budgets were allocated between seven Directorates with other budgets being managed corporately. Spending against these budgets was monitored throughout the year and reported to Cabinet. The year-end outturn position was reported to Cabinet on 21 January 2025.

The Council's net budget for 2023/24 was £955.7m. The General Fund revenue outturn position for 2023/24 is an overspend of £76.5m.

The chart below shows the budget and spend by Directorate for 2023/24 as reported to Cabinet:




Capital Expenditure

The capital programme final spend position for 2023/24 is £397.0m. This is £149.5m below the planned expenditure of £546.5m as shown in the table below:

| | £m |
|---|---|
| **2023/24 Revised Budget** | **546.5** |
| Less: Cumulative Slippage | (149.5) |
| **Outturn (Expenditure in year)** | **397.0** |

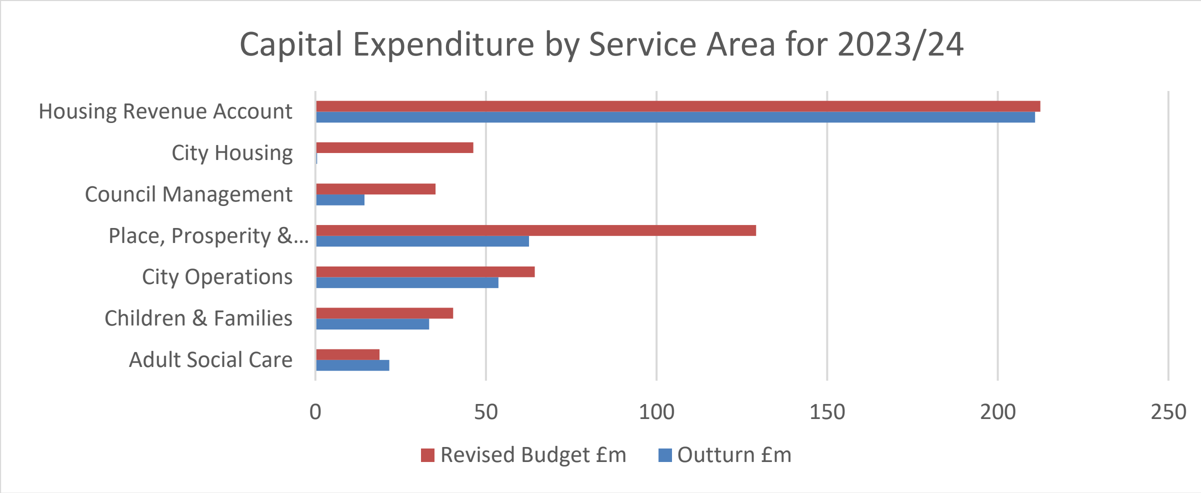
The Council analyses the capital programme budget variations between:

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

It is important to note that no financial resources will be lost as a result of the slippage. The resources and planned expenditure will be "rolled forward" into future years. Details of this slippage are given in the Council's Outturn report for 2023/24 presented to Cabinet on 21 January 2025, which can be found on the Council's website.

For 2023/24 and beyond, strict rules apply to budget changes during the year to ensure transparency where additional resources have been provided or taken back for projects which are overspending and underspending.

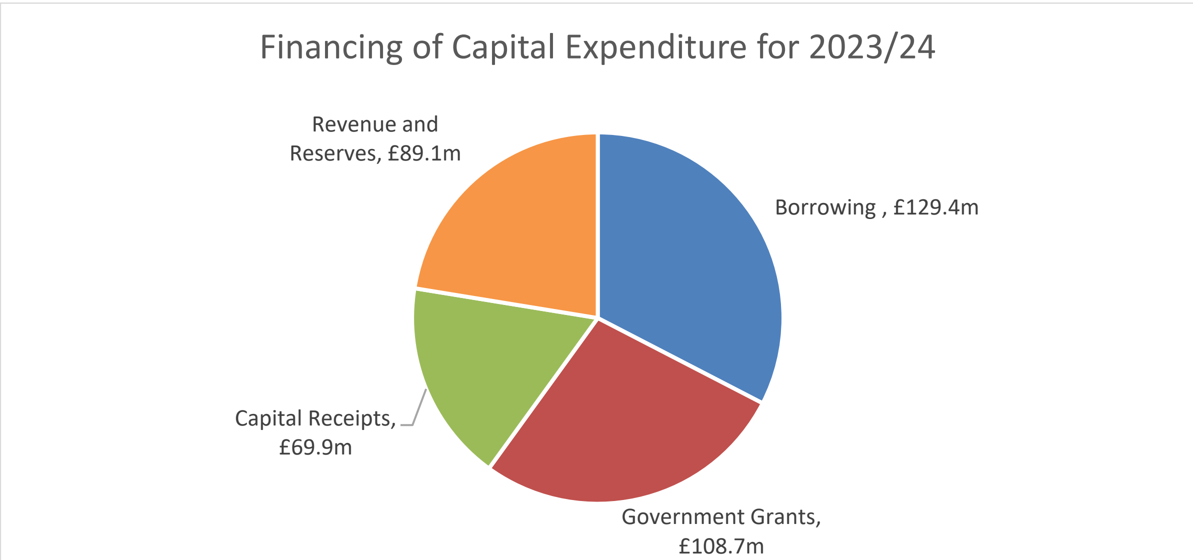
Total expenditure on Directorate capital schemes in 2023/24 is shown in the graph below:




## Capital Financing

The financing arrangements in respect of capital expenditure in 2023/24 were reported to Cabinet on 21 January 2025.

Details of the final capital financing arrangements are summarised below:




As at 31 March 2024, the Council's total loan debt net of treasury investments stood at £3,340.2m, compared to net loan debt of £3,264.8m as at 31st March 2023.

The Council's treasury investments held at 31st March 2024 were £274.5m. The Council also held investments of £50.1m as accountable body.

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

Service Concession Arrangements and Similar Contracts

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

Pension Liabilities

For the Local Government Pension Scheme there is currently a net pension liability that is reviewed periodically by the West Midlands Metropolitan Authorities Pension Fund Actuary. The Council's share of the total pension shortfall is £135.5m at 31 March 2024 (31 March 2023: £357.6m). 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, 4.80% as at 31 March 2024.

- 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 12 year recovery plan which has been built into the Council's financial plans;

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

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

Provisions

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

Reserves

The Council maintains two types of reserves:

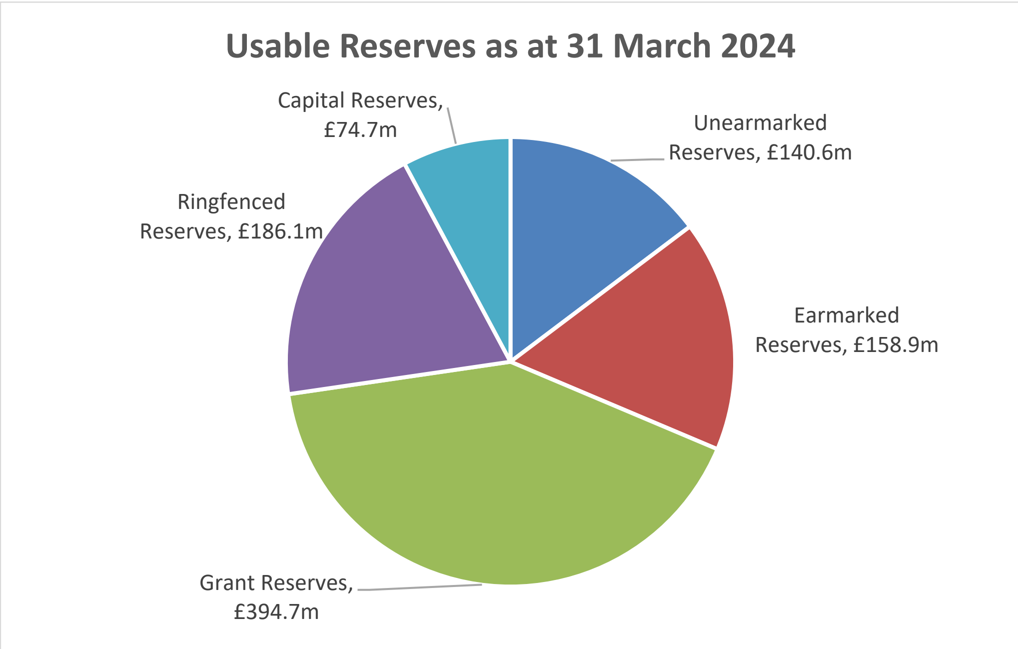
- Usable reserves – where the Council sets aside specific amounts for future policy purposes, to cover contingencies or where resources have been provided for specific purposes but have not yet been spent
- Unusable reserves, which are not available to support the provision of services and include:

    - 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.

| | **31 March 2023** | **31 March 2024** |
|---|---|---|
| | £m | £m |
| Usable Reserves | 917.9 | 955.0 |
| Unusable Reserves | 2,096.7 | 2,203.3 |
| **Total Reserves** | **3,014.6** | **3,158.3** |




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

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

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

The Council anticipated the net use of £20.8m of reserves in setting the 2023/24 budget. A further £59.4m of uses of reserves was approved by Cabinet as part of the Outturn Report on 21 January 2025.

There is a net £61.3m of unbudgeted contributions to reserves, as detailed in paragraphs 7.6 of the Cabinet Report.

Key performance indicators

**Our strategic outcomes and priorities**

Birmingham and its citizens face significant opportunities and challenges, and the council must be bold, ambitious, and confident: Bold in its aspiration, ambitious in setting its priorities, and confident in its ability to delivering them. The Corporate Plan 2022 to 2026 provides a common basis for our strategic planning and a focus on tackling inequalities and creating opportunities for citizens to live longer, healthier, and happier lives.

It replaces the Council Plan 2018 to 2022 and presents a refreshed set of priorities for 2022 to 2026 that reflect the context we are now operating in, addressing the impact of the COVID-19 pandemic, tackling inequality and supporting the 'levelling up' of the city.

- **A Prosperous Birmingham:** through a focus on inclusive economic growth, tackling unemployment, attracting inward investment, and maximising the benefits of the Commonwealth Games.

- **An Inclusive Birmingham:** through a focus on tackling poverty and inequality, empowering citizens, promoting diversity and civic pride, and supporting and enabling all children and young people to thrive.

- **A Safe Birmingham:** through a focus on making the city safer, safeguarding vulnerable citizens, increasing affordable housing, and tackling homelessness.

- **A Healthy Birmingham:** through a focus on tackling health inequalities, encouraging physical activity and healthy living, supporting mental health, and improving outcomes for adults with disabilities and older people.

- **A Green Birmingham:** through a focus on street cleanliness, improving air quality, continuing the route to net zero, and becoming a city of nature.

The diagram below provides a visualisation of these challenges and the Council's response and priorities in relation to each.

## Opportunities and Challenges

### Opportunities

**Maximising the impact of the Commonwealth Games.** The was biggest sporting and cultural event ever to be held in the city. Thousands of visitors visited the city for the event and more than 1 billion people watched from around the world, creating the opportunity to promote our city to new investors and visitors and strengthen our global links.

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

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

**Diversity.** Birmingham is the most ethnically and culturally diverse city outside of London. This diversity brings with it a rich mix of creativity, entrepreneurship, skills, and talent that all contribute to the city's social and economic vitality.

**Youth.** We are also a young city, with almost 50% of citizens under the age of 30, which presents huge potential for a brighter future of accelerated growth, fairer distribution of wealth, and opportunities for innovation across all spheres of life.

### Challenges

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

**Unemployment and low skill levels**. The COVID-19 pandemic and the closure of businesses has had a damaging impact on the Birmingham economy, setting back the impressive economic growth we have seen in recent years. Businesses across the city have seen trade and revenue fall dramatically. Jobs have been lost, and unemployment rates are high and likely to increase further in the short term with knock on effects on affordable housing, while citizen qualification levels are below the national average. More than 1 in 8 of working age people in the city have no qualifications.

**Health and wellbeing**. Health inequalities in Birmingham remain stark and have been exacerbated by the COVID-19 pandemic. Low life expectancy and chronic conditions such as diabetes afflict our poorest communities far worse than those living in more affluent circumstances. We must prevent ill health and maximise health and wellbeing for everyone in Birmingham by building safe and secure homes and shaping a healthier environment for citizens that enables them to achieve their potential and aspirations at every age.

**Violent crime, homelessness and other social problems.** Birmingham has high levels of crime and homelessness. Too many families are in insecure or inadequate accommodation and struggle to find housing they can afford. There is a need to further strengthen resilience and cohesion within our communities given the inequalities that have been exacerbated by the pandemic, and those given focus through the Black Lives Matter and #MeToo movements and to respond to the serious issue of engrained violent crime.

**The climate emergency.** The climate crisis has never been more urgent for our city, nation and humanity. The latest report from the IPCC lays bare the desperate state of Earth's climate and nature emergency and the need for us to address it. The city has high levels of air pollution and an inefficient housing stock, leading to fuel poverty.

**Creating more opportunities for children and young people.** Our young people are one of our greatest strengths and represent a bright future for Birmingham. But the pandemic has been particularly tough on our children and young people, and we need to build a bright future for them. Too many of our children and young people do not get the start in life - over 40% are living in relative poverty and 5% die before they reach their first birthday. Youth unemployment is around 25% and average educational attainment remains below the national level. Last July the Council launched its 'Breaking Down Barriers' report, an in-depth piece of research culminating in ten recommendations 11 designed to reduce unemployment and unlock the potential of Birmingham's young people.

**Addendum to Foreword: Significant events since Balance Sheet date, as at June 2025**

*The above narrative is based on events during the 2023/24 financial year. Since then, a number of pertinent matters have occurred which warrant an addendum, to enable the readers of these Accounts to better understand the financial position of the Council.*

Subsequent Budgets

On 4 March 2025 the Section 151 Officer submitted her Section 25 Report of the Local Government Act 2003 to City Council as part of the budget setting for 2025/26. This clearly stated that the budget as presented was credible and deliverable, only on the basis that certain arrangements were put in place and regularly monitored throughout the 2025/26 financial year. That report should be read in conjunction with this foreword.

The 2025/26 budget was based on the assumption that:

d) The Council's Exceptional Financial Support request of £1.255bn continued and was applied to enable the City Council to set a balanced budget for 2025/26.
e) Included a 7.49% increase in Birmingham City Council's Council Tax element for 2025/26.
f) £148.9m of savings are delivered in 2025/26 and £11.0m of the EFS mentioned in d) was applied to balance 2025/26.

Asset Disposal programme as part of Capitalisation Direction

The EFS confirmed that DHLUC (as known then) are minded to allow the Council a capitalisation to cover the Equal Pay accounting liability, the costs involved in the redundancy scheme, and support to deliver a balanced budget for the 2024/25 financial year (including a contingency amount for unforeseen circumstances. The Council intends to address this through the application of capital receipts from the sale of assets and has a programme to deliver £750m worth of asset sales in 2024/25 and 2025/26.

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

There have been a number of changes to the Council's structure and Leadership team since the financial year this Statement of Accounts relates to. Further details are provided under the Events After the Balance Sheet date note.

**Basis of preparation and presentation**

The Council's Financial Statements for 2023/24 have been prepared on the basis of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2024, 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,
- changes in provisions set aside for the future, for example, for the costs of Equal Pay.

The CIES shows a deficit on the Provision of Services of £26.9m, largely due to the items detailed above. 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 2024 and the level of reserves, split between usable and unusable.

The Council's net assets at 31 March 2024 are £3,158.3m compared to £3,014.6m at 31 March 2023, mainly as a result of:

- A significant reduction in the net liability associated with the Council's defined benefit pension scheme. Changes to actuarial assumptions have resulted in £222.1m reduction in net pension liabilities.

**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 cost of its housing provision.

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

***Group Accounts***

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

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

Associate
Birmingham Airport Holdings Limited

Joint Venture
Paradise Circus Limited Partnership

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

***Rounding***

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

***Accountable Body Roles***

In addition to the activities reflected in the Council's CIES and Balance Sheet, the Council also acts as an agent for 44 organisations with gross expenditure of £39.5m, 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 (the Section 151 Officer) has the responsibility for the administration of those affairs. In Birmingham City Council this is the Executive Director of Finance 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;
- publish its accountability statements for the 2023/24 financial year, after approving the statement of accounts in accordance with the reg 9(2) of the Accounts and Audit Regulations 2015 (the Regulations), not later than 28 February 2025 or,
- (a) as soon as reasonably practicable after that date, publish a notice stating (i) that it has not been able to publish its accountability statements, (ii) its reasons for this, and (iii) that it acknowledges that it must publish its accountability statements as soon as reasonably practicable; (b) send a copy of the notice mentioned in sub-paragraph (a) to the Secretary of State as soon as reasonably practicable after 28 February 2025 ; and (c) as soon as reasonably practicable publish its accountability statements for that year.

### 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).

I joined the Council as Section 151 Officer on 17 March 2025. The previous Section 151 Officer and the Council had not been able to publish and approve its accountability statements for the financial year 2023/24 by 28 February 2025 as required by regulation 9 and 9A of the Regulations.

The reasons for this are as follows.

The Council implemented a new enterprise resource planning (ERP) system in April 2022. This is software which supports and integrates different parts of the Council's operations. There have been a number of issues with the running of the system since then. While fixes have been put in place to ensure that the Council's assets are safeguarded, and to ensure that transactions with residents, suppliers and customers can occur appropriately, it is not possible to establish with a reasonable level of certainty that the ledger is free from material misstatement for the financial year. Because of this, the Council's Section 151 Officer at the time was unable to confirm (as required by reg 9(1) and (3) of the Regulations) that she was satisfied that the statement of accounts for the financial year 2023/24 presented a true and fair view of:

- the financial position of the Council at the end of that year, or of
- the Council's income and expenditure for that year.

Because she was unable to give that confirmation, the Council has been unable to approve the statement of accounts for the 2023/24 financial year under reg 9(2) of the Regulations or to publish its accountability statements for that year under reg 9A(2) of the Regulations.
It would be very costly for the Council to gather the data needed to ensure that the ledger is sufficiently free from material misstatement. It is unlikely that this work would represent value for money.

In addition to the issues noted above, the previous Section 151 Officer raised a number of more specific concerns which are noted in the statements of accounts for 2020/21 and 2021/22, and 2022/23. Those concerns are yet to be fully addressed, because of the relatively short time between publication of the statements of account for 2020/21, 2021/22 and 2022/23 and the publication of this statement. Consequently these concerns are still relevant to this year's statement of accounts. The concerns are:

1. The statements of accounts for 2020/21, 2021/22 and 2022/23 include a provision for Equal Pay liabilities based on a weighted litigation liability, which has been informed by a range of legal and HR assumptions. The provision is in line with International Accounting Standard 37 (IAS37). Given the nature and complexity of the calculation, and the various approaches available to the Council to settle or mitigate the liability, the provision is a best estimate of the position. Its scale, and the inclusion of a number of assumptions to which the value is sensitive, mean that a range of outcomes is possible for the actual Equal Pay liability. This range is larger than the materiality level applied during the Audit to the Council's Balance Sheet. The Council has provided disclosure explaining and supporting that decision, although has separately had to apply the option in IAS37 that allows for disclosures to be limited where they may affect on-going litigation.

2. I have been made aware of a number of suspected breaches of laws and regulations by the Council, which pre-date my appointment. The breaches brought to my attention are: [potentially overstated recharging of costs to the Housing Revenue Account (HRA) from the General Fund, a Pollinations Public Realm scheme overspend, breaches that have given rise to our significant Equal Pay liabilities, the Regulator of Social Housing issuing a regulatory notice that the Council had not completed all required statutory inspections and the Council continuing to trade with its wholly owned subsidiary, Acivico, despite the contract having lapsed.]

   The Equal Pay liabilities and the HRA recharge issue appear to significantly pre-date the statement of accounts for 2023/24. The fact that there are several such breaches increases their significance, and the annual governance statement which forms part of the accountabliity statements which the Council must publish under reg 9A of the Regulations sets out other potential areas of concern. The fact that these concerns have been identified increases the risk that the control environment and / or system of internal control was inherently weak and, therefore, the risk that other breaches, with material consequences for the statement of accounts for 2023/24, may have occurred. The Council has commissioned an external review of the Council's compliance with relevant laws and regulations, and this has yet to be completed. This will need to be reported to the Council's Audit Committee on conclusion of the review.

I am working closely with Government and our external auditors to re-build assurance from 2025-26 onwards.

In preparing the statement of accounts for 2023/24, the Section 151 Officer has to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent; and
- Comply with the Code.

The S151 Officer also has the responsibility to:

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

It is my understanding that extensive efforts had been made to produce an accurate statement of accounts for 2023/24, but it must be noted that the statement of accounts has been prepared using the information available, with amongst other matters the limitations stemming from the recent ERP implementation, and in the context of the accounting policies that were in place at that time.

**Certification of Accounts**

Subject to the statements above, I certify that the Statement of Accounts presents a true and fair view of the financial position of Birmingham City Council at 31 March 2024 and of its income and expenditure for the year ended 31 March 2024.

……………………………………………………………………………………….

**Carol Culley, Executive Director of Finance & Section 151 Officer**

**14 July 2025**

## Approval of Accounts

The Statement of Accounts will be approved, subject to the certification by the Section 151 Officer above, by resolution of the Audit Committee

**The approval by the Audit Committee under reg 9(2) will be sought after the Public Inspection period and external audit has concluded**

# CORE FINANCIAL STATEMENTS 2023/24

## 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.

| 2022/23 Gross Expenditure | 2022/23 Gross Income | 2022/23 Net Expenditure | | Note | 2023/24 Gross Expenditure | 2023/24 Gross Income | 2023/24 Net Expenditure |
|---|---|---|---|---|---|---|---|
| £m | £m | £m | **Continuing Operations** | | £m | £m | £m |
| 574.2 | (182.2) | 392.0 | Adult Social Care | | 622.7 | (207.8) | 414.9 |
| 1,316.2 | (870.2) | 446.0 | Children and Families | | 1,363.1 | (922.6) | 440.5 |
| 71.8 | (43.1) | 28.7 | City Housing | | 80.4 | (45.8) | 34.6 |
| 337.0 | (90.6) | 246.4 | City Operations | | 355.4 | (109.6) | 245.8 |
| 114.2 | (101.0) | 13.2 | Place, Prosperity and Sustainability | | 84.9 | (103.4) | (18.5) |
| 736.0 | (558.4) | 177.6 | Council Management | | 722.1 | (623.2) | 98.9 |
| 110.3 | (101.2) | 9.1 | Strategy, Equalities and Partnerships | | 110.1 | (105.9) | 4.2 |
| - | (112.1) | (112.1) | Centrally Managed | | 3.6 | (88.2) | (84.6) |
| 206.6 | (293.9) | (87.3) | Housing Revenue Account | | 260.1 | (310.0) | (49.9) |
| **3,466.3** | **(2,352.7)** | **1,113.6** | **Total Cost Of Services** | | **3,602.4** | **(2,516.5)** | **1,085.9** |
| 127.6 | - | 127.6 | Other Operating Expenditure | 10 | 133.0 | - | 133.0 |
| 321.7 | (69.6) | 252.1 | Financing and Investment Income and Expenditure | 11 | 257.4 | (60.8) | 196.6 |
| 24.8 | (1,257.8) | (1,233.0) | Taxation and Non-Specific Grant Income | 12 | 72.5 | (1,461.1) | (1,388.6) |
| | | **260.3** | **(Surplus) / Deficit on Provision of Services** | | | | **26.9** |
| | | | **Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services** | | | | |
| | | (200.3) | (Surplus) / deficit on revaluation of Property, Plant and Equipment assets | 21,22,23 | | | 91.0 |
| | | (2,659.3) | Remeasurement of the net defined benefit liability | 20 | | | (261.6) |
| | | **(2,859.6)** | **Other Comprehensive (Income) / Expenditure** | | | | **(170.6)** |
| | | **(2,599.3)** | **Total Comprehensive (Income) / Expenditure** | | | | **(143.7)** |

## Movement in Reserves Statement

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

| | Total General Fund Balance | Total HRA Reserves | Capital Receipts | Major Repairs Reserve | Capital Grants Unapplied Account | **Total Usable Reserves** | Unusable Reserves | **Total Council Reserves** |
|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| **Balance at 31 March 2022** | **1,045.8** | **17.0** | **(80.4)** | **17.9** | **112.6** | **1,112.9** | **(697.6)** | **415.3** |
| Surplus/(Deficit) on the provision of services | (287.3) | 27.0 | - | - | - | (260.3) | - | (260.3) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | **2,859.6** | **2,859.6** |
| **Total Comprehensive Income and Expenditure** | **(287.3)** | **27.0** | **-** | **-** | **-** | **(260.3)** | **2,859.6** | **2,599.3** |
| Adjustments between accounting basis and funding basis under regulations (Note 16) | 29.3 | (3.9) | 14.7 | - | 25.2 | 65.3 | (65.3) | - |
| **Increase/(Decrease) in 2022/23** | **(258.0)** | **23.1** | **14.7** | **-** | **-** | **(195.0)** | **2,794.3** | **2,599.3** |
| **Balance at 31 March 2023** | **787.8** | **40.1** | **(65.7)** | **17.9** | **137.8** | **917.9** | **2,096.7** | **3,014.6** |
| **Movement in Reserves during 2023/24** | | | | | | | | |
| Surplus/(Deficit) on the provision of services | (8.0) | (18.9) | - | - | - | (26.9) | - | (26.9) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | 170.6 | 170.6 |
| **Total Comprehensive Income and Expenditure** | (8.0) | **(18.9)** | **-** | **-** | **-** | (26.9) | **170.6** | **143.7** |
| Adjustments between accounting basis and funding basis under regulations (Note 16) | 4.9 | 44.2 | (5.7) | 12.2 | 8.4 | 64.0 | (64.0) | - |
| **Increase/(Decrease) in 2023/24** | **(3.1)** | **25.3** | **(5.7)** | **12.2** | **8.4** | 37.1 | 106.6 | **143.7** |
| **Balance at 31 March 2024** | **784.7** | **65.4** | **(71.4)** | **30.1** | **146.2** | **955.0** | **2,203.3** | **3,158.3** |

**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 2023 £m | | Note | 31 March 2024 £m |
|---:|---|---:|---:|
| 6,962.7 | Property, Plant and Equipment | 21 | 6,870.2 |
| 249.9 | Heritage Assets | 22 | 249.2 |
| 15.7 | Investment Property | | 16.7 |
| 29.5 | Intangible Assets | 23 | 22.2 |
| 37.4 | Long Term Investments | 37 | 37.4 |
| 133.5 | Long Term Debtors | 24 | 132.2 |
| **7,428.7** | **Total Long Term Assets** | | **7,327.9** |
| 99.4 | Short Term Investments | 25 | 237.3 |
| 0.4 | Assets Held for Sale | 26 | 64.5 |
| 2.6 | Inventories | | 1.7 |
| 466.1 | Short Term Debtors | 27 | 515.3 |
| 82.5 | Cash and Cash Equivalents | 28 | 65.4 |
| **651.0** | **Total Current Assets** | | **884.2** |
| (470.6) | Short Term Borrowing | 32 | (347.2) |
| (506.5) | Short Term Creditors | 29 | (516.9) |
| (24.0) | Short Term Provisions | 30 | (35.1) |
| **(1,001.1)** | **Total Current Liabilities** | | **(899.2)** |
| (0.5) | Long Term Creditors | | (0.3) |
| (412.2) | Long Term Provisions | 30 | (418.1) |
| (2,931.0) | Long Term Borrowing | 32 | (3,267.5) |
| (362.7) | Other Long Term Liabilities | 37 | (333.2) |
| (357.6) | Net liability on defined benefit pension scheme | 20 | (135.5) |
| **(4,064.0)** | **Total Long Term Liabilities** | | **(4,154.6)** |
| **3,014.6** | **Net Assets/(Liabilities)** | | **3,158.3** |
| | **Usable Reserves** | 17 | |
| 117.9 | Unearmarked Reserves | | 140.6 |
| 194.3 | Earmarked Reserves | | 158.9 |
| 385.4 | Grant Reserves | | 394.7 |
| 11.9 | Unearmarked Non-Schools DSG | | - |
| 136.3 | Ringfenced Reserves | | 186.1 |
| 72.1 | Capital Reserves | | 74.7 |
| **917.9** | **Total Usable Reserves** | | **955.0** |
| 2,096.7 | Unusable Reserves | 18 | 2,203.3 |
| **3,014.6** | **Total Reserves** | | **3,158.3** |

## Cash Flow Statement

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

| 2022/23 £m | | Note | 2023/24 £m |
|---|---|---|---|
| (260.3) | Net Surplus/(Deficit) on the provision of services | | (26.9) |
| 704.3 | Adjustments to net Surplus/Deficit on the provision of services for non-cash movements | 36 | 412.9 |
| (204.2) | Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities | 36 | (184.5) |
| **239.8** | **Net cash flows from Operating Activities** | | **201.5** |
| (349.9) | Investing Activities | 34 | (410.2) |
| 135.2 | Financing Activities | 35 | 191.6 |
| **25.1** | **Net increase/(decrease) in cash and cash equivalents** | | **(17.1)** |
| 57.4 | Cash and cash equivalents at the beginning of the reporting period | | 82.5 |
| **82.5** | **Cash and cash equivalents at the end of the reporting period** | **28** | **65.4** |

## Note 1
## Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Accounts and Audit Regulations 2015 require the Council to prepare an annual statement of accounts in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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 or goods is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the sale of goods or provision of services satisfied over time is recognised if the Council can reasonably measure its progress towards complete satisfaction of the performance obligation;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet, for example, fuel and transport parts;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- When income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### iv. 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.

### v. 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, i.e 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.

### vi. Charges to Revenue for Non-Current Assets

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

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

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

Regulations, and the Movement in Reserves Statement and to replace them by the statutory contribution from the General Fund to the Capital Adjustment Account.

**vii. 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 2023/24.

<u>Comprehensive Income and Expenditure Statement</u>

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.

<u>Balance Sheet</u>

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.

**viii. Employee Benefits**

Benefits Payable During Employment

Short Term Benefits

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

Other Long Term Benefits

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

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate Directorate at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

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

Post-Employment Benefits

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

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

  The NHS Pensions Scheme administered by NHS Pensions.

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

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

The Local Government Pension Scheme

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

- The liabilities of the West Midlands Local Government Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.00% 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 (scheme amendment or curtailment) 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.

### ix. 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 authorisation for issue are not reflected in the Statement of Accounts.

### x. 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 premiums 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 other comprehensive income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority 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 arise in other comprehensive income.

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 arise in the Surplus or Deficit on the Provision of Services.

Where it is possible to determine a fair value, measurement of the financial assets is based on the following techniques:

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

Instruments Entered Into Before 1 April 2006

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

**xi. 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 effective. 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.

### xii. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution are satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions are unlikely to be satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied or expected to be satisfied, the grant or contribution is credited to the relevant Directorate (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### xii. 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.

### Community Infrastructure Levy

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

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

**xiii. Heritage Assets**

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

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

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

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

**xiv. Intangible Assets**

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost and the depreciable amount is amortised over the useful life of the asset on a straight-line basis and charged to the relevant Directorate in the Comprehensive Income and Expenditure Statement.

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

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

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

**xviii. Investment Properties**

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

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

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

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

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

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

### xix. 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.

### xx. Leases

Mandatory implementation of IFRS 16 Leases in the Code and for local authority financial statements has been deferred until 1 April 2024. Local authorities are permitted to voluntarily implement the standard as of 1 April 2022 and 1 April 2023. The Council will not be implementing the IAS16 requirements early and is planning for 1 April 2024.

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. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

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.

**xx. 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.

**xxi. 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;
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – fair value; assessed in their highest and best use from a market participant’s perspective;
- all other assets – current value, determined as the price that would be paid 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.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Impairment

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

Revaluation and impairment losses

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

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

Useful Life

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

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

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

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

Depreciation

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

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

Componentisation

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

Disposals and Non-Current Assets Held for Sale

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

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

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

**xxiii. 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.

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

The Council has, pre-2020, 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.

In March 2024 the Council received confirmation from Central Government that it was minded to allow Equal Pay liabilities recognised for years in Statement of Accounts since, and including 2020/21, to be funded from Capital Resources.

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.

**xxv. 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.

**xxvi. 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.

**xxvii. 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.

**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.

### xxviix. 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.

### xxix. 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.

### 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.

### xxxi. Highways infrastructure assets

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

Recognition

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

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

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in Balance Sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

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

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

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

## Note 2
## Critical Judgements in Applying Accounting Policies

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

### Going Concern

The Accounts have been prepared on a Going Concern basis. Local Authorities are required by the Code of Practice on Local Authority Accounting 2023/24 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.

On 5 September 2023, the Council issued a Section 114 Notice due to having insufficient resources to meet the Council's financial liabilities relating to Equal Pay claims and an in-year financial gap within the budget. Spend controls were put in place immediately, and on 19 October 2023, the Department for Levelling Up, Housing and Communities announced the appointment of commissioners and political advisors for the City Council.

In addition to this, 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. Ongoing delays to reforming Local Government funding is prolonging the period in which local councils must make plans without certainty on the funding position.

In the context of the Section 114 Notice, the Council formally requested exceptional financial support from Central Government for the periods 2020-21 to 2024-25 inclusive. As a result, on 20 February 2025, Central Government provided a 'minded to' capitalisation direction not exceeding £1.255.1 million over this period. It is on this basis that 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.

Inclusion of going concern as a critical judgement is as a result of the number of variables required to be considered as part of the assessment – many of which are material to the conclusion. For instance, the exceptional financial support is predicated on a significant programme of asset sales, the timing and extent to which is uncertain. It also includes a number of assumptions around expected future costs, all of which have been based on the best information available, but the timing and extent of them materialising as cash outflows may also vary. In all cases, the requirements modelled are within the limits of the exceptional financial support agreed with Government though, and as such, the Council believes it is appropriate to apply the going concern assumption.

### 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 2024.

| **Type of School** | **Nursery** | **Primary** | **Secondary** | **All Through** | **Alternative** | **Special** | **Pupil Referral Unit** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Community** | 27 | 79 | 8 | - | - | 8 | 1 | **123** |
| **Voluntary Controlled** | - | 4 | - | - | - | - | - | **4** |
| **Voluntary Aided** | - | 38 | 4 | - | - | - | - | **42** |
| **Foundation Trust** | - | 7 | 3 | - | - | 9 | - | **19** |
| **Academy** | - | 134 | 60 | 5 | - | 10 | - | **209** |
| **Free School** | - | 4 | 12 | 2 | 6 | - | - | **24** |
| **Studio School** | - | - | 1 | - | - | - | - | **1** |
| **UTC** | **-** | **-** | 1 | **-** | **-** | **-** | **-** | **1** |
| **Total** | **27** | **266** | **89** | **7** | **6** | **27** | **1** | **423** |

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**

Birmingham's Highways Maintenance and Management services are currently delivered through a PFI contract. The council's Highways Maintenance and Management PFI contract is one of the largest PFI contracts in the UK and is the principal means through which the council discharges its statutory duties under the Highways Act 1980.

The contract combines approximately £50m PFI funding from government in the form of PFI credits with the council's approximately £56m p.a. (indexed) ring-fenced revenue budget contribution for the purposes of providing routine and reactive maintenance, major planned maintenance and investment works on the city's highway network and highway assets.

On Thursday 30 November 2023, the council received formal confirmation from the Department of Transport that the Government will withdraw its existing funding arrangement, proposed alternative funding was not defined.

The council commenced Judicial Review proceedings in relation to the Government's decision, which on 24 June 2024 found in favour of the Council, confirming that the earlier funding arrangement should continue. While some uncertainty exists around any further Government challenge to the funding, no further formal steps have been taken to challenge the outcome of the Judicial review.

The Council has received expected PFI credits to date in line with the previously agreed payment schedule, and written confirmation from the Department of Transport that it will continue to pay those credits until such time as the Secretary of State takes a further decision on the way forwards. The Council notes that this is not confirmation of continued payment into perpetuity, or even, for the rest of the scheme, but does acknowledge that it allows for surety of short-term funding and supports the accounting treatment currently included in these accounts.

Note 41 shows the future payments to be made for the PFI contracts and has been prepared on the basis of the Highways PFI continuing.

If the PFI contract ceases the schedule of future payments in Note 41 would reduce significantly as these would no longer be payable. From 2024/25 the outstanding payments over the next 15 years under the Highways PFI contract total £856.2m. This includes £204.8m related to the Capital Liability.

In terms of funding the Council would not expect to receive the annual PFI credits but nor be expected to match fund the PFI credits to fund the Highways PFI. The Council would through its normal budget setting process set an appropriate revenue or capital budget for managing its Highways assets.

The Accounts have been prepared on the basis of the PFI continuing as DfT have to date continued to pay PFI credits as per the agreement and have yet to appeal or make a fresh decision to terminate.

**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-19 grant funding

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

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

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

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

**Payment to the Local Government Pension Scheme**

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 2022, namely 21.8% of pensionable pay plus £42.0m for 2023/24. This is done through an adjustment in the Movement in Reserves Statement.

**Equal Pay**

The Council has continued to receive equal pay claims up to the signing of these financial statements. On the basis of detailed work performed, and ongoing discussion with Council staff and their representatives, it is clear that the Council also has a significant, and wider liability relating to further claims, and has, as a result, made provision in its accounts for these potential future liabilities. Negotiations continue in order to provide both a fair settlement to colleagues and result with a best value outcome for the Council and residents. We are hoping to conclude negotiations prior to finalising these accounts and as such, for these draft accounts being issued for public inspection, we have left the recorded provision unchanged from that shown at March 2022. This position will be reviewed and updated prior to finalising and signing.

The Council has determined that the likely payment of equal pay claims meets the criteria set out in IAS37, which requires that:

1) The Council has a present obligation (legal or constructive) as a result of a past event;
2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
3) a reliable estimate can be made of the amount of the obligation.

The calculation of the estimate is complex and relies on a number of critical individual assumptions. The Council has sought and received expert legal advice to underpin the approach taken and develop a model that reliably estimates the liability.

As a result of the nature of the assumptions used in calculating the liability, and the scale of the liability itself, the liability recognised sits within a range of potential outcomes. All of these outcomes are significant in value individually, and all of these outcomes would have triggered the issuance of a section 114 notice.

In March 2024 the Council received 'minded to' Exceptional Financial Support which allows the Council to use capital resources to fund the Equal Pay liabilities for financial years including 2023/24. As a result, the Accounts are based on the assumption of the Equal Pay provision being funded by capital resources instead of the General Fund and HRA balances.

**Timing of impairment of Perry Barr**

The Council is currently negotiating the disposal of built and non-built holdings known as the Perry Barr Residential Scheme. Based on sales to date, and expected future sales, the recoverable amount will be significantly less than the carrying value of the assets.
As such, an impairment charge has been recognised to bring the book value in line with the likely expected proceeds from the sale.

Although the timing of this impairment trigger was 2024, given prior year accounts were still in draft at that point, this new information in relation to the value of assets in those accounts represents a post balance sheet adjusting event, in line with IAS10, and accordingly, impairment charges have been booked proportionately against the spend up to the balance sheet dates to ensure that the asset values reflected at year end are in line with the expected and actual proceeds.

**Council Dwellings – Use of DCF as Valuation Methodology**

In certain cases, there is a lack of reliable market pricing, and an absence of an owner occupied market for Council Dwellings – this means that an alternative approach to valuation is required to generate an equivalent capital value for such assets in the absence of a reliable market for sales. The Council has adopted an approach that calculates the discounted cashflow (DCF) of these properties, to arrive at the valuation.

There are just over 11,000 properties that are valued using DCF, of which, the majority are high rise blocks. The DCF model is required to estimate the cash inflow and outflow, of the relevant properties over a period of 30 years, applying an appropriate discount rate.

While the majority of the assumptions that are required to be included in such complex models can be easily substantiated (discount rates, levels of income, numbers of units), one key area of uncertainty relates to maintenance spend.

The Council is committed to maintaining these properties, which in many cases are in older buildings. The cost of maintaining them though is subject to a wide number of factors, including the state of repair, the current and expected future costs of maintenance, which are inherently uncertain, the anticipated level of budget that the Council has, that may introduce a cap on spend, and any significant, unexpected areas of spend, which includes the recent investment the Council has made to cladding and fire protection.

## 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 2023/24 accounting period.

The relevant amended standards are:

- IFRS 16 Leases issued in January 2016.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

It is not envisaged that these will have a significant effect on the Council's financial statements, with the exception of IFRS 16. The Council has elected not to voluntarily adopt IFRS 16 during 2023/24, but this is expected to have a significant impact on the Council in 2024/25. The Council has not completed its transitional work to be able to provide an estimate of the likely impact on the financial statements. All changes will however be prospective.

**Note 4**
**Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

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

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

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

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

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

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

These are dealt with separately below:

***Property, Plant and Equipment***

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

**Council Dwellings – HRA (31 March 2024 £2,966.5m)**

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

| | |
|---|---|
| Approach to valuation | Council dwellings are subject to a full revaluation every five years, with a desktop review in intervening years. The majority of assets are valued using a beacon approach, where a value is undertaken for the housing stock portfolio based on properties that are a representative sample of the Council's properties across the city. The beacon value is derived from sales of similar, ex Council or comparable properties, suitably adjusted by taking into account information from the land registry and other relevant sources, before being applied to the wider population of properties. In this instance, all beacon properties were revalued at the valuation date. |
| Nature of uncertainty | The Council recognises the value of nearly 58,000 properties in total (excluding garage sites). Of these properties, approximately 48,000 use this beacon valuation approach, which is the agreed, recommended approach where such large numbers of properties require a valuation. With such a large population of properties being valued there is naturally a degree of estimation uncertainty. A relatively small movement in the beacon values would, once extrapolated, result in a significant change in the overall value of the estate |
| Amount recorded in the financial statements at 31 March 2024 | £2,966.5m |
| Sensitivity | Should the property market value change over the 12 months following the Balance Sheet date, the beacon values would likely change as a result, and the overall valuation for these properties could change significantly. Land Registry data suggests that in the period from 1 January 2023 to 31 December 2023 property prices in Birmingham fell by an average of 3.9%. A 3.9% movement in the beacon valuations, applied as a general movement across all beacons, extrapolated across the full population would give rise to an increase in the valuation of these properties of £115.7m. |

**Other land and buildings (31 March 2024 £2,615.6m)**

The Council recognises the value of almost 1,430 other land and buildings assets. The valuation approach for other land and buildings is to obtain valuations on the basis of a five year rolling programme, which is supplemented by annual reviews, to reflect significant changes in market value. This results in only a sample of assets being revalued each year. For asset classes that use a DRC valuation, the Council's valuer applies an appropriate index to those properties that don't have a full, detailed valuation performed, to obtain an estimated valuation.

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

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

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

| | |
|---|---|
| Approach to valuation | These assets form part of the rolling five year cycle of valuations but are not in the current year population to receive a specific valuation. The Council's valuer applies additional obsolescence and an uplift for movement in the Buildings Cost Information Service (BCIS) index to these assets, to arrive at an estimated, market driven change in the valuation based on building costs. Note that the indexation applied to assets excludes land, as the Council does not believe it appropriate to apply an index to the value of land. |
| Nature of uncertainty | A market based index is applied to achieve an overall movement in the asset value as a desktop exercise. Based on market movements in building costs, and therefore the index, and individual specific valuations of properties in this population, the 31 March 2024 Statement of Accounts may result in a change in the valuation recorded for these properties at that point.<br><br>Note that the properties in this population are reviewed, and where specific valuation events occur, then they are included in the in-year rolling programme of valuations and excluded from this approach. This helps to reduce the estimation uncertainty included in this approach. |
| Amount recorded in the financial statements at 31 March 2024 | £1,014.4m |
| Sensitivity | Indexation is applied to these assets, as a proxy for the changes in likely building costs to replace them.<br><br>As such, any indexation applied to the value of the assets will change them, during the year to 31 March 2025.<br>The overall movement from 31 March 2023 to the Balance Sheet date equates to a net increase of 0.8%. If the same movement is applied to these assets in the year to 31 March 2025, the value would increase by £20.9m. As a proxy for overall market rises in costs, the ONS published CPI for the 12 months to March 2024 is 3.2%.<br><br>If 3.2% is applied as the index for the year to 31 March 2025, then these asset values will increase by £83.7m. |

***Net defined benefit pension liability***

The Council has a number of employees who are members of Pension schemes. One such scheme, the Local Government Pension Scheme (LGPS) is a defined benefit scheme, which can give rise to significant liabilities for the Council.

The liabilities are presented net in the Council's Balance Sheet, having considered both the total assets, and the potential return from them, and all liabilities associated with scheme members. Given the duration of the liabilities, and the complexity of both determining scheme returns, and expected future liabilities, the calculation of the Council's net liability is performed by a qualified actuary.

| | |
|---|---|
| Approach to valuation | The Council, and the Council's actuary, follow an agreed and accepted process for completing the valuation, which is consistent across the sector. That is to complete a full, detailed valuation every three years, and then in the intervening years, complete a "roll-forward". This approach means that between full valuations, there is inherently a larger degree of uncertainty in the result. The estimate for the Local Government Pension Scheme liability has been performed by a qualified actuary and is based on the latest actuarial valuation and transaction information from 2023/24, which results in a net pension liability of £135.5m (2022/23 £357.6m).<br><br>The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The Fund liabilities at 31 March 2024 are based on the last triennial valuation at 31 March 2022. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 20. |
| Nature of uncertainty | The actual valuation results could be significantly different to those in Note 20 were the key assumptions to vary – given the nature of a roll-forward approach, where certain key inputs are updated, rather than formally reassessed, there is a larger inherent degree of uncertainty in any year for which a roll-forward approach is applied. Due to the complexity of the calculation, it is impracticable to disclose the full nature and extent of the change in these assumptions in the next twelve months, however a sensitivity analysis is provided in full in Note 20 which indicates the potential scale and impact of certain key assumptions. |
| Amount recorded in the financial statements at 31 March 2024 | £135.5m |
| Sensitivity | See Note 20 for further details.<br><br>However, this note, and the sensitivity analysis included deals predominantly with the overall calculation itself, and not the uncertainty that relates specifically to the roll-forward approach. While the standard requires the Council to disclose this specific uncertainty, given the complexity of the calculation, the Council has concluded that it is impracticable to quantify it. |

### *Equal Pay Liability*

The Council has recognised a significant provision in relation to a potential equal pay liability. This provision is based on two elements, one related to job evaluation and the second relating to the alleged continuation of the practice of task and finish in the period post-Covid.

Due to the nature of these provisions amounts required to be provided will continue to grow up until such time as the practice(s) that causes the potential liability cease.

| | |
|---|---|
| Approach to valuation | At the time of publishing these accounts, the Council has had, and continues to receive, claims in relation to equal pay. While the Council is working to determine the best approach to provide a fair reimbursement to colleagues, while protecting value to Birmingham City residents, no settlement scheme has yet been devised or agreed with claimants or their representatives.<br><br>Accordingly, the Council has on the basis of legal advice, determined a weighted litigation liability using assumptions around the volumes of claimants, likelihood of payment, potential scale of payment and a range of other critical assumptions.<br>That weighted litigation liability model has been used to determine the value of the provision for these accounts. |
| Nature of uncertainty | With such a complex model, and large number assumptions being used, to which the calculation is sensitive, a range of outcomes is possible.<br><br>While it isn't an uncertainty per se, based on the approach taken, the liability will have changed since the Balance Sheet date, and up to the date of signing of these financial statements. In line with IAS37, disclosure of that amount is not provided while the settlement discussions are ongoing, as it may be prejudicial to their outcome. |
| Amount recorded in the financial statements at 31 March 2024 | £404.0m |
| Sensitivity | In line with IAS37.92, further disclosure of the likely range of outcomes is not provided in these financial statements. |

## Note 5
## Events After the Reporting Period

The CIPFA Code of Practice stipulates that events after the Balance Sheet date must be properly reflected in the statement of accounts up to the date that the statement is authorised for issue.

IAS10 (events after the reporting period) confirms that there are two types of events:

- adjusting events: those that provide evidence of conditions that existed at the balance sheet date – where material, the statement of accounts must be amended to reflect the impact of these events.
- non-adjusting events: those that are indicative of conditions that arose after the balance sheet date – the statement of accounts are not amended to reflect these events, but additional explanatory notes may be added.

The Council has identified material adjusting and non-adjusting events after the balance sheet dates for these accounts, up to the date they were authorised for issue.

### Equal Pay Liability

The Council is subject to Equal Pay claims, and a provision for these at the Balance Sheet date has been included within these Financial Statements. The potential liability extends to beyond the Balance Sheet date and the estimated provision at the date of issue of these Financial Statements is £404.0m. Negotiations continue in order to provide both a fair settlement to colleagues and result with a best value outcome for the Council and residents. We are hoping to conclude negotiations prior to finalising these accounts and as such, for these draft accounts being issued for public inspection, we have left the recorded provision unchanged from that shown at March 2022. This position will be reviewed and updated prior to finalising and signing.

The provision has been calculated in line with the requirements of IAS37, which requires an organisation to provide where there is a present obligation as a result of a past event, it is probable that outflow of resources will be required to settle it, and a reliable estimate can be made of the amount of the obligation. As noted above, this estimate includes a number of assumptions, which, if incorrect could lead to a range of outcomes, all of which, when crystalised as payments, would be more than the Council could afford to pay from usable reserves.

These potential claims contribute towards the creation of a challenging financial position for the Council, which was marked by the issuance of two Section 114 notices under Section 114 (3) and (2) of the Local Government Finance Act 1988 on 5th September 2023 and 21st September 2023.

These notices outlined the financial challenges for the Council in relation to Equal Pay liabilities impacting both the value of financial resources available to the Council in prior year accounts, as well as the ability of the Council to stem the flow of additional Equal Pay liabilities.

**Oracle**

In April 2022, the Council went live with a new Enterprise Resource Planning (ERP) IT system, Oracle Cloud, to improve its internal functions relating to financial management and human resources.

Whilst it is not unusual for the implementation of new ERP systems to encounter difficulties, the transition to Oracle has proved particularly challenging. Some critical elements of Oracle did not function adequately, and this failure has impacted primarily upon the day-to-day operations of Finance and HR.

A stabilisation plan was put in place to rectify the most significant issues, and a decision was made in May 2024 for the reimplementation of the ERP system, as a 'vanilla' solution, removing customisations and relying on the tried and tested industry standard functionality in successful use by other Councils, by March 2026.

The Council made the decision to only capitalise spend up to what was deemed to be an appropriate sum of £19.6m, with all subsequent spend taken as expenditure. This Balance Sheet value is being amortised until 31 March 2026 when the new implementation of Oracle is expected to be completed and go-live. Capital costs of the reimplementation will be held on the Balance Sheet going forward.

While the issues encountered do not affect the accounting and disclosure, they have made it particularly challenging to provide sufficient evidence for the completion of audit work. As such, the Council is expecting to impose a limitation of scope on external audit activities post go-live. For these accounts, transactions were recorded in the previous system, and a full audit has been completed.

**Highways PFI Contract**

Birmingham's Highways Maintenance and Management services are currently delivered through a PFI contract. The council's Highways Maintenance and Management PFI contract is one of the largest PFI contracts in the UK and is the principal means through which the council discharges its statutory duties under the Highways Act 1980.

The contract combines approximately £50m PFI funding from government in the form of PFI credits with the Council's approximately £56m p.a. (indexed) ring-fenced revenue budget contribution for the purposes of providing routine and reactive maintenance, major planned maintenance and investment works on the city's highway network and highway assets.

On Thursday 30 November 2023, the council received formal confirmation from the Department of Transport that the Government will withdraw its existing funding arrangement, although proposed alternative funding is not yet defined.

The council commenced Judicial Review proceedings in relation to the Government's decision, which found in favour of the Council, confirming that the earlier funding arrangement should continue. While some uncertainty exists around any further Government challenge to the funding, no further formal steps have been taken to challenge the outcome of the Judicial review.

The Council has received expected PFI credits to date in line with the previously agreed payment schedule, and written confirmation from the Department of Transport that it will continue to pay those credits until such time as the Secretary of State takes a further decision on the way forwards. The Council notes that this is not confirmation of continued payment into perpetuity, or even, for the rest of the scheme, but does acknowledge that it allows for surety of short-term funding and supports the accounting treatment currently included in these accounts.

The council's foremost priority remains the continued delivery of statutory highway functions and services across the city, ensuring the safety of citizens and visitors across the network.

The council will continue to ensure the delivery of services via the current interim services contract that is delivered by Kier, and benefit from the existing funding model through Government.

**Property Plant and Equipment Valuations**

The CIPFA Code of Practice on Local Authority Accounting requires that, where assets are revalued to 'current value', the revaluations should be sufficiently regular to ensure that carrying amounts do not differ materially from current value at the end of the reporting period. Certain assets are required to be measured at fair value, reflecting market conditions at the end of the reporting period.

There are two separate areas that the Council has had to consider:

**Perry Barr Residential Scheme**

The Council is currently negotiating the disposal of built and non-built holdings known as the Perry Barr Residential Scheme. It is expected that the recoverable amount will be significantly less than the carrying value of the assets.

This greater information received, subsequent to the issuance of the draft financial statements, in relation to the value of assets at the balance sheet date is considered a post balance sheet adjusting event.

Based on expected sales proceeds, this amount has been impaired, by pro-rating the expected sales value against the full amount of capitalisable spend to the end of the project.

**Asset Disposal programme as part of Capitalisation Direction**

On 27 February 2024, the Leader of the City Council received confirmation from Simon Hoare MP, Minister for Local Government, that the Department for Levelling Up, Housing and Communities (DLUHC) was minded to approve Exceptional Financial Support of a total not exceeding £1,225.1m for the financial years 2020/21 to 2024/25. In February 2025 this was extended to include 2025/26.

This confirmed that DHLUC are minded to allow the Council a capitalisation to cover the Equal Pay accounting liability, the costs involved in the redundancy scheme, and support to deliver a balanced budget for the 2024/25 financial year (including a contingency amount for unforeseen circumstances.) The Council intends to address this through the application of capital receipts from the sale of assets and has a programme to deliver £750m worth of asset sales in 2024/25 and 2025/26.

The value in this Statement of Accounts for Property, Plant and Equipment assets is in line with the Accounting Policies and CIPFA Code and these values may be different to the market value of the assets and those achieved in any disposal.

Each asset has been assessed on a case by case basis – comparing its expected or known sale value with the amount held in the Balance Sheet, and where necessary impaired.

No impairments have been recognised as a result of this process.

**Academisation of Schools**

Since the Balance Sheet date(s) a number of Council maintained schools have become academies. 6 schools became academies in 2023/24 with £2.2m transfer in working capital and 9 schools became academies in 2024/25 with £19.6m transfer in working capital. In all cases fixed assets related to each school and appropriate proportion of pension liabilities were also transferred. This is an ongoing process with schools expected to continue to join Academy Trusts going forwards, with 14 planned during 2025/26.

It is the policy of the Council to transfer any such school, with its assets and liabilities in full at the transfer date, along with any retained reserves that the school has built up.

Accordingly, there is no impact to the Council's finances at the point of transfer, other than to remove the related assets, liability and no longer record its income and expenditure from that point.

**Lendlease (Smithfield)**

Smithfield Birmingham is a landmark mixed use regeneration project and a major contributor to the transformational plans for the City Centre that will stimulate the city's economy. The development will be delivered by the Council in partnership with Lendlease Europe (Lendlease) under a Joint Venture Agreement ("JVA") entered into on 28 June 2021.

In May 2024 Lendlease announced that it is expected to sell off its UK and US contracting operations by the end of 2025, as well as some of its assets and refocus on its Australian home market. It is anticipated that the development will continue to completion, and future progress will be delivered in line with the current contractual arrangements.

In May 2025 a partnership was agreed between the Crown Estate and Lendlease to develop housing and science and innovation districts across the UK, including Smithfield.

## HRA Recharges

During 2024, it came to light that the Council had not fully updated all assumptions used to calculate the recharge of costs from the General fund to the HRA. Given the ring fenced statutory nature of the HRA, an investigation was undertaken to determine the extent, and value, of any amounts that have been incorrectly charged historically to the HRA from the General Fund. The amounts charged in year, in these financial statements is correct. The investigation reviewed all re-charges back to the 2017/18 financial year and has identified in total that £11.7m of costs in the period from March 2017 to March 2020 were incorrectly charged to the HRA. An adjustment for this amount was recorded in the Financial Statements for the period to March 2023, and so all amounts disclosed in these financial statements are materially correct.

Note that this error does not affect the overall reserves available to the Council but affects those retained in the General Fund available for use, and those included in the HRA in equal and opposite measure.

## Laws and Regulations

There are a number of laws and regulations that the Council must operate in line with. It has come to our attention that there have been a number of suspected breaches of laws and regulations in recent years, including but not limited to:

a. **Recharges to the Housing Revenue Account from the General Fund** – as noted above, in a number of instances it has been identified that calculations for recharges have not been updated to reflected changes in the structure of the Council; accordingly, errors have been identified and fixed for 2021, 2022 and 2023, and errors relating to 2018, 2019 and 2020 have been cumulatively amended in 2023. Such errors may constitute a breach of the Local Government and Housing Act 1989.

b. **Pollinations** - as noted in the Cabinet report on 10 September 2024, there was inadequate governance and insufficient approval obtained prior to the Pollinations festival, which has caused a delay to public realm works and cost the Council £500k. This breaches internal approval protocol.

c. **Equal Pay** – As noted in a number of public reports, and in various places in these accounts, it is expected that the Council will have to provide significant payments to settle liabilities with respect to breaches in equal pay legislation. There is ongoing work to ensure that Council workers are fairly remunerated, in line with legislation, while limiting exposure of the Council's finances and mitigating the impact on our ability to continue to provide services to the residents of Birmingham.

Given the significance of this, the Council has commissioned a full external investigation into compliance with Laws and Regulations, to include, but not be limited in scope the above suspected areas of breach. The review will seek confirmation of any breaches, identification of how governance failed to allow such a breach to occur and recommend how governance and internal control can be improved to ensure they are not repeated.

## Staff Changes

The following senior officer changes have been noted since the Balance Sheet date(s) – note that it is normal to have officers leave and join a large, complex Council like Birmingham City Council. The senior officers and Council structure is fully disclosed in the AGS, and as such, no further disclosure is required, or provided in relation to these changes and they are noted here for completeness only.

### Senior Officer Changes

**Chief Executive**
2022/23 to 2023/24 Chief Executive, Deborah Cadman, 6 July 2022- 24 March 2024.
2023/24 to 2024/25 Acting Chief Executive, Graeme Betts; 25 March 2024 – 08 September 2024.
2024/25 Managing Director, Joanne Roney, 08 September 2024 – to present.

**Other Central Roles**
2021/22 to 2023/24 Transformation Director, Meena Kishinani, 10 May 2021 – 31 March 2024.
2023/24 Rishi Shori, Director of Intervention Response, 04 December 2023 - 22 March 2024.
2023/24 Rishi Shori, Deputy Chief Executive and Director of Intervention Response, 22 March 2024 - present.
2023/24 Interim Chief Operating Officer, John Quinn, 20 February 2024 - 30 September 2024.

**Place/City Operations**
2022/23 Interim Managing Director, City Operations, Mark Wiltshire, 2 January 2023 - 14 April 2023.
2023/24 Strategic Director, City Operations, Craig Cooper, 17 April 2023 – 26 May 2025.
Richard Brooks has taken over the role in an interim capacity.

**City Housing**
2022/23 to 2023/24 Interim Strategic Director, City Housing, Paul Langford, August 2022 - 7 November 2023.
2023/24 Strategic Director, City Housing, Paul Langford, 7 November 2023 – present.

**Council Management**
2021/22 Director, Council Management, Rebecca Hellard, 1 November 2021 – 31 May 2023.
2023/24 Acting Director of Council Management, Darren Hockaday, April 2023 – October 2023.
2023/24 Director of Finance and Section 151 Officer, Fiona Greenway, 11 April 2023 – 16 March 2025.
2024/25 Executive Director of Finance and Section 151 Officer, Carol Culley, 17 March 2025 to present.

**Place, Prosperity and Sustainability**
2022/23 Strategic Director, Place, Prosperity and Sustainability, Paul Kitson, 4 January 2022 – 7 April 2024.
2024/25 Acting Strategic Director, Place, Prosperity and Sustainability, Phillip Nell, 8 April 2024 - 23 February 2025.
2024/25 Richard Lawrence, Director, Place, Prosperity and Sustainability 24 February 2025 to present.

**Strategy, Equalities and Partnerships**
2021/22 Director, Strategy, Equalities and Partnerships, Richard Brooks, 15 November 2021 - present.

**Adult Social Care**
2025/26 Director of Adult Social Care, Stuart Lackenby,1 April 2025 – present.

## 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.

| 2023/24 | As Reported to Cabinet | Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA Balances | **Net Expenditure Chargeable to the General Fund and HRA Balances** | Adjustments between Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|
| | | (Note 7) | | (Note 7) | |
| | £m | £m | **£m** | £m | £m |
| Adult Social Care | 405.1 | (10.4) | **394.7** | 20.2 | 414.9 |
| Children and Families | 419.4 | (16.9) | **402.5** | 38.0 | 440.5 |
| City Housing | 29.4 | 5.2 | **34.6** | 0.0 | 34.6 |
| City Operations | 208.2 | (2.5) | **205.7** | 40.1 | 245.8 |
| Place, Prosperity and Sustainability | 69.4 | (94.4) | **(25.0)** | 6.5 | (18.5) |
| Council Management | 48.7 | 55.0 | **103.7** | (4.8) | 98.9 |
| Strategy, Equalities and Partnerships | 7.8 | (3.2) | **4.6** | (0.4) | 4.2 |
| Centrally Managed | (232.3) | 302.4 | **70.1** | (154.7) | (84.6) |
| Housing Revenue Account | 0.0 | (94.1) | **(94.1)** | 44.2 | (49.9) |
| **Net Cost of Services** | **955.7** | **141.1** | **1,096.8** | **(10.9)** | **1,085.9** |
| Other Income and Expenditure | (1,059.0) | (60.0) | **(1,119.0)** | 60.0 | (1,059.0) |
| **(Surplus) /Deficit** | **(103.3)** | **81.1** | **(22.2)** | **49.1** | **26.9** |
| Opening General Fund and HRA Balance | | | **827.9** | | |
| Surplus/ (Deficit) for the Year | | | **22.2** | | |
| **Closing General Fund and HRA Balance** | | | **850.1** | | |

| 2022/23 | As Reported to Cabinet | Adjustment to arrive at the Net Amount Chargeable to the General Fund and HRA Balances | **Net Expenditure Chargeable to the General Fund and HRA Balances** | Adjustments between Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|
| | | (Note 7) | | (Note 7) | |
| | £m | £m | **£m** | £m | £m |
| Adult Social Care | 366.5 | (20.0) | **346.5** | 45.5 | 392.0 |
| Children and Families | 377.3 | (50.8) | **326.5** | 119.5 | 446.0 |
| City Housing | 31.5 | (8.2) | **23.3** | 5.4 | 28.7 |
| City Operations | 203.6 | (41.7) | **161.9** | 84.5 | 246.4 |
| Place, Prosperity and Sustainability | 61.6 | (93.0) | **(31.4)** | 44.6 | 13.2 |
| Council Management | 35.7 | (102.6) | **(66.9)** | 244.5 | 177.6 |
| Strategy, Equalities and Partnerships | 6.4 | (0.8) | **5.6** | 3.5 | 9.1 |
| Centrally Managed | (323.4) | 367.8 | **44.4** | (156.5) | (112.1) |
| Housing Revenue Account | 0.0 | (83.4) | **(83.4)** | (3.9) | (87.3) |
| **Net Cost of Services** | **759.2** | **(32.7)** | **726.5** | **387.1** | **1,113.6** |
| Other Income and Expenditure | (759.2) | 267.6 | **(491.6)** | (361.7) | (853.3) |
| **(Surplus) /Deficit** | **0.0** | **234.9** | **234.9** | **25.4** | **260.3** |
| Opening General Fund and HRA Balance | | | **1,062.8** | | |
| Surplus/ (Deficit) for the Year | | | **(234.9)** | | |
| **Closing General Fund and HRA Balance** | | | **827.9** | | |

## 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.

| 2023/24 | Depreciation reported at Directorate level | Reserve Appropriations | Other Adjustments | **Total to arrive at amount charged to the General Fund and HRA** | Adjustments for Capital Purposes | Net Change for the Pensions Adjustment | Other Adjustments | **Total Adjustment Between Funding and Accounting Basis** |
|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | **£m** | £m | £m | £m | **£m** |
| Adult Social Care | (2.4) | 8.4 | (16.4) | **(10.4)** | 22.7 | (2.4) | (0.1) | **20.2** |
| Children and Families | (65.4) | (31.0) | 79.5 | **(16.9)** | 41.9 | (6.6) | 2.7 | **38.0** |
| City Housing | (1.4) | (24.2) | 30.8 | **5.2** | 0.5 | (0.5) | (0.0) | **(0.0)** |
| City Operations | (85.2) | 10.9 | 71.8 | **(2.5)** | 43.5 | (3.2) | (0.2) | **40.1** |
| Place, Prosperity and Sustainability | (13.2) | (7.8) | (73.4) | **(94.4)** | 11.7 | (0.8) | (4.4) | **6.5** |
| Council Management | (3.4) | 31.0 | 27.4 | **55.0** | 0.3 | (5.5) | 0.4 | **(4.8)** |
| Strategy, Equalities and Partnerships | 0.0 | (5.6) | 2.4 | **(3.2)** | 0.0 | (0.4) | (0.0) | **(0.4)** |
| Centrally Managed | 0.0 | 10.5 | 291.9 | **302.4** | (0.3) | (17.9) | (136.5) | **(154.7)** |
| Housing Revenue Account | (68.2) | (28.2) | 2.3 | **(94.1)** | 49.8 | (2.2) | (3.4) | **44.2** |
| **Net Cost of Services** | (239.2) | (36.0) | 416.3 | **141.1** | 170.1 | (39.5) | (141.5) | **(10.9)** |
| Other Income and Expenditure | 239.2 | 0.0 | (299.2) | **(60.0)** | 53.5 | 0.0 | 6.5 | **60.0** |
| **(Surplus) or Deficit** | **0.0** | **(36.0)** | **117.1** | **81.1** | **223.6** | **(39.5)** | **(135.0)** | **49.1** |

| 2022/23 | Depreciation reported at Directorate level | Reserve Appropriations | Other Adjustments | **Total to arrive at amount charged to the General Fund and HRA** | Adjustments for Capital Purposes | Net Change for the Pensions Adjustment | Other Adjustments | **Total Adjustment Between Funding and Accounting Basis** |
|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | **£m** | £m | £m | £m | **£m** |
| Adult Social Care | (2.4) | (5.5) | (12.1) | **(20.0)** | 17.7 | 27.7 | 0.1 | **45.5** |
| Children and Families | (65.7) | (19.3) | 34.2 | **(50.8)** | 43.6 | 75.7 | 0.2 | **119.5** |
| City Housing | (1.4) | (28.2) | 21.4 | **(8.2)** | 0.7 | 4.6 | 0.1 | **5.4** |
| City Operations | (85.2) | 7.5 | 36.0 | **(41.7)** | 48.7 | 35.7 | 0.1 | **84.5** |
| Place, Prosperity and Sustainability | (13.2) | (6.0) | (73.8) | **(93.0)** | 35.0 | 9.5 | 0.1 | **44.6** |
| Council Management | (3.5) | (10.7) | (88.4) | **(102.6)** | 27.4 | 60.3 | 156.8 | **244.5** |
| Strategy, Equalities and Partnerships | 0.0 | (5.6) | 4.8 | **(0.8)** | 0.0 | 3.5 | 0.0 | **3.5** |
| Centrally Managed | 0.0 | 540.9 | (173.1) | **367.8** | 77.3 | 72.6 | (306.4) | **(156.5)** |
| Housing Revenue Account | (64.7) | 8.8 | (27.5) | **(83.4)** | 104.4 | 17.3 | (125.6) | **(3.9)** |
| **Net Cost of Services** | (236.1) | 481.9 | (278.5) | **(32.7)** | 354.8 | 306.9 | (274.6) | **387.1** |
| Other Income and Expenditure | 236.1 | 0.0 | 31.5 | **267.6** | 48.9 | (122.0) | (288.6) | **(361.7)** |
| **(Surplus) or Deficit** | **0.0** | **481.9** | **(247.0)** | **234.9** | **403.7** | **184.9** | **(563.2)** | **25.4** |

**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.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| | **Expenditure** | |
| 1,148.7 | Employee Benefits Expenses | 1,037.6 |
| 2,281.5 | Other Service Expenses | 2,382.6 |
| 108.1 | Depreciation, Amortisation and Impairment | 318.7 |
| 254.1 | Interest Payments | 215.2 |
| 28.5 | Movements in the value of financial assets | 11.4 |
| 50.4 | Precepts and Levies | 52.1 |
| 0.0 | Payments to Housing Capital Receipts Pool | 0.1 |
| 69.0 | Loss on Disposal of Non-Current Assets | 47.6 |
| **3,940.3** | **Total Expenditure** | **4,065.3** |
| | **Income** | |
| (690.3) | Fees and Charges and Other Service Income | (715.1) |
| (775.4) | Income from Council Tax and Business rates | (917.4) |
| (2,183.2) | Government Grants and Contributions | (2,377.3) |
| (31.1) | Interest and Investment Income | (28.6) |
| **(3,680.0)** | **Total Income** | **(4,038.4)** |
| **260.3** | **(Surplus)/Deficit on Provision of services** | **26.9** |

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

There were no material items of income and expenditure.

**Note 10**
**Other Operating Expenditure**

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

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| 1.9 | Parish Council Precepts | 1.9 |
| 8.2 | Enterprise Zone Growth Payment | 33.2 |
| 45.4 | Integrated Transport Authority Levy | 46.8 |
| 0.3 | Environment Agency Levy | 0.3 |
| 2.8 | Apprenticeship Levy | 3.1 |
| 0.0 | Payments re: Housing Capital Receipt Pool | 0.1 |
| 69.0 | (Gains)/Losses on the Disposal of non-current assets | 47.6 |
| **127.6** | **Total** | **133.0** |

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.

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure £m | Income £m | Net £m | | Gross Expenditure £m | Income £m | Net £m |
| 177.2 | - | 177.2 | Interest Payable and similar charges | 196.5 | - | 196.5 |
| 76.9 | - | 76.9 | Net Interest on the Net Defined Benefit Liability | 18.7 | - | 18.7 |
| - | - | - | Administration Expenses - Pensions | - | - | - |
| - | (30.7) | (30.7) | Interest Receivable and similar income | - | (27.2) | (27.2) |
| - | - | - | Income and expenditure in relation to investment properties and changes in their fair value | - | (1.0) | (1.0) |
| 28.5 | - | 28.5 | (Gains)/Losses on financial assets at amortised cost | 11.4 | - | 11.4 |
| - | - | - | (Gains)/Losses on financial assets at fair value through profit and loss | - | - | - |
| - | - | - | (Gains)/Losses on the Disposal of Financial Instruments | - | - | - |
| 39.1 | (38.5) | 0.6 | (Surplus)/Deficit on trading operations not consolidated within Service Expenditure Analysis in Comprehensive Income and Expenditure Statement | 30.8 | (32.2) | (1.4) |
| - | (0.4) | (0.4) | Other investment income and expenditure | - | (0.4) | (0.4) |
| **321.7** | **(69.6)** | **252.1** | **Total** | **257.4** | **(60.8)** | **196.6** |

**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:

| 2022/23 Gross Expenditure £m | 2022/23 Income £m | 2022/23 Net £m | | 2023/24 Gross Expenditure £m | 2023/24 Income £m | 2023/24 Net £m |
|---|---|---|---|---|---|---|
| - | (403.0) | (403.0) | Council Tax Income - Collection Fund | - | (444.6) | (444.6) |
| - | (360.2) | (360.2) | Business Rates - Collection Fund | - | (439.3) | (439.3) |
| - | (1.3) | (1.3) | Share of Collection Fund - Council Tax | 12.0 | - | 12.0 |
| 24.7 | (10.9) | 13.8 | Share of Collection Fund - Business Rates | 60.5 | (33.5) | 27.0 |
| - | (382.1) | (382.1) | Non Ring Fenced Government Grants | - | (426.1) | (426.1) |
| - | (100.3) | (100.3) | Capital Grants and Contributions | - | (117.6) | (117.6) |
| 0.1 | - | 0.1 | Capital Grants Repaid | - | - | - |
| **24.8** | **(1,257.8)** | **(1,233.0)** | **Total** | **72.5** | **(1,461.1)** | **(1,388.6)** |

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.

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| Turnover £m | Expenditure £m | (Surplus) / Deficit £m | **Trading activity** | Turnover £m | Expenditure £m | (Surplus) / Deficit £m |
| (17.9) | 17.7 | (0.2) | Cityserve (Direct Services) | (25.6) | 25.8 | 0.2 |
| (8.6) | 7.8 | (0.8) | Trade Refuse | (8.7) | 7.7 | (1.0) |
| (18.1) | 18.0 | (0.1) | Birmingham Parks and Nurseries | (18.2) | 16.4 | (1.8) |
| (0.9) | 1.4 | 0.5 | Pest Control | (0.7) | 1.6 | 0.9 |
| (0.3) | 3.2 | 2.9 | Procurement | - | 0.4 | 0.4 |
| (3.0) | 2.4 | (0.6) | Schools' Human Resources | (3.0) | 3.0 | - |
| (1.6) | 1.8 | 0.2 | Central Payroll | (1.3) | 1.8 | 0.5 |
| (9.9) | 9.3 | (0.6) | Other Trading Activities | (13.0) | 11.4 | (1.6) |
| **(60.3)** | **61.6** | **1.3** | | **(70.5)** | **68.1** | **(2.4)** |
| | | | Allocation of Surplus/Deficit on Trading Operations | | | |
| (21.8) | 22.5 | 0.7 | - consolidated in CIES | (38.3) | 37.3 | (1.0) |
| (38.5) | 39.1 | 0.6 | - consolidated in Note 11, Financing and Investment Income and Expenditure | (32.2) | 30.8 | (1.4) |
| **(60.3)** | **61.6** | **1.3** | | **(70.5)** | **68.1** | **(2.4)** |

Details of Trading Activities

**Cityserve**

During 23/24 Cityserve provided school meal services to around 160 schools within the Birmingham conurbation. These were mostly primary schools, where children received free school meals either through the benefit system, or via the Government's Universal Infant Free School Meal fund. All additional school meals were paid for by parents/guardians of the children who elected to receive a service from Cityserve. In addition to primary schools, Cityserve provided school meals to some secondary schools, special schools, community day centres and children's centres.

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

**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 and pensions services to schools, academies and other external bodies.

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

## Note 14
## Grant Income

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

| 2022/23 | | 2023/24 |
|---|---|---|
| £m | | £m |
| | **Credited to Taxation and Non Specific Grant Income** | |
| 59.4 | Business Rates Top Up Grant | 67.5 |
| 3.7 | New Homes Bonus Grant | 1.4 |
| 18.2 | Schools PFI Grant | 18.2 |
| 50.3 | Highways Management and Maintenance PFI Grant | 50.3 |
| 7.0 | Troubled Families Grant | 6.8 |
| 5.0 | Housing Benefit Administration Grant | 5.1 |
| 2.7 | Discretionary Housing Payment | |
| 37.4 | Small Business Rate Relief Grant | 35.5 |
| 34.8 | Business Rates S31 Grant | 67.9 |
| 60.8 | Adult Social Care Support Grant | 106.5 |
| 36.9 | Additional Business Rates Relief Grant | 46.9 |
| 6.0 | COVID-19 Additional Relief Fund (CARF) | - |
| 24.7 | Service Grant | 14.5 |
| 27.7 | Adults Social Care Grant | - |
| 3.0 | National Levy Account Surplus | 3.0 |
| 4.5 | Other | 2.5 |
| **382.1** | **Revenue Grants credited to Taxation and Non Specific Grant Income** | **426.1** |
| | **Credited to Cost of Services** | |
| 10.6 | Adult Education | 10.9 |
| 523.6 | Housing Benefit Subsidy | 572.2 |
| 677.4 | Dedicated Schools Grant | 717.7 |
| 8.9 | Education Funding Agency | 9.4 |
| 42.4 | Pupil Premium Grant | 43.6 |
| 4.5 | Illegal Money Lending | 5.0 |
| 6.5 | Universal Infants Free School Meals Grant | 6.9 |
| 23.4 | NHS Trusts and CCG Adult Social Care Contributions | 6.2 |
| 96.0 | Public Health Grant | 99.1 |
| 110.5 | Better Care Fund (including improved Better Care Fund) | 113.3 |
| 4.1 | Independent Living Fund Grant | - |
| 7.0 | Asylum Seekers | 10.8 |
| | Homeless Prevention | 7.4 |
| 4.7 | Flexible Homeless Support | |
| 9.8 | Enterprise Zone - Projects | 10.8 |
| 3.2 | Primary PE and Sport Grant | 3.1 |
| 3.3 | Domestic Abuse New Burdens Duty | 3.3 |
| 8.4 | Holiday Activities and Food Programme | 8.2 |
| - | Highways Commuted Maintenance | 3.9 |
| - | Coronavirus (COVID-19) Recovery Premium | 6.8 |
| - | Local Sport Delivery Pilot | 1.6 |
| - | National Tutoring Programme – Academic Mentors | 0.7 |

| | | |
|---|---|---|
| 11.0 | Schools Supplementary Fund | 13.1 |
| 12.8 | Household Support Fund | - |
| 3.8 | Market Sustainability and Fair Cost of Care Fund | 21.6 |
| 4.7 | Adults Social Care Discharge Fund-Grant | 9.5 |
| 3.3 | Adults Social Care Discharge Fund-Contribution | - |
| 12.8 | Household Support Fund | 25.0 |
| 9.2 | Homes For Ukraine | 2.0 |
| 3.8 | Homelessness Accommodation Leasing Project | - |
| - | Supplementary Substance Misuse Treatment and Recovery | 4.5 |
| - | UK Shared Prosperity Fund | 6.1 |
| - | Teachers' Pay Grant | 5.6 |
| - | Family Hubs | 3.5 |
| - | Contribution from Enterprise Zone | 9.3 |
| - | Local Council Tax Support Schemes grant | 3.0 |
| - | Early years supplementary grant | 5.5 |
| 84.5 | Grants and contributions of less than £3m | 58.7 |
| **1,690.2** | **Total Revenue Grants Credited to Cost of Services** | **1,808.3** |
| **2,072.3** | **Total Revenue Grants** | **2,234.4** |
| | **Capital Grants** | |
| 64.0 | Education Funding Agency | 33.6 |
| - | Department for Transport - Tame Valley Viaduct | 24.5 |
| - | West Midlands Combined Authority - Commonwealth Games | 3.5 |
| 3.8 | Department of Health - Better Care Fund | - |
| 6.3 | Integrated Transport Block | - |
| 8.8 | Levelling Up Fund & LEP Contribution - A457 Dudley Road | 5.2 |
| 3.3 | Capital Grant - West Midlands Combined Authority | 4.8 |
| 3.2 | Capital Grant - Bordesley Wheels | 2.3 |
| - | Capital Grant - MEND - Birmingham Museum & Art Gallery | 2.6 |
| - | Capital Grant - Social Housing Decarbonisation Fund | 13.0 |
| - | Capital Grant - Local Authority Housing Fund | 11.3 |
| - | Capital Grant - ERDF - Employment Services | 3.6 |
| 2.4 | Department for Transport | 4.9 |
| 3.0 | Local Authority Delivery (LAD) | - |
| 5.5 | Other Grants and Contributions | 8.3 |
| **100.3** | **Capital Grants credited to Taxation and Non Specific Grant Income** | **117.6** |
| | **Capital Grants funding Revenue Expenditure under Statute credited to Cost of Services** | |
| 9.1 | Department of Health - Better Care Fund | 17.8 |
| - | Capital Grant - Historic England - City Deal: Warwick Barr | 2.1 |
| - | Capital Grant - Energy Efficiency Scheme | 2.2 |
| 1.5 | Other Grants and Contributions | 3.1 |
| **10.6** | **Total Capital Grants funding Revenue Expenditure Under Statute** | **25.2** |
| **110.9** | **Total Capital Grants Received** | **142.8** |

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 2023/24. 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) or 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 2023/24 are as follows:

| | **Central Expenditure** | **Individual Schools Budget** | **Total** |
|---|---|---|---|
| | £m | £m | £m |
| Final DSG for 2023/24 before Academy Recoupment | 304.6 | 1,152.1 | 1,456.7 |
| Academy figure recouped for 2023/24 | - | (733.2) | (733.2) |
| **Total DSG after Academy recoupment for 2023/24** | **304.6** | **418.9** | **723.5** |
| Plus: Brought forward from 2022/23 | 29.6 | - | 29.6 |
| **Agreed initial budgeted distribution in 2023/24** | **334.2** | **418.9** | **753.1** |
| **Final budgeted distribution for 2023/24** | **334.2** | **418.9** | **753.1** |
| Less: Actual Central Expenditure | 281.4 | - | 281.4 |
| Less: Actual ISB deployed to schools | - | 421.3 | 421.3 |
| **Carry forward to 2024/25** | **52.8** | **(2.4)** | **50.4** |

The year end net surplus of £50.4m is composed of 4 elements:

- A net deficit of £2.4m on the Schools Block is due to:
  - A planned overspend in schools individual budgets of £4.833m which was set off against a brought forward reserve;
  - An underspend of £1.271m on the schools falling rolls fund. This was due to the actual number of pupil falling rolls being less than originally expected;
  - A total underspend of £1.191m for Growth Funding due planned growth in pupil numbers not being as high as originally expected.

  This overspend is funded from a brought forward reserve of £5.812m. The cumulative reserve for the Schools Block is £3.441m

- A net surplus of £23.5m on the High Needs Block, 10.0% of the net High Needs Block allocation. This is after setting £7.0m for Developing Local Provision (DLP) to ensure that the financial commitment to DLP over the two-year programme is honoured. The underspend is mainly in relation to unallocated spend for new service provision. The key over and under spends are summarised below:
    - £2.040m overspend on demand led service - Top Ups, sixth day provision, independent, Further Education and Other Local Authority school places;
    - £6.000m underspend on funded services and projects with £4.200m underspent on Delivering Local Provision (DLP). The Service is planning to spend this money by summer 2025 which is the end of this project;
    - £19.000m is the unspent monies not allocated to budget from the High Needs Block.

  The cumulative reserve for the High Needs Block is £37.927m. This will be considered as part of the Delivering Better Value Programme in future years.

- A net deficit of £2.1m on the Central Schools Services Block is due to:
    - Copyright License – an overspend of £0.220m due to costs being higher than originally budgeted for;
    - School Admissions - an £0.362m underspend due to delays in the recruitment to vacancies, additional income generated for appeals services provided to Academy Schools and the deferral of IT development costs;
    - Combined Budgets for both historical and ongoing commitments – an overspend totalling £2.263m, such as equal pay and nursery redundancy costs.

  This overspend is funded from a brought forward reserve of £3.291m. The cumulative reserve for the CSSB is £1.170m.

- A net surplus of £1.8m on the Early Years Block. The Council mainly due to:
    - Centrally Retained Funds - £1.4m underspend due to delay in recruitment of staff resulting in unfilled vacancies;
    - £0.149m underspend on disability support funding compared to budgeted amount;
    - Teachers Pension Pay Grant £0.241m was not paid until FY 2024/25.

  The cumulative reserve for the Early Years Block is £7.865m.

**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.

| 2023/24 | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Adjustments to Revenue Resources** | | | | | |
| Adjustments by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| Pension costs (transferred to/from the Pensions Reserve) | 34.9 | 2.3 | - | - | - |
| Financial Instruments (transferred to/from the Financial Instrument Adjustments Account) | (1.8) | - | - | - | - |
| Council Tax and Business Rates (transfers to/from the Collection Fund) | 76.5 | - | - | - | - |
| Holiday Pay (transferred to/from the Accumulated Absences Reserve) | (6.4) | - | - | - | - |
| Equal Pay settlements (transferred to/from the Unequal Pay Backpay Account) | - | - | - | - | - |
| 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) | 67.4 | 155.7 | - | - | 65.3 |
| **Total Adjustments to Revenue Resources** | **170.6** | **158.0** | **-** | **-** | **65.3** |
| **Adjustments between Revenue and Capital Resources** | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (19.1) | (46.1) | 65.2 | - | - |
| 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) | - | - | - | - | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | 0.1 | - | (0.1) | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | (67.7) | - | 67.7 | - |
| Provision for the repayment of debt (transfer to the Capital Adjustment Account) | (136.5) | - | - | - | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (11.2) | - | - | - | - |
| **Total Adjustments between Revenue and Capital Resources** | **(165.7)** | **(113.8)** | **64.1** | **67.7** | **-** |
| **Adjustments to Capital Resources** | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | - | (70.0) | - | - |
| Use of the Capital Receipts Reserve to repay debt | - | - | 0.2 | - | - |
| Use of the Major Repairs Reserve to finance capital expenditure | - | - | - | (55.5) | - |
| Application of capital grants to finance capital expenditure | - | - | - | - | (57.0) |
| Cash payments in relation to deferred capital receipts | - | - | - | - | - |
| Other | - | | - | - | 0.1 |
| **Total Adjustments to Capital Resources** | **-** | **-** | **(69.8)** | **(55.5)** | **(56.9)** |
| **Total Adjustments** | **4.9** | **44.2** | **(5.7)** | **12.2** | **8.4** |

| 2022/23 | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Adjustments to Revenue Resources** | | | | | |
| Adjustments by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| Pension costs (transferred to/from the Pensions Reserve) | 167.6 | 17.3 | - | - | - |
| Financial Instruments (transferred to/from the Financial Instrument Adjustments Account) | (1.0) | - | - | - | - |
| Council Tax and Business Rates (transfers to/from the Collection Fund) | (166.9) | - | - | - | - |
| Holiday Pay (transferred to/from the Accumulated Absences Reserve) | 2.6 | - | - | - | - |
| Equal Pay settlements (transferred to/from the Unequal Pay Backpay Account) | - | - | - | - | - |
| 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) | 173.0 | 104.4 | - | - | 74.0 |
| **Total Adjustments to Revenue Resources** | **175.3** | **121.7** | **-** | **-** | **74.0** |
| | | | | | |
| **Adjustments between Revenue and Capital Resources** | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (72.0) | (61.2) | 96.9 | - | - |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve) | 0.8 | - | (0.8) | - | - |
| Contribution to the costs of Equal Pay (funded by the Capital Receipts Reserve) | 55.1 | - | (55.1) | - | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | - | - | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | (62.9) | - | 62.9 | - |
| Provision for the repayment of debt (transfer to the Capital Adjustment Account) | (125.0) | - | - | - | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (4.9) | (1.5) | - | - | - |
| **Total Adjustments between Revenue and Capital Resources** | **(146.0)** | **(125.6)** | **41.0** | **62.9** | **-** |
| | | | | | |
| **Adjustments to Capital Resources** | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | - | (34.8) | - | - |
| Use of the Capital Receipts Reserve to repay debt | - | - | (0.0) | - | - |
| Use of the Major Repairs Reserve to finance capital expenditure | - | - | - | (62.9) | - |
| Application of capital grants to finance capital expenditure | - | - | - | - | (48.8) |
| Cash payments in relation to deferred capital receipts | - | - | 6.0 | - | - |
| Other | - | - | 2.5 | - | - |
| **Total Adjustments to Capital Resources** | **-** | **-** | **(26.3)** | **(62.9)** | **(48.8)** |
| | | | | | |
| **Total Adjustments** | **29.3** | **(3.9)** | **14.7** | **-** | **25.2** |

**Note 17**
**Usable Reserves**

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

The Reserves have been split into the following major categories:

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

| **Usable Reserves** | **Balance at 31 March 2023** | **Transfers Out 2023/24** | **Transfers In 2023/24** | **Balance at 31 March 2024** |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Unearmarked Reserves** | | | | |
| General Fund Balances | 9.2 | (113.8) | 129.6 | 25.0 |
| Strategic Reserve | - | - | 115.6 | 115.6 |
| Organisation Transition Reserve | 52.7 | (116.5) | 63.8 | - |
| Financial Resilience Reserve | 56.0 | (76.0) | 20.0 | - |
| | **117.9** | **(306.3)** | **329.0** | **140.6** |
| **Earmarked Reserves** | | | | |
| Insurance Fund | 7.7 | (0.4) | - | 7.3 |
| Sums set aside to finance Capital Expenditure | 19.8 | (20.3) | 0.3 | (0.2) |
| Housing Benefit Subsidy Reserve | 4.2 | - | - | 4.2 |
| Cyclical Maintenance Reserve | 11.3 | (0.9) | 1.8 | 12.2 |
| Equipment Renewal Reserve | 9.6 | (0.1) | 2.4 | 11.9 |
| Management Capacity for Change | 9.2 | (8.1) | - | 1.1 |
| Business Rates | 15.2 | - | 1.2 | 16.4 |
| Covid-19 Support | 0.3 | (0.2) | - | 0.1 |

| | | | | |
|---|---|---|---|---|
| Education PFI | 0.5 | (2.2) | 1.7 | - |
| Budget Smoothing Reserve | 24.5 | (24.5) | - | - |
| Community Recovery Plan Reserve | 0.5 | (0.3) | - | 0.2 |
| Income Compensation re Collection Fund | 7.9 | (7.9) | - | - |
| Support to the Business Plan | (38.0) | - | 24.2 | (13.8) |
| Clean Air Zone Reserves | 47.8 | (4.5) | 30.4 | 73.7 |
| General Maintenance Tenants Reserve | 3.6 | - | 0.2 | 3.8 |
| Selective Licensing | - | - | 11.6 | 11.6 |
| Other Earmarked Reserves | 70.2 | (80.2) | 40.4 | 30.4 |
| **Total Reserves Earmarked by the Council** | **194.3** | **(149.6)** | **114.2** | **158.9** |
| | | | | |
| **Revenue Grant Reserves** | | | | |
| Section 256 Grant from the NHS (Adults & Communities) | 14.8 | (4.9) | 4.6 | 14.5 |
| Public Health | 20.9 | (0.1) | 8.4 | 29.2 |
| Better Care Fund (BCF) and Improved BCF | 15.4 | (5.8) | - | 9.6 |
| Highways PFI Grant | 177.7 | (28.3) | - | 149.4 |
| General Fund Section 106 Grants | 35.2 | (1.0) | 4.5 | 38.7 |
| HRA Section 106 Grants | 6.0 | (3.4) | 2.0 | 4.6 |
| Community Infrastructure Levy | 12.6 | (0.5) | 5.1 | 17.2 |
| Self Isolation Payments Grant | 0.9 | - | - | 0.9 |
| Additional Restrictions Support Grant Reserve | 0.1 | - | - | 0.1 |
| Public Health Test and Trace | 5.8 | (2.7) | - | 3.1 |
| Clean Air Zone Grant Reserve | 7.3 | - | - | 7.3 |
| Covid-19 Hardship Fund Reserve | 1.0 | - | - | 1.0 |
| Other Grant Reserves | 87.7 | (46.3) | 77.7 | 119.1 |
| **Total Revenue Grant Reserves** | **385.4** | **(93.0)** | **102.3** | **394.7** |
| | | | | |
| **Non-Schools' DSG** | **11.9** | **(11.9)** | **-** | **-** |
| | | | | |
| **Ringfenced Reserves** | | | | |
| Schools' Balances | 84.3 | (48.7) | 59.4 | 95.0 |
| Housing Revenue Account | 34.1 | (46.2) | 73.1 | 61.0 |
| HRA Major Repairs Reserve | 17.9 | (55.5) | 67.7 | 30.1 |
| **Total Ringfenced Reserves** | **136.3** | **(150.4)** | **200.2** | **186.1** |
| | | | | |
| **Capital Reserves** | | | | |
| Capital Receipts Reserve | 338.2 | (72.6) | 66.9 | 332.5 |
| Capital Receipts Funding Equal Pay | (404.0) | - | - | (404.0) |
| Capital Grants Unapplied | 137.9 | (57.0) | 65.3 | 146.2 |
| **Total Capital Reserves** | **72.1** | **(129.6)** | **132.2** | **74.7** |
| | | | | |
| **Total Usable Reserves** | **917.9** | **(840.8)** | **877.9** | **955.0** |

Details of the major usable reserves as at 31 March 2024 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.

Strategic Reserve – to provide contingency funding in case of overspends and financial difficulties in the future.

Organisation Transition Reserve – has been established to enable the necessary investment required by the Council's Delivery Plan. It also contains the previous Invest to Save Reserve.

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

Earmarked Reserves comprising:

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

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

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

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

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

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

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

- A contingency in case there is a requirement to make a payment under the Council's "no detriment" agreement with the other West Midlands Business Rates Retention Pilot authorities.
- To address the timing difference between grant received and when the Council has assumed it will be required.

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

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

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

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

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

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

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

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

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

Selective Licensing – earmarked as a property licensing account.

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

Revenue Grant reserves comprising:

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

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

Ringfenced reserves comprising:

Schools' Balances - are the net cumulative balances held by the local authority maintained schools which, under national school funding regulations, the schools are entitled to retain for unexpected commitments and/or for planned school curriculum/infrastructure improvements and investment. Within the total Schools' Balances there are 38 (2022/23: 32) local authority maintained schools with deficit balances totalling £12.1m (2022/23: £6.6m).

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

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

Capital Reserves

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 statue, for example to meet costs of Equal Pay.

Capital Receipts Funding Equal Pay – reflects the capital receipts set aside and utilised to specifically fund the Council's Equal Pay liabilities, as permitted under the Capitalisation Direction (Exceptional Financial Support).

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 2023 | | 31 March 2024 |
|---|---|---|
| £m | | £m |
| 2,662.3 | Revaluation Reserve | 2,490.0 |
| (218.1) | Capital Adjustment Account | (97.1) |
| (63.0) | Financial Instruments Adjustment Account | (61.0) |
| (357.6) | Pensions Reserve | (135.5) |
| 63.0 | Deferred Capital Receipts Reserve | 67.3 |
| 28.5 | Collection Fund Adjustment Account | (48.4) |
| (18.4) | Accumulated Absences Account | (12.0) |
| **2,096.7** | **Total Unusable Reserves** | **2,203.3** |

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.

| 2022/23 £m | 2022/23 £m | | 2023/24 £m | 2023/24 £m |
|---|---|---|---|---|
| | **2,534.0** | **Balance at 1 April** | | **2,662.3** |
| 323.2 | | Upward revaluation of assets | 193.6 | |
| (122.9) | | Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services | (284.6) | |
| | 200.3 | Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services | | (91.0) |
| (60.1) | | Difference between fair value depreciation and historical cost depreciation | (50.1) | |
| (11.9) | | Accumulated gains on assets sold or scrapped | (31.2) | |
| | (72.0) | Amount written off to the Capital Adjustment Account | | (81.3) |
| | **2,662.3** | **Balance at 31 March** | | **2,490.0** |

## Capital Adjustment Account

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 16 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| £m | £m | | £m | £m |
| | (214.9) | Balance at 1 April | | (218.1) |
| | (0.4) | Transfer from Available for Sale Reserve | | - |
| | (215.3) | Restated Balance at 1 April | | (218.1) |
| | | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES): | | |
| (157.3) | | Charges for depreciation and impairment of non current assets | (172.0) | |
| (85.0) | | Revaluation losses on Property, Plant and Equipment | (22.3) | |
| (1.4) | | Amortisation and impairment of intangible assets | (7.1) | |
| - | | Changes in the Fair Value of Investment Properties | 1.0 | |
| (0.1) | | Changes in the Fair Value of Financial Instruments | (0.1) | |
| - | | Impairment of Capital Debtors/Grants | | |
| (78.3) | | Revenue expenditure funded from capital under statute | (50.7) | |
| (201.4) | | Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES | (116.7) | |
| | (523.5) | | | (367.9) |
| | 72.0 | Adjusting amounts written out of the Revaluation Reserve | | 81.3 |
| | (451.5) | Net written out amount of the cost of non-current assets consumed in the year | | (286.6) |
| | | Capital financing applied in the year: | | |
| 34.8 | | Use of the Capital Receipts Reserve to finance new capital expenditure | 70.0 | |
| 62.9 | | Use of the Major Repairs Reserve to finance new capital expenditure | 55.4 | |
| 173.2 | | Capital grants and contributions credited to the CIES that have been applied to capital financing | 77.5 | |
| 48.8 | | Application of grants to capital financing from the Capital Grants Unapplied Account | 57.0 | |
| - | | Application of capital receipts to repay debt | - | |
| 125.0 | | Provision for the financing of capital investment charged against the General Fund and HRA balances | 136.5 | |
| 6.4 | | Capital expenditure charged against the General Fund and HRA balances | 11.2 | |
| | 451.1 | | | 407.6 |
| | (2.4) | Repayment of long term debtors | | - |
| | **(218.1)** | **Balance at 31 March** | | **(97.1)** |

## 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 2023/24 financial year, the Council have not agreed early repayment of long term loans with the lenders (2022/23 no early repayment of long term loans with the lenders).

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| £m | £m | | £m | £m |
| | **(64.0)** | **Balance at 1 April** | | **(63.0)** |
| 1.0 | | Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 2.0 | |
| | 1.0 | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | | 2.0 |
| | **(63.0)** | **Balance at 31 March** | | **(61.0)** |

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Generally, the Pensions Reserve will match exactly the Pension Liabilities recorded on the Balance Sheet at the end of each year.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| **(2,832.1)** | **Balance at 1 April** | **(357.6)** |
| 2,659.3 | Remeasurement of the net defined benefit liability | 261.6 |
| (325.5) | 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 | (39.5) |
| 140.7 | Employer's pensions contributions and direct payments to retirees payable in the year | - |
| **(357.6)** | **Balance at 31 March** | **(135.5)** |

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.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| **33.6** | **Balance at 1 April** | **63.0** |
| 36.3 | Transfer of deferred sale proceeds credited to the General Fund under capital finance regulations | 4.9 |
| (0.9) | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (0.5) |
| (6.0) | Transfer to the Capital Receipts Reserve upon receipt of cash | (0.1) |
| **63.0** | **Balance at 31 March** | **67.3** |

## 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.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| **(138.4)** | **Balance at 1 April** | **28.5** |
| 166.9 | 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 | (76.9) |
| **28.5** | **Balance at 31 March** | **(48.4)** |

## 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.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| **(15.8)** | **Balance at 1 April** | **(18.4)** |
| - | Settlement or cancellation of accrual made at the end of the preceding year | - |
| **(2.6)** | Amounts accrued at the end of the current year | **6.4** |
| (2.6) | 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 | 6.4 |
| **(18.4)** | **Balance at 31 March** | **(12.0)** |

## 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 4,300 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 2023/24, the Council paid £47.2m (2022/23: £45.8m) to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 23.68% (2022/23: 23.68%) of pensionable pay. The contributions due to be paid in the 2024/25 financial year are estimated to be £57.2m on the basis of employer contributions of 28.68%.

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 2023/24, the Council paid £0.065m (2022/23: £0.058m) to the NHS Pension Scheme in respect of employees' retirement benefits, representing 14.38% (2022/23: 14.38%) of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the 2024/25 financial year are estimated to be £0.067m on the basis of an employer contribution rate of 14.38%.

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**

<u>Participation in Pension Schemes</u>

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 21.8% was set for the Council for 2023/24 (2022/23: 21.8%).

- 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 2022/23 to 2023/24 in the table relates to remeasurement gains of £249.9m, £244.4m of which is due to changes in financial assumptions.

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|---|---|---|---|---|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | £m | £m | £m | £m |
| Comprehensive Income and Expenditure Statement | | | | |
| Cost of Services: | | | | |
| current service cost | 250.5 | 120.7 | | |
| past service costs, including curtailments | 2.1 | 5.2 | | |
| effect of settlements | (4.1) | (2.2) | | |
| administration expenses | - | - | | |
| Financing and investment income and expenditure: | | | | |
| Net interest expense | 75.6 | 16.7 | 1.3 | 2.0 |
| **Total post-employment benefit charged to the (Surplus)/Deficit on the provision of services** | **324.1** | **140.4** | **1.3** | **2.0** |
| **Movement in Reserves Statement** | | | | |
| Reversal of net charges made to the Surplus/Deficit on the provision of services for post-employment benefits in accordance with the Code | (310.1) | (42.2) | 3.3 | 2.7 |
| Release from pension reserve re prepayment | 122.0 | - | | |
| **Net charge against the General Fund Balance for pensions in the year comprising:** | | | | |
| **employer's contributions payable to scheme** | **136.0** | **98.2** | | |
| **retirement benefits payable to retirees** | | | **4.6** | **4.7** |

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|---|---|---|---|---|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | £m | £m | £m | £m |
| | £m | £m | £m | £m |
| Comprehensive Income and Expenditure Statement | | | | |
| Total post-employment benefit charged to the (Surplus)/Deficit on the provision of services | 324.1 | 140.4 | 1.3 | 2.0 |
| Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement | | | | |
| remeasurements (liabilities and assets) | (2,669.7) | (359.1) | (8.2) | (4.5) |
| **Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement** | **(2,345.6)** | **(218.7)** | **(6.9)** | **(2.5)** |

| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m |
|---|---|---|---|---|---|
| **Present Value of Liabilities** | | | | | |
| - Local Government Pension Scheme | (6,552.9) | (8,334.9) | (8,078.1) | (5,572.5) | (5,636.5) |
| - Unfunded Teachers' Scheme | (60.4) | (54.8) | (50.7) | (43.8) | (41.2) |
| **Total Present Value of Liabilities** | **(6,613.3)** | **(8,389.7)** | **(8,128.7)** | **(5,616.3)** | **(5,677.7)** |
| Fair Value of Assets in the Local Government Pension Scheme | 4,022.0 | 5,116.6 | 5,418.7 | 5,258.7 | 5,542.2 |
| **Surplus/(Deficit) in the scheme** | | | | | |
| - Local Government Pension Scheme | (2,530.9) | (3,218.3) | (2,659.4) | (313.8) | (94.3) |
| - Unfunded Teachers' Scheme | (60.4) | (54.8) | (50.7) | (43.8) | (41.2) |
| **Net Liability arising from defined benefit obligation** | **(2,591.3)** | **(3,273.1)** | **(2,710.1)** | **(357.6)** | **(135.5)** |

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 Funded | | Local Government Pension Scheme Unfunded | | Unfunded Teachers' Pension Scheme | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | 2022/23 £m | 2023/24 £m | 2022/23 £m | 2023/24 £m | 2022/23 £m | 2023/24 £m | **2022/23 £m** | **2023/24 £m** |
| Benefit Obligation at 1 April | 8,015.4 | 5,516.9 | 62.8 | 55.7 | 50.7 | 43.7 | **8,128.9** | **5,616.3** |
| Current Service Cost | 250.5 | 120.6 | 0.0 | - | | | **250.5** | **120.6** |
| Interest on Pension Liabilities | 217.3 | 259.9 | 1.6 | 2.5 | 1.3 | 2.0 | **220.2** | **264.4** |
| Member Contributions | 25.4 | 26.8 | 0.0 | - | | | **25.4** | **26.8** |
| Actuarial (gains)/losses arising from changes in demographic assumptions | (183.5) | (35.3) | (0.6) | (0.4) | (0.5) | (0.3) | **(184.6)** | **(36.0)** |
| Actuarial (gains)/losses arising from changes in financial assumptions | (2,503.8) | (245.6) | (10.4) | (0.3) | (3.6) | (0.1) | **(2,517.8)** | **(246.0)** |
| Experience (gains)/losses on liabilities | (103.6) | 175.8 | 7.2 | 1.1 | 0.4 | 0.6 | **(96.0)** | **177.5** |
| Past Service Cost/ Curtailments | 2.1 | 5.2 | 0.0 | - | | | **2.1** | **5.2** |
| Settlements | (7.1) | (6.9) | 0.0 | - | | | **(7.1)** | **(6.9)** |
| Unfunded Pension Payments | 0.0 | - | (4.9) | (5.1) | (4.6) | (4.7) | **(9.5)** | **(9.8)** |
| Benefits/Transfers paid | (195.8) | (234.4) | 0.0 | - | | | **(195.8)** | **(234.4)** |
| **Benefit Obligation at 31 March** | **5,516.9** | **5,583.0** | **55.7** | **53.5** | **43.7** | **41.2** | **5,616.3** | **5,677.7** |

## Reconciliation of the Movements in the Fair Value of Scheme Assets

| | Local Government Pension Scheme Funded | | Local Government Pension Scheme Unfunded | | Unfunded Teachers' Pension Scheme | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 | **2022/23** | **2023/24** |
| | £m | £m | £m | £m | £m | £m | **£m** | **£m** |
| Fair Value of Assets at 1 April | 5,418.7 | 5,258.7 | - | - | | | **5,418.6** | **5,258.7** |
| Interest on Plan Assets | 143.3 | 245.7 | - | - | | | **143.3** | **245.7** |
| Remeasurements (assets) | (139.0) | 157.1 | - | - | | | **(139.0)** | **157.1** |
| Other actuarial gains/losses | | - | - | - | | | **-** | **-** |
| Administration expenses | | - | - | - | | | | **-** |
| Settlements | (3.0) | (4.8) | - | - | | | **(3.0)** | **(4.8)** |
| Employer contributions | 9.1 | 93.0 | 4.9 | 5.2 | 4.6 | 4.7 | **18.6** | **102.9** |
| Member contributions | 25.4 | 26.9 | | | | | **25.4** | **26.9** |
| Benefits/transfers paid | (195.8) | (234.4) | (4.9) | (5.2) | (4.6) | (4.7) | **(205.2)** | **(244.3)** |
| **Fair Value of Assets at 31 March** | **5,258.7** | **5,542.2** | **-** | **-** | **-** | **-** | **5,258.7** | **5,542.2** |

## Local Government Pension Scheme assets

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

| | 2022/23 Total | 2022/23 Percentage of Total | 2023/24 Total | 2023/24 Percentage of Total |
|---|---|---|---|---|
| | £m | % | £m | % |
| **Equity** | 2,863.7 | 54.5% | 2,343.3 | 42.3% |
| **Gilts** | 240.9 | 4.6% | 720.0 | 13.0% |
| **Bonds** | 833.6 | 15.8% | 1,154.1 | 20.8% |
| **Property** | 367.2 | 7.0% | 353.0 | 6.4% |
| **Other** | 790.0 | 15.0% | 710.5 | 12.8% |
| **Cash** | 163.3 | 3.1% | 261.3 | 4.7% |
| **Total Assets** | **5,258.7** | **100%** | **5,542.2** | **100%** |

Basis for estimating assets and liabilities

Liabilities for both the Local Government Pension Scheme and the unfunded Teachers' Pension Scheme have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The assessment has been on an actuarial basis using the projected unit credit method, an estimate of the pensions that will have to be paid in future years dependent on assumptions about mortality rates, salary levels etc. The estimates for the Local Government Pension Scheme have been based on the latest full valuation of the scheme as at 31 March 2024. The principal assumptions used by the actuary have been:

| Assumptions | Local Government Pension Scheme | |
|---|---|---|
| | 2022/23 | 2023/24 |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men (years) | 20.8 | 20.7 |
| Women (years) | 23.6 | 23.4 |
| Longevity at 65 for future pensioners retiring in 20 years: | | |
| Men (years) | 21.4 | 21.2 |
| Women (years) | 25.1 | 24.8 |
| Rate of CPI inflation | 3.00% | 2.80% |
| Rate of increase in salaries | 4.00% | 3.80% |
| Rate of increase in pensions | 3.00% | 2.80% |
| Rate for discounting of scheme liabilities | 4.75% | 4.80% |

The time horizon end date of the Council's past service liability is estimated to be 2039 based on the membership data used for the most recent full valuation undertaken as at 31 March 2022.

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) | 225.9 | 4.0 | 209.9 |
| Pension increase assumptions (increase by 0.1%) | 92.1 | 1.6 | 85.5 |
| Salary increase assumption (increase by 0.1%) | 4.3 | 0.1 | 4.0 |
| Discount scheme liability assumptions (increase by 0.1%) | (94.8) | (1.7) | (88.0) |

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 13 years. Funding levels are monitored on an annual basis. The most recent triennial valuation was carried out as at 31 March 2022 and set contributions for the period for 1 April 2023 to 31 March 2026.

Set out below are the contribution rates for the period to 31 March 2025.

| Financial Year | Employer's Future Service Contribution Rate | Past Service Cost Deficit Payment |
|---|---|---|
| | % | £m |
| 2024/25 | 21.8 | 48.9 |

## 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 | 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 |
| **Cost or Valuation** | | | | | | | | |
| **At 1 April 2023** | **3,000.9** | **2,609.1** | **129.4** | **86.5** | **276.3** | **287.8** | **6,390.0** | **1,057.9** |
| Additions | 208.5 | 44.9 | 3.0 | 2.3 | 12.9 | 89.7 | **361.3** | 31.0 |
| Assets reclassified between categories | 23.3 | 55.4 | 1.1 | 2.2 | 2.8 | (89.3) | **(4.5)** | (1.8) |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (229.3) | 4.9 | - | 0.1 | 22.9 | - | **(201.4)** | 0.1 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | - | (12.8) | - | - | (66.8) | - | **(79.6)** | - |
| Derecognition - Disposals | (34.8) | (44.5) | (2.0) | - | (0.3) | - | **(81.6)** | - |
| Assets reclassified (to)/from Held for Sale | (2.0) | - | - | - | (64.7) | - | **(66.7)** | - |
| Other movements in cost or valuation | (0.1) | (22.6) | - | - | 22.6 | - | **(0.1)** | **-** |
| **At 31 March 2024** | **2,966.5** | **2,634.4** | **131.5** | **91.1** | **205.7** | **288.2** | **6,317.4** | **1,087.2** |
| | | | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| **At 1 April 2023** | **-** | **(14.7)** | **(56.2)** | **-** | **(0.1)** | **-** | **(71.0)** | **(287.0)** |
| Depreciation charge | (67.7) | (57.2) | (12.2) | - | (1.5) | - | **(138.6)** | (37.2) |
| Depreciation written out to the Revaluation Reserve | 67.1 | 42.3 | - | - | 1.0 | - | **110.4** | 3.2 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | - | 9.6 | - | - | 0.6 | - | **10.2** | 0.5 |
| Derecognition - Disposals | 0.6 | 0.2 | 1.3 | - | | - | **2.1** | - |
| Derecognition - Others | | | | | | | | |
| Other movements in depreciation and impairment | - | 1.0 | - | - | - | - | **1.0** | **-** |
| **At 31 March 2024** | | **(18.8)** | **(67.1)** | **-** | **-** | **-** | **(85.9)** | **(320.5)** |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2024** | **2,966.5** | **2,615.6** | **64.4** | **91.1** | **205.7** | **288.2** | **6,231.5** | **766.7** |
| **At 31 March 2023** | **3,000.9** | **2,594.4** | **73.2** | **86.5** | **276.2** | **287.8** | **6,319.0** | **770.9** |

## Movements in Balances: 2022/23

| | Council dwellings | Other land and buildings | Vehicles, plant, furniture & equipment | 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 |
| **Cost or Valuation** | | | | | | | | |
| **At 1 April 2022** | **2,986.2** | **2,385.8** | **126.6** | **83.9** | **260.4** | **376.1** | **6,219.0** | **941.1** |
| Additions | 81.6 | 228.6 | 5.7 | 1.3 | 40.5 | 53.8 | **411.5** | 109.3 |
| Assets reclassified between categories | 8.6 | 86.0 | 5.8 | 1.3 | - | (142.0) | **(40.3)** | - |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (35.1) | 136.1 | - | - | (5.1) | - | **95.9** | 8.7 |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | - | (65.9) | - | - | (19.0) | (0.1) | **(85.0)** | 3.5 |
| Derecognition - Disposals | (40.4) | (159.2) | (8.7) | - | (2.8) | - | **(211.1)** | (4.7) |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | **-** | - |
| Other movements in cost or valuation | - | (2.3) | - | - | 2.3 | - | **-** | - |
| **At 31 March 2023** | **3,000.9** | **2,609.1** | **129.4** | **86.5** | **276.3** | **287.8** | **6,390.0** | **1,057.9** |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| **At 1 April 2022** | **-** | **(14.8)** | **(52.1)** | **-** | **-** | **-** | **(66.9)** | **(259.5)** |
| Depreciation charge | (62.9) | (50.2) | (12.9) | - | (2.0) | - | **(128.0)** | (32.7) |
| Depreciation written out to the Revaluation Reserve | 62.2 | 40.8 | - | - | 1.6 | - | **104.6** | 2.4 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | - | 9.0 | - | - | 0.4 | - | **9.4** | 0.7 |
| Derecognition - Disposals | 0.7 | 0.3 | 8.8 | - | - | - | **9.8** | 2.1 |
| Other movements in depreciation and impairment | - | 0.2 | - | - | (0.1) | - | **0.1** | - |
| **At 31 March 2023** | **-** | **(14.7)** | **(56.2)** | **-** | **(0.1)** | **-** | **(71.0)** | **(287.0)** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2023** | **3,000.9** | **2,594.4** | **73.2** | **86.5** | **276.2** | **287.8** | **6,319.0** | **770.9** |
| **At 31 March 2022** | **2,986.2** | **2,371.0** | **74.5** | **83.9** | **260.4** | **376.0** | **6,152.1** | **681.6** |

**Revaluations**

The valuation has been prepared in accordance with Royal Institution of Chartered Surveyors (RICS) – Global Standards (January 2022) and International Valuation Standards.

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. David M Harris, 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 6th May 2025 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 31 March 2024.

A review was undertaken to assess the impact of obsolescence and the movement in building costs on the value of those assets not subject to revaluation in 2023/24. 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 2024 resulting in a relatively small increase in relevant asset values.

Housing

The Council's housing stock was valued as at 31 March 2024 by David Harris MRICS Registered Valuer, and similarly qualified staff within the Council's Property Services section, assisted by an external contractor (Sure Surveyors - Debbie Fawkner MRICS Registered Valuer) in line with the Ministry of Housing, Communities and Local Government's Guidance on Stock Valuation for Resource Accounting published in November 2016. The basis of the valuation for the housing stock element is in accordance with the Royal Institution of Chartered Surveyors using the Existing Use Value – Social Housing basis, which takes open market value for the underlying dwellings and applies a multiplier to reflect the reduced value as a result of the use for social housing for 2023/24 of 40 % (2022/23: 40%). Part of the housing stock comprising mainly the high-rise blocks of flats and some defective properties have been valued on the basis of a Discounted Cash Flow method of valuation (DCF). HRA dwellings have seen an increase in value of £34.4m since 31 March 2023. Details are included in Notes H1 and H3 of the Supplementary Statements.

Surplus Assets

A small number of assets have been deemed surplus to the requirement of the Council but do not meet the criteria to be classified as Assets Held for Sale. As such they are classified as surplus assets and revalued during 2023/24 at fair value, assessing the assets in their highest and best use, using Level 2 inputs. The increase in value reflects the reclassification of assets previously identified as either Assets held for Sale or as Other Land and Buildings.

| Recurring Fair Value Measurements | Input Level in Fair Value Hierarchy | Valuation technique used to measure Fair Value | 31 March 2023 Fair Value £m | 31 March 2024 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. | 276.2 | 205.7 |

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 | | | | | 91.1 | 205.7 | 288.2 | **585.0** |
| Carried at Depreciated Historical Cost | | | 40.9 | 638.7 | | | | **679.6** |
| Valued at current value as at: | | | | | | | | |
| 31 March 2024 | | 37.5 | | | | | | **37.5** |
| 31 March 2023 | 2,966.5 | 653.6 | | | | | | **3,620.1** |
| 31 March 2022 | | 432.3 | | | | | | **432.3** |
| 31 March 2021 | | 572.4 | | | | | | **572.4** |
| 31 March 2020 | | 336.9 | 21.0 | | | | | **357.9** |
| 31 March 2019 | | 582.9 | 2.5 | | | | | **585.4** |
| **Total cost or valuation** | **2,966.5** | **2,615.6** | **64.4** | **638.7** | **91.1** | **205.7** | **288.2** | **6,870.2** |

## Capital Commitments

At 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years. The commitments are:

| | £m |
|---|---|
| PFI Lifecycle Costs | 423.1 |
| Dudley Road (A457) | 2.3 |
| Moseley Road Baths | 22.4 |
| Commonwealth Games | 9.7 |
| Paradise Circus Ent Zone | 4.5 |
| Birmingham City Centre Retail Core Public Realm | 1.6 |
| Tame Valley Viaduct | 35.0 |
| HS2 Station Environment | 36.1 |
| Digbeth High Street | 14.9 |
| Typhoo Wharf | 7.7 |
| Other Projects <£5m | 32.9 |
| **Total Capital Commitments** | **590.2** |

## Capitalisation of Borrowing Costs

The Council has adopted an accounting policy, detailed in Note 1 - section xxi., of capitalising borrowing costs in relation to qualifying assets. In 2023/24 the amount of borrowing costs capitalised during the period was £8.6m (2022/23: £13.2m). 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 4.39% in 2023/24 (2022/23: 4.29%). For 2023/24, interest capitalised by scheme was as follows:

| | £m |
|---|---|
| Enterprise Zone | 5.2 |
| Perry Barr Residential Scheme | 3.4 |

## Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets [Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities] this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

| Net Book Value (modified historical cost) | 2022/23<br>£m | 2023/24<br>£m |
|---|---|---|
| at 1 April | 566.4 | 643.7 |
| Additions | 66.3 | 23.9 |
| Assets Reclassified between Categories | 40.3 | 4.5 |
| Depreciation | (29.3) | (33.4) |
| Other movements in cost | - | - |
| **Net Book Value at 31 March** | **643.7** | **638.7** |

## Note 22
## Heritage Assets

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

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

Heritage Assets held by the Council:

| | Museum Collections | Historic Buildings | Public Art | Libraries and Archive collections | Civic Regalia and Plate | Total Assets |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **01 April 2022** | | | | | | |
| - At Cost | 1.8 | 11.1 | 0.5 | - | - | 13.4 |
| - At Valuation | 216.3 | - | - | 18.4 | 1.8 | 236.5 |
| **31 March 2023** | ***218.1*** | ***11.1*** | ***0.5*** | ***18.4*** | ***1.8*** | ***249.9*** |
| **01 April 2023** | | | | | | |
| - At Cost | 1.8 | 11.1 | 0.5 | - | - | 13.4 |
| - At Valuation | 215.6 | - | - | 18.4 | 1.8 | 235.8 |
| **31 March 2024** | ***217.4*** | ***11.1*** | ***0.5*** | ***18.4*** | ***1.8*** | ***249.2*** |

**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:

| | 2022/23 Internally Generated Assets | 2022/23 Other Assets | 2022/23 Total | 2023/24 Internally Generated Assets | 2023/24 Other Assets | 2023/24 Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Balance at start of year: | | | | | | |
| - Gross carrying amounts | - | 9.9 | 9.9 | - | 33.3 | 33.3 |
| - Accumulated amortisation | - | (2.7) | (2.7) | - | (3.8) | (3.8) |
| **Net carrying amount at start of year** | **-** | **7.2** | **7.2** | **-** | **29.5** | **29.5** |
| Additions: | | | | | | |
| - Internal development | - | 28.3 | 28.3 | - | - | - |
| Other disposals | - | (0.3) | (0.3) | - | - | - |
| Other changes | - | (4.6) | (4.6) | - | (0.2) | (0.2) |
| Amortisation for the period | - | (1.4) | (1.4) | - | (7.1) | (7.1) |
| Amortisation written out for disposals/transfers | - | 0.3 | 0.3 | - | - | - |
| Net carrying amount at end of year | - | 29.5 | 29.5 | | 22.2 | 22.2 |
| Comprising: | | | | | | |
| Gross carrying amounts | - | 33.3 | 33.3 | - | 33.1 | 33.1 |
| Accumulated amortisation | - | (3.8) | (3.8) | - | (10.9) | (10.9) |
| | **-** | **29.5** | **29.5** | **-** | **22.2** | **22.2** |

## 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. The outstanding balances have been split by type of debt.

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| £m | | £m |
| 68.4 | External Loans | 64.4 |
| - | Employee Loans | - |
| 0.3 | Mortgages: former Council House Tenants | 0.2 |
| 64.8 | Other Debtors | 67.6 |
| **133.5** | **Total** | **132.2** |

**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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 98.3 | Money Market Funds | 120.5 |
| 1.1 | Financial Institutions | 1.1 |
| - | Public Sector Bodies | 115.7 |
| **99.4** | **Total** | **237.3** |

**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.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| **Balance outstanding at start of year** | **0.4** | **0.4** |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | - | 64.5 |
| Assets declassified as held for sale: | | |
| - Property, Plant and Equipment | - | |
| - Assets sold | - | (0.4) |
| Other Movements | - | |
| **Balance outstanding at year end** | **0.4** | **64.5** |

Assets held for sale are those assets where the expectation is that their disposal will occur within twelve 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.

## 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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 99.5 | Central government bodies | 105.2 |
| 19.1 | Other local authorities | 25.0 |
| 3.1 | NHS bodies | 2.9 |
| 3.2 | Public corporations and trading funds | 0.8 |
| 341.2 | Other entities and individuals | 381.4 |
| **466.1** | **Total** | **515.3** |

## Note 28
## Cash and Cash Equivalents

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

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 3.5 | Cash held by the Council | 2.2 |
| 79.0 | Bank current accounts | 62.3 |
| **82.5** | **Total** | **64.5** |

## 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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| (78.6) | Central government bodies | (47.4) |
| (10.7) | Other local authorities | (12.5) |
| (2.2) | NHS bodies | (2.6) |
| (42.1) | Public corporations and trading funds | (61.4) |
| (372.9) | Other entities and individuals | (393.0) |
| **(506.5)** | **Total** | **(516.9)** |

## Note 30
## Provisions

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

| | **Balance at 31 March 2023** | Additional provisions made in 2023/24 | Amounts used in 2023/2024 | Transfer between current and non-current provisions | Unused amounts reversed in 2023/24 | Unwinding of discounting in 2023/24 | **Balance at 31 March 2024** |
|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m |
| **Short Term** | | | | | | | |
| Equal Pay | **-** | - | - | - | - | - | **-** |
| Business Rates Appeals | **14.8** | 40.4 | (23.5) | (5.9) | - | - | **25.8** |
| Other Provisions | **9.2** | 0.2 | - | - | (0.1) | - | **9.3** |
| **Total** | **24.0** | **40.6** | **(23.5)** | **(5.9)** | **(0.1)** | **-** | **35.1** |
| **Long Term** | | | | | | | |
| Equal Pay | **404.0** | - | - | - | - | - | **404.0** |
| Business Rates Appeals | **8.0** | - | - | 5.9 | - | - | **13.9** |
| Other Provisions | **0.2** | - | - | - | - | - | **0.2** |
| **Total** | **412.2** | **-** | **-** | **5.9** | **-** | **-** | **418.1** |

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

The provision is determined on a weighted litigation liability basis using assumptions around the volumes of claimants, likelihood of payment, potential scale of payment and a range of other critical assumptions.

The Council has set aside a provision of £404.0m (2022/23: £404.0m) in respect of its estimate of liability for Equal Pay. The provision reflects the assessed position as at 31 March 2024. Negotiations continue in order to provide both a fair settlement to colleagues and result with a best value outcome for the Council and residents. We are hoping to conclude negotiations prior to finalising these accounts and as such, for these draft accounts being issued for public inspection, we have left the recorded provision unchanged from that shown at March 2022. This position will be reviewed and updated prior to finalising and signing

The Council has received Exceptional Financial Support from Central Government which allows it to use capital resources to fund the Equal Pay liability. The potential liability at the date of signing these financial statements has not been provided, in line with IAS37 paragraph 92.

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

These accounts include a provision of £39.7m representing 99% of the total provision (2022/23: £22.8m representing 99% of the total provision) set aside to cover the Council's share of the total estimated unpaid liability relating to the settlement of all appeals received up to 31 March 2024. The remaining 1% share of the liability is attributable to the WMFRA.

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

Other Provisions

Details of the major items included in other provisions are:

*Subsidiaries*
As part of the relationship with its subsidiary companies, the Council may have to provide a guarantee that it will support a company to enable it to continue meeting its liabilities as they fall due. The Council continues to review the likelihood of any call on the guarantees that it has given to determine whether it needs to set aside resources to meet any future liabilities. The Council has set aside a provision of £3.6m (2022/23: £3.6m).

*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 claims for 2022/23 and 2023/24 are still being considered by the Department for Work and Pensions. There may be clawback of subsidy from the Council which would reduce the level of benefit income shown and reduce the General Fund balance carried forward.

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

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

4. Under the Equality Act 2010, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equality Act and, as a result, has set aside a provision in these accounts of £404.0m (31 March 2023: £404.0m).

   The Council has on the basis of legal advice, determined a weighted litigation liability using assumptions around the volumes of claimants, likelihood of payment, potential scale of payment and a range of other critical assumptions.

At the time of publishing these accounts, the Council has had, and continues to receive, claims in relation to equal pay. Disclosure of the estimated provision at the date of signing these accounts is not provided, in line with IAS37 paragraph 92. With such a complex model, and large number assumptions being used, to which the calculation is sensitive, a range of outcomes is possible. There is the potential that as a result of the outcome related to those assumptions the liability may be higher than this amount.

5. As documented in note 5 to these accounts, the Council is seeking the disposal of built and non-built holdings known as the Perry Barr residential scheme. Of the total cost of £501m, a sum of £171m of the funding for the scheme was through local and Central Government grants, a number of which had conditions applied to them. The Council is confident that those conditions are met, and will continue to be so, regardless of the sales process. However, given the complexities associated with grant funding and associated conditions, there is a small chance that one of the providing bodies may choose to seek re-payment of the funding if they feel conditions are not continuing to be met. In line with the requirement of IAS37, this uncertain possible obligation is considered a contingent liability.

6. The Council is [EHS] a party in two district energy concession contracts and a back-to-back arrangement to supply energy to a number of Council and third-party buildings. Two specific issues have arisen which will affect the future quantity of energy required by one of these networks prior to the end of contract period and [EHS] may result in a financial loss to the contractor for which the Council may be contractually liable. The value of this is estimated to be up to £10m. The Council is actively seeking mitigations to this financial risk.

<u>Contingent Assets</u>

At 31 March 2024 the Council has identified the following material contingent assets.

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

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

**Note 32**
**Council Borrowing**

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

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| Long Term | Short Term | | Long Term | Short Term |
| £m | £m | | £m | £m |
| (0.4) | (72.1) | Lender's Option Borrower's Option (LOBO) loans | (30.4) | (32.0) |
| (446.2) | (9.0) | Local Bonds | (437.8) | (9.4) |
| (2,484.2) | (74.7) | Public Works Loan Board | (2,799.2) | (108.8) |
| (0.2) | (314.8) | Other Borrowing (mainly Other Local Authorities) | (0.1) | (197.0) |
| **(2,931.0)** | **(470.6)** | Total | **(3,267.5)** | **(347.2)** |

**Note 33**
**Cash Flow Statement - Operating Activities**

The cash flows from operating activities include the following items:

| 2022/23 | | 2023/24 |
|---|---|---|
| £m | | £m |
| (30.7) | Interest received | (27.2) |
| 177.2 | Interest paid | 196.5 |
| (0.4) | Dividends received | (0.4) |
| **146.1** | | **168.9** |

**Note 34**
**Cash Flow Statement - Investing Activities**

The cash flows from investing activities include the following:

| 2022/23<br>£m | | 2023/24<br>£m |
|---|---|---|
| (458.5) | Purchase of property, plant and equipment, investment property and intangible assets | (350.0) |
| (2,696.5) | Purchase of short-term and long-term investments | (3,346.7) |
| 103.0 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 65.3 |
| 2,702.1 | Proceeds from short-term and long-term investments | 3,221.2 |
| **(349.9)** | **Net cash flows from investing activities** | **(410.2)** |

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

The cash flows from financing activities include the following:

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| 100.3 | Other receipts from financing activities | 117.6 |
| 852.8 | Cash receipts of short-term and long-term borrowing | 1,022.1 |
| (140.7) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (129.2) |
| (678.2) | Repayments of short-term and long-term borrowing | (820.5) |
| 1.0 | Other payments for financing activities | 1.6 |
| **135.2** | **Net cash flows from financing activities** | **191.6** |

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

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

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| 157.3 | Depreciation/Impairment charge | 172.0 |
| 1.4 | Amortisation of Intangible Assets | 7.1 |
| (0.2) | (Increase)/Decrease in Investments | (0.6) |
| 75.6 | Revaluation of Non-Current Assets | 68.6 |
| 205.9 | Derecognition of Non-Current Assets | 82.0 |
| (147.3) | (Increase)/Decrease in Debtors | (60.0) |
| 99.6 | Increase/(Decrease) in Creditors | 86.4 |
| (0.4) | (Increase)/Decrease in Inventories | 0.9 |
| 5.9 | Increase/(Decrease) in Provisions | 17.0 |
| 306.5 | Pensions Liability | 39.5 |
| **704.3** | **Net Cash Flow - Other Adjustments** | **412.9** |

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

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| (100.3) | Capital Grants | (117.6) |
| (103.0) | Capital Receipts | (65.3) |
| (0.9) | Council Tax and Business Rates Adjustments | (1.6) |
| **(204.2)** | | **(184.5)** |

**Note 37**
**Financial Instruments**

## Financial Instruments – Classifications

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

## Financial Liabilities

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

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

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

## Financial Assets

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

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

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

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

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

| | Long Term | | Short Term | |
|---|---|---|---|---|
| | 31 March 2023 | 31 March 2024 | 31 March 2023 | 31 March 2024 |
| | £m | £m | £m | £m |
| **Investments** | | | | |
| Fair Value through Profit or Loss | 1.7 | 1.7 | 99.4 | 121.6 |
| Amortised Cost | - | - | - | 115.7 |
| Investments in subsidiaries, associates and joint ventures | 35.7 | 35.7 | - | - |
| **Total investments** | **37.4** | **37.4** | **99.4** | **237.3** |
| **Debtors** | | | | |
| Fair Value through Profit or Loss | 4.1 | 4.4 | - | - |
| Amortised Cost | 102.0 | 97.8 | 289.7 | 344.0 |
| **Total** | **106.1** | **102.2** | **289.7** | **344.0** |
| *Debtors that are not financial instruments* | 27.4 | 30.0 | 176.4 | 171.3 |
| **Total debtors** | **133.5** | **132.2** | **466.1** | **515.3** |
| **Cash** | | | | |
| Cash in Hand | | | 82.5 | 65.4 |
| **Total cash: asset** | | | 82.5 | 65.4 |
| Cash Overdrawn | | | - | - |
| **Total cash: liability** | | | - | - |
| **Borrowings** | | | | |
| Fair Value at Amortised Cost | | (3,267.5) | - | (347.2) |
| **Total borrowings** | (2,931.0) | **(3,267.5)** | (470.6) | **(347.2)** |
| | **(2,931.0)** | | **(470.6)** | |
| **Other Long Term Liabilities** | | | | |
| PFI and finance lease liabilities | (336.7) | (315.5) | | |
| **Total** | (336.7) | (315.5) | | |
| *Transferred Debt and Other Liabilities* | (26.0) | (17.7) | | |
| **Total long term liabilities** | **(362.7)** | **(333.2)** | | |
| **Creditors** | | | | |
| Fair Value at Amortised Cost | | (0.3) | (315.4) | (362.8) |
| **Total** | (0.5) | **(0.3)** | **(315.4)** | **(362.8)** |
| *Creditors that are not financial instruments* | **(0.5)** | - | (191.1) | (154.1) |
| **Total creditors** | - | **(0.3)** | **(506.5)** | **(516.9)** |

Material Soft Loans Made by the Council

The Council has made the following material soft loans:

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

On the creation of Birmingham Children's Trust CIC, it was offered loan facilities to ensure that it had sufficient cash resources to operate efficiently given that the company was a company limited by guarantee and had no equity. The Council advanced a loan of £4m in April 2018 at an interest rate of 2.41% This is due to be repaid as a single repayment in March 2028, but the Trust has the right to repay at an earlier date. The loan is deemed to be a material soft loan and is carried in the accounts at £3.3m. The Council advanced a short term credit facility of £10m to the Trust in March 2023 at an interest rate of 0%. This was deemed to be a soft loan and was repaid in 2023/24.

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

| | 2022/23<br>£m | 2023/24<br>£m |
|---|---|---|
| **Opening balance at 1 April** | **20.4** | **27.4** |
| Loans repaid | (2.0) | (11.5) |
| New loans | 10.0 | 0.0 |
| Movement in Expected Credit Loss per IFRS9 | (0.0) | (0.2) |
| (Increase)/Reduction in discount | (1.0) | (0.1) |
| **Closing Balance at 31 March** | **27.4** | **15.6** |
| Nominal value at 31 March | 33.8 | 21.7 |

*Valuation Assumptions*

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

As with all loans made by the Council, reviews of the repayment schedule are undertaken with the borrowing counterparties, particularly in the light of the impact of inflation and interest rate pressures 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.

| | 2022/23 | 2023/24 |
|---|---|---|
| | Surplus/Deficit on the Provision of Services | Surplus/Deficit on the Provision of Services |
| | £m | £m |
| **Net (Gains)/Losses on financial instruments:** | | |
| Financial assets measured at fair value through profit/loss | 0.0 | 0.0 |
| Financial assets measured at amortised costs | 28.5 | 11.4 |
| **Total Net (Gains)/Losses on financial instruments** | **28.5** | **11.4** |
| **Income/Expenditure in (Surplus)/Deficit on the Provision of Services** | | |
| Interest Receivable from financial assets measured at amortised costs | (30.7) | (27.2) |
| Investment income from financial assets measured through profit and loss | (0.4) | (0.4) |
| Interest Expense | 177.2 | 196.5 |
| **Net Income/Expenditure in (Surplus)/Deficit on the Provision of Services** | 146.1 | 168.9 |
| **Net (gain)/loss for the year** | **174.6** | **180.3** |

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the Council's borrowing, the fair value is estimated from the holder's perspective.
Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds and shares in money market funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at their amortised cost. Their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, 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 2023 | 31 March 2023 | 31 March 2024 | 31 March 2024 |
|---|---|---|---|---|---|---|
| | | | Carrying Amount £m | Fair Value £m | Carrying Amount £m | Fair Value £m |
| ***Financial Liabilities held at amortised cost:*** | | | | | | |
| Long-term loans from PWLB | Level 2 | PWLB new maturity loan certainty rate | 2,558.9 | 2,322.3 | 2,908.0 | 2,692.0 |
| Bonds issued (BIRCTY 9.675% 21/04/2030) | Level 2 | Market rate for similar instruments | 289.5 | 283.3 | 282.8 | 281.1 |
| Bonds issued (NECF 7.5625% 30/09/2027) | Level 1 | Quoted price from Bloomberg | 79.7 | 81.4 | 78.4 | 75.0 |
| LOBO loans | Level 2 | Market rate for similar instruments | 72.5 | 91.8 | 62.4 | 79.1 |
| Other long-term loans | Level 2 | Market rate for similar instruments | 91.3 | 71.8 | 86.2 | 67.9 |
| Lease payables and PFI Liabilities | Level 2 | PWLB new annuity loan certainty rate | 356.2 | 458.5 | 319.1 | 395.5 |
| Transferred debt * | Level 2 | Market rate for similar instruments | 22.8 | 22.9 | 15.9 | 15.9 |
| Other long-term liabilities/creditors | N/A | Fair value is approximated at their carrying amount | 10.5 | 10.5 | 9.6 | 9.6 |
| Short term loans (mainly from other local authorities) | N/A | Fair value is approximated at their carrying amount | 309.6 | 309.6 | 196.9 | 196.9 |
| Short term creditors | N/A | Fair value is approximated at their carrying amount | 315.4 | 315.4 | 362.8 | 362.8 |
| **TOTAL Financial Liabilities** | | | **4,106.4** | **3,967.5** | **4,322.1** | **4,175.8** |

**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.

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

| **Financial Assets** | **Input level in Fair Value Hierarchy** | **Valuation inputs and assumptions used to measure Fair Value** | **31 March 2023** | **31 March 2023** | **31 March 2024** | **31 March 2024** |
|---|---|---|---|---|---|---|
| | | | Carrying Amount £m | Fair Value £m | Carrying Amount £m | Fair Value £m |
| ***Financial assets held at fair value:*** | | | | | | |
| *Money Market Funds/equity - short term* | Level 1 | Market price | 99.1 | 99.1 | 121.6 | 121.6 |
| *Shares in companies - long term* | Level 3 | With significant unobservable inputs | 1.7 | 1.7 | 1.7 | 1.7 |
| *Loans to organisations for service purposes - long term* | Level 3 | With significant unobservable inputs | 3.8 | 3.8 | 4.4 | 4.4 |
| ***Financial assets held at amortised cost:*** | | | | | | |
| *Deposits (DMADF and other local authorities) - short term* | N/A | Fair value is approximated at their carrying amount | 0.0 | 0.0 | 115.5 | 115.5 |
| Loans to organisations for service purposes | Level 3 | With significant unobservable inputs | 69.1 | 63.6 | 60.7 | 60.5 |
| *Long term asset/long term debtors* | N/A | Fair value is approximated at their carrying amount | 9.5 | 9.5 | 37.5 | 37.5 |
| Short term debtors | N/A | Fair value is approximated at their carrying amount | 289.7 | 289.7 | 344.0 | 344.0 |
| Cash/bank deposits - short term | N/A | Fair value is approximated at their carrying amount | 82.5 | 82.5 | 65.4 | 65.4 |
| **Total Financial Assets** | | | **555.9** | **550.4** | **750.8** | **750.6** |

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

**Note 38**
**Nature and Extent of Risks Arising from Financial Instruments**

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

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

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

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

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

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

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

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

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

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

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

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

The Council's maximum exposure to credit risk, in relation to its investments in financial institutions, cannot be assessed generally, as the risk of any institution failing to make due payments will be specific to each individual institution. In relation to the Council's outstanding treasury deposits with financial institutions, local authorities and other institutions, no such deposits have defaulted in the year or are impaired. A risk of recoverability applies to all deposits, but there was no evidence at 31 March 2024 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 2023 £m | 31 March 2024 £m |
|---|---|---|
| Less than 1 year | (786.1) | (816.0) |
| Between 1 and 2 years | (112.9) | (155.4) |
| Between 2 and 5 years | (370.5) | (510.8) |
| Between 5 and 20 years | (1,525.3) | (1,649.6) |
| Between 20 and 40 years | (1,245.3) | (1,239.3) |
| Over 40 years | (40.1) | (30.1) |
| **Total** | **(4,080.2)** | **(4,401.2)** |

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, £20m have a break clause twice a year and £11.1m have a break clause any day at one month's notice. In the current high interest rate environment, it is possible that some lenders may exercise their option to request early repayment of their LOBOs.

Market Risk

Interest rate risk

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

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

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

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

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

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

At 31 March 2024, 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 | 2.4 |
| Increase in interest receivable on variable rate investments | (2.4) |
| Impact on Surplus/(Deficit) on the Provision of Services | 0.0 |
| Share of overall impact charged to the HRA | 0.6 |
| Decrease in fair value of fixed rate investment assets | 2.5 |
| 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) | (296.5) |

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 2024.

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 2023 £m | 31 March 2024 £m |
|---|---|---|
| **Opening Capital Financing Requirement** | 4,770.3 | 5,057.3 |
| **Capital Investment** | | |
| Property, Plant and Equipment | 477.9 | 385.2 |
| Intangible Assets | 28.3 | - |
| Revenue Expenditure funded from Capital under Statute | 78.3 | 50.7 |
| Secretary of State Direction - Flexible use of Capital Receipts | 17.3 | 8.4 |
| Long Term Loans | - | - |
| Increase in Share Equity | - | - |
| **Sources of Finance** | | |
| Capital Receipts | (34.8) | (70.0) |
| Government Grants and other Contributions | (85.7) | (20.5) |
| Sums set aside from Revenue: | | |
| - Direct Revenue Contributions | (6.4) | (11.2) |
| - Use of Major Repairs Reserve | (62.9) | (55.5) |
| - Revenue Provision for Debt Redemption | (125.0) | (136.5) |
| - Capital Receipts set aside for debt redemption | - | - |
| **Closing Capital Financing Requirement** | **5,057.3** | **5,207.9** |
| **Explanation of Movements in Year** | | |
| Movement in underlying need to borrow | 239.9 | 126.5 |
| Assets acquired under finance leases | 46.1 | 0.8 |
| Assets acquired under PFI contracts | 1.0 | 23.3 |
| Increase/(decrease) in Capital Financing Requirement | **287.0** | **150.6** |
| **Movement in Year** | **287.0** | **150.6** |

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 2025 to finance the revenue costs of transformation that deliver savings to the public sector. This flexibility has been subsequently further extended for a further three years.

**Note 40**
**Leases**

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

**Council as the lessee**

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

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 31.0 | Other Land and Buildings | 27.5 |
| 3.1 | Vehicles, Plant, Furniture & Equipment | 2.5 |
| **34.1** | **Total** | **30.0** |

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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| | Finance lease liabilities (net present value of minimum lease payments): | |
| 1.1 | - current (not later than 1 year) | 0.9 |
| 2.9 | - non-current (later than 1 year) | 2.6 |
| 6.6 | Finance costs payable in future years | 6.6 |
| **10.6** | **Minimum Lease Payments** | **10.1** |

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

| | Minimum lease payments | | Finance lease liabilities | |
|---|---|---|---|---|
| | 31 March 2023 £m | 31 March 2024 £m | 31 March 2023 £m | 31 March 2024 £m |
| Not later than 1 year | 1.3 | 1.1 | 1.1 | 0.9 |
| Later than 1 year and not later than 5 years | 1.7 | 1.5 | 1.1 | 0.9 |
| Later than 5 years | 7.6 | 7.5 | 1.8 | 1.7 |
| **Total** | **10.6** | **10.1** | **4.0** | **3.5** |

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 2023/24 contingent rents of £nil were payable (2022/23: £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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 0.8 | Not later than 1 year | 0.5 |
| 1.1 | Later than 1 year and not later than 5 years | 0.9 |
| 3.5 | Later than 5 years | 3.3 |
| **5.4** | **Total** | **4.7** |

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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 0.4 | Minimum lease payments | 0.4 |
| 0.0 | Contingent rents | 0.1 |
| **0.4** | **Total** | **0.5** |

**<u>Council as the lessor</u>**

**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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| | Finance lease debtor (net present value of minimum lease payments): | |
| 0.1 | - current (not later than 1 year) | 1.6 |
| 27.4 | - non-current (later than 1 year) | 30.0 |
| 210.8 | Unearned finance income | 238.6 |
| (30.3) | Less – Unguaranteed residual value of property | (30.7) |
| **208.0** | **Gross investment in the lease** | **239.5** |

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 2023 £m | 31 March 2024 £m | 31 March 2023 £m | 31 March 2024 £m |
| Not later than 1 year | 0.0 | 1.6 | 1.5 | 3.5 |
| Later than 1 year and not later than 5 years | 0.2 | 1.6 | 6.0 | 8.1 |
| Later than 5 years | 27.2 | 28.4 | 230.6 | 258.6 |
| **Total** | **27.4** | **31.6** | **238.1** | **270.2** |

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 2023/24 £2.7m contingent rents were receivable by the Council (2022/23 £1.1m).

**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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 11.7 | Not later than 1 year | 11.1 |
| 32.3 | Later than 1 year and not later than 5 years | 31.1 |
| 65.9 | Later than 5 years | 65.1 |
| **109.9** | **Total** | **107.3** |

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 2023/24 £2.8m contingent rents were receivable by the Council (2022/23 £1.7m).

**Leases - contingent rent**

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

## Note 41
## Service Concession Arrangements

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

The main terms of the material arrangements are as follows:

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

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

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

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

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

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

| **Payments Remaining as at 31 March 2024** | **Interest** | **Repayment of Liability** | **Payment for Services** | **Total** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Within 1 year | 26.1 | 18.7 | 56.2 | 101.0 |
| Between 2 and 5 years | 88.7 | 87.2 | 243.9 | 419.8 |
| Between 6 and 10 years | 65.7 | 143.1 | 345.7 | 554.5 |
| Between 11 and 15 years | 11.6 | 81.7 | 124.4 | 217.7 |
| Between 16 and 20 years | 0.1 | 1.9 | 5.5 | 7.5 |
| | **192.2** | **332.6** | **775.7** | **1,300.5** |

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:

| 2022/23 | | 2023/24 |
|---|---|---|
| £m | | £m |
| 368.0 | Liability outstanding at the start of the year | 351.0 |
| (63.0) | Repayment of liability | (41.7) |
| 46.0 | Lifecycle and further capital expenditure | 23.3 |
| **351.0** | **Liability outstanding at the year end** | **332.6** |

## Service Concessions - contingent rent

Contingent rents in respect of service concession arrangements total £32.1m in 2023/24 (£23.3m 22/23).

## Note 42
## Members' Allowances

Allowances paid to Members of the Council in 2023/24 totalled £2.5m (2022/23: £2.5m). 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 in the new structure is detailed in the table below.

| | | Salary, fees and allowances | Compensation for loss of office | Expense allowances | Pension contributions | Total |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| Deborah Cadman, Chief Executive (1) | 2022/23 | 244,606 | - | 28 | 52,101 | 296,735 |
| | 2023/24 | 269,750 | 130,194 | 251 | 68,961 | 469,156 |
| Deputy Chief Executive and Director of Intervention (2) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | 36,176 | N/A | N/A | 9,840 | 46,016 |
| Professor Graeme Betts, Director, Adult Social Care (3) | 2022/23 | 178,297 | - | - | - | 178,297 |
| | 2023/24 | 204,540 | - | - | - | 204,540 |
| Acting Director, Adult Social Care (4) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | 3,981 | - | - | 1,083 | 5,064 |
| Director, Council Management (5) | 2022/23 | 179,361 | - | - | 38,204 | 217,565 |
| | 2023/24 | 41,684 | - | - | 8,083 | 49,767 |
| Managing/Strategic Director, City Housing | 2022/23 | 108,460 | 66,000 | - | - | 174,460 |
| | 2023/24 | 74,000 | - | - | 20,128 | 94,128 |
| Strategic Director, City Operations (6) | 2022/23 | 116,671 | - | - | 24,537 | 141,208 |
| | 2023/24 | 181,125 | - | - | 47,076 | 228,201 |
| Strategic Director, Place, Prosperity and Sustainability | 2022/23 | 170,679 | - | - | 36,355 | 207,034 |
| | 2023/24 | 176,653 | - | - | 48,050 | 224,703 |
| Director, Children and Families | 2022/23 | 178,297 | - | - | 37,977 | 216,274 |
| | 2023/24 | 187,212 | - | - | 50,194 | 237,406 |
| Director, Strategy, Equalities and Partnerships | 2022/23 | 126,161 | - | - | 26,872 | 153,033 |
| | 2023/24 | 130,577 | - | - | 35,517 | 166,904 |
| Director, Public Health | 2022/23 | 127,604 | - | - | 27,180 | 154,784 |
| | 2023/24 | 125,900 | - | - | 34,245 | 160,145 |
| Interim Chief Operating Officer (7) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | N/A | N/A | N/A | N/A | N/A |
| Director of People Services (HR) (8) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | 79,570 | - | - | 21,643 | 101,213 |

| | | Salary, fees and allowances | Compensation for loss of office | Expense allowances | Pension contributions | Total |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| Transformation Director (9) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | N/A | N/A | N/A | N/A | N/A |
| Interim Director of Finance and Section 151 Officer (10) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | N/A | N/A | N/A | N/A | N/A |
| Interim Strategic Director, City Housing (11) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | N/A | N/A | N/A | N/A | N/A |
| Interim Strategic Director, City Operations (12) | 2022/23 | N/A | N/A | N/A | N/A | N/A |
| | 2023/24 | N/A | N/A | N/A | N/A | N/A |

Notes:

(1) Deborah Cadman, Chief Executive left the Council on 24 March 2024.

(2) The Deputy Chief Executive and Director of Intervention took up the role on 04 December 2023.

(3) Professor Graeme Betts, Director Adult Social Care took responsibility for the post of Acting Chief Executive on 25 March 2024.

(4) The Acting Strategic Director, Adult Social Care took up the role on 22 March 2024.

(5) The Director, Council Management left the Council on 31 May 2023.

(6) The Strategic Director, City Operations took up the role on 17 April 2023.

(7) The Interim Chief Operating Officer was employed through a third party from 27 February 2024, the costs of which were £38,750 in 2023/24. This amount is not the amount that would have been received by the postholder.

(8) The Director of People Services (HR) took up the role on 02 October 2023.

(9) The Transformation Director was employed through a third party and left the Council on 27 October 2023, the costs of which were £127,405 in 23/24 (£209,145 in 2022/23). This amount is not the amount that would have been received by the postholder.

(10) The Interim Director of Finance and Section 151 Officer was employed through a third party and took up this role on 11 April 2023, the costs of which were £386,219 in 2023/24. This amount is not the amount that would have been received by the postholder.

(11) The Strategic Director, City Housing was appointed on a permanent basis on 7 November 2023. The payroll costs of the permanent appointment are shown within the table above. Prior to the permanent appointment they were employed as Interim Strategic Director, City Housing, through a third party, the costs of which were £143,840 in 23/24 (£167,156 in 2022/23). The third party amount is not the amount that would have been received by the postholder.

(12) The Interim Strategic Director, City Operations was employed through a third party and left the Council on 15 April 2023, the costs of which were £9,450 in 23/24 (£68,300 in 2022/23). This amount is not the amount that would have been received by the postholder.

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

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

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| Teaching Staff & Staff in Schools | Other Council Employees | **Total** | Remuneration band | Teaching Staff & Staff in Schools | Other Council Employees | **Total** |
| No | No | **No** | | No | No | **No** |
| 165 | 189 | **354** | £50,000 - £54,999 | 254 | 355 | **609** |
| 130 | 176 | **306** | £55,000 - £59,999 | 139 | 150 | **289** |
| 70 | 89 | **159** | £60,000 - £64,999 | 97 | 163 | **260** |
| 51 | 45 | **96** | £65,000 - £69,999 | 67 | 78 | **145** |
| 49 | 41 | **90** | £70,000 - £74,999 | 43 | 30 | **73** |
| 32 | 43 | **75** | £75,000 - £79,999 | 40 | 29 | **69** |
| 18 | 11 | **29** | £80,000 - £84,999 | 35 | 33 | **68** |
| 8 | 12 | **20** | £85,000 - £89,999 | 14 | 12 | **26** |
| 5 | 6 | **11** | £90,000 - £94,999 | 7 | 5 | **12** |
| 7 | 12 | **19** | £95,000 - £99,999 | 3 | 7 | **10** |
| 4 | 7 | **11** | £100,000 - £104,999 | 5 | 15 | **20** |
| 3 | 5 | **8** | £105,000 - £109,999 | 4 | 5 | **9** |
| - | 6 | **6** | £110,000 - £114,999 | 1 | 6 | **7** |
| - | 1 | **1** | £115,000 - £119,999 | 2 | 3 | **5** |
| 1 | 6 | **7** | £120,000 + | - | 11 | **11** |
| **543** | **649** | **1,192** | | **711** | **902** | **1,613** |

Remuneration includes salary, allowances, bonuses and compensation for loss of employment. The figures for both years include those employees with planned termination payments, 8 in 2023/24 (24 in 2022/23). Excluding employees in receipt of planned termination payments, 894 employees in 2023/24 (625 in 2022/23) 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 271 in 2023/24 (2022/23: 251).

## 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 redundancies and other departures.

| 2022/23 | | | | | | | 2023/24 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Compulsory | | Voluntary | | **Total** | | Value of | Compulsory | | Voluntary | | **Total** | |
| No. | £m | No. | £m | **No.** | **£m** | individual package £000 | No. | £m | No. | £m | **No.** | **£m** |
| - | - | 1 | 0.3 | **1** | **0.3** | £250+ | - | - | 1 | 0.4 | **1** | **0.4** |
| - | - | 1 | 0.2 | **1** | **0.2** | £200 - £250 | - | - | 1 | 0.2 | **1** | **0.2** |
| 3 | 0.6 | 3 | 0.5 | **6** | **1.1** | £150 - £200 | - | - | - | - | **-** | **-** |
| - | - | 4 | 0.5 | **4** | **0.5** | £100 - £150 | - | - | 2 | 0.2 | **2** | **0.2** |
| 2 | 0.2 | 4 | 0.3 | **6** | **0.5** | £80 - £100 | - | - | 2 | 0.2 | **2** | **0.2** |
| 2 | 0.1 | 5 | 0.4 | **7** | **0.5** | £60 - £80 | - | - | 1 | 0.1 | **1** | **0.1** |
| 1 | 0.1 | 4 | 0.2 | **5** | **0.3** | £40 - £60 | 1 | 0.1 | 5 | 0.2 | **6** | **0.3** |
| 1 | - | 20 | 0.6 | **21** | **0.6** | £20 - £40 | 4 | 0.1 | 4 | 0.1 | **8** | **0.2** |
| 20 | 0.1 | 97 | 0.6 | **117** | **0.7** | less than £20 | 14 | 0.1 | 84 | 0.4 | **98** | **0.5** |
| **29** | **1.1** | **139** | **3.6** | **168** | **4.7** | **Total** | **19** | **0.3** | **100** | **1.8** | **119** | **2.1** |

In addition to the costs of exit packages identified above, the Council incurred costs of £0.010m in 2023/24 (£0.014m in 2022/23) 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.

| 2022/23 £m | | 2023/24 £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 | 1.1 |
| 0.1 | Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year | 0.1 |
| **0.3** | **Total** | **1.2** |

**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 2024 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 2023/24 is shown in Note 42.

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

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

**Other Public Bodies**

Aligned Budgets

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

The 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.

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 2023/24 remained at £67.9m.

On 1st July 2022 Clinical Commissioning Groups were abolished and Integrated Commissioning Boards (ICB) were established. Birmingham & Solihull CCG became Birmingham and Solihull ICB and merged the West Birmingham element of the Black Country and West Birmingham CCG, which became the Black Country ICB.

In 2023/24 funding of £106.6m (2022/23: £101.1m) was earmarked for the BCF by the Department of Health via the ICBs as detailed in the table below. The Council's initial contribution of £104.0m was made up of the Disabled Facilities Grant (£14.1m), iBCF Grant (£67.9m), together with £16.1m of additional support to the wider Health and Social Care System and £5.9m use of BCF reserves.

In 2023/24 Discharge Funding of £9.5m was received by the Council with the purpose of reducing hospital discharge delays by supporting local authorities to building additional adult social care and community-based reablement capacity, ultimately improving patient flow and outcomes. Discharge Funding of £5.0m was also received by the ICB to support local health and care systems in reducing hospital discharge delays, improving patient flow, and ensuring timely access to appropriate post-discharge care and support. This provided an additional £14.5m into the Better Care Fund for 2023/24.

| **Contribution to the BCF Pooled Fund** | **2022/23** | **2023/24** |
|---|---|---|
| | **£m** | **£m** |
| Birmingham & Solihull ICB | 97.8 | 106.6 |
| West Bham & the Black Country ICB | 3.3 | 0.0 |
| ICB Discharge Fund | 0.0 | 5.0 |
| **NHS Contribution** | **101.1** | **111.6** |
| | | |
| Birmingham City Council | 30.6 | 22.0 |
| iBCF Section 31 Grant | 67.9 | 67.9 |
| Disabled Facilities Grant | 12.9 | 14.1 |
| BCC Discharge Fund | 0.0 | 9.5 |
| **BCC Contribution** | **111.4** | **113.5** |
| | | |
| **Total BCF Pooled Fund** | **212.5** | **225.1** |

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 Commissioning of the activities by ICBs;
- Sole Commissioning of the activities by the Council;

Whilst independently Commissioned many of the services provided within the Better Care Fund have a joint controlled element. Details of the specific projects are set out below and for 2023/24 schemes were refreshed and the revised descriptions are included below.

| **Better Care Fund Service Provision 2023/24** | **Sole Commissioning ICB** | **Sole Commissioning Council** | **Total Expenditure 23/24** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| Assistive Technologies and Equipment (incl. DFG £0.6m) | 0.8 | 7.6 | 8.4 |
| Bed based intermediate Care Services | 8.8 | 8.0 | 16.8 |
| Care Act Implementation Related Duties | 0.0 | 1.2 | 1.2 |
| Carers Services | 0.0 | 3.0 | 3.0 |
| Community Based Schemes | 3.8 | 0.0 | 3.8 |
| DFG Related Schemes | 0.0 | 13.5 | 13.5 |
| Enablers for Integration | 0.0 | 1.8 | 1.8 |
| High Impact Change Model for Managing Transfer of Care | 0.0 | 11.4 | 11.4 |
| Home Care or Domiciliary Care | 0.0 | 22.4 | 22.4 |
| Home-based intermediate care services | 0.0 | 14.0 | 14.0 |
| Integrated Care Planning and Navigation | 9.9 | 6.3 | 16.2 |
| Personalised Care at Home | 42.3 | 0.0 | 42.3 |
| Prevention / Early Intervention | 0.1 | 0.0 | 0.1 |
| Residential Placements | 0.0 | 66.7 | 66.7 |
| Workforce recruitment and retention | 0.0 | 3.5 | 3.5 |
| **Total BCF** | **65.7** | **159.4** | **225.1** |

## Other Related Parties

During 2023/24 payments to the value of £460.1m were payable to related parties of which £55.1m remained outstanding at 31 March 2024. Additionally, £68.6m was receivable during 2023/24 from entities in which the Council had a related party interest, with £37.1m, to be paid within 12 months, outstanding at 31 March 2024. 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 2024 are: assets of £37.4m of investments, £69.9m of loans (of which £65.6m is repayable after 31 March 2025) and £22.8m of Payments in Advance (of which £22.7m is Birmingham Children's Trust April 2024 figure); liabilities of £78.3m of funding guarantee (NEC Developments Plc), £27.3m held as cash invested by Birmingham Children's Trust.

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 2023/24.

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

| | Exp. £m | Income £m | Loans Council as Grantor Granted £m | Loans Council as Grantor Repaid £m | Council Assets at year end £m | Council Liabilities at year end £m |
|---|---|---|---|---|---|---|
| Acivico Limited | 25.1 | 0.5 | - | 1.3 | 1.7 | 5.5 |
| Birmingham Children's Trust CIC | 309.0 | 15.1 | - | 10.0 | 42.6 | 62.2 |
| Birmingham City Propco Limited | - | 2.0 | - | - | 21.2 | - |
| InReach (Birmingham) Limited | - | 0.9 | 0.8 | 0.6 | 14.7 | - |
| National Exhibition Centre (Developments) Plc | 5.6 | - | - | - | - | 78.3 |
| PETPS (Birmingham) Limited | - | - | - | - | - | - |
| PETPS (Birmingham) Pension Funding Scottish Limited Partnership | - | - | - | - | - | - |

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

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

| | Expenditure £m | Income £m | Council Assets at year end £m | Council Liabilities at year end £m |
|---|---|---|---|---|
| Birmingham Airport Holdings Limited (BAH) | - | 0.2 | 1.3 | - |
| Paradise Circus Limited Partnership | 2.8 | 0.4 | 0.6 | 0.1 |

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 2023/24.

B:Music Ltd *
Birmingham Charities Limited
Birmingham Curzon Regeneration Company Limited
Birmingham Endeavour Limited
Birmingham Municipal Housing Limited
Birmingham Museums Trust *
Birmingham Venture Capital Limited
Creative Advantage West Midlands Limited
Finance Birmingham Limited
Forward Homes (Birmingham) Limited
Frontier Development Holding Limited
Greater Birmingham and West Midlands Brussels Office *
NEC Pension Trustee Company Limited *
NEC Pension Trustee Company No.2 Limited

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 2023/24.

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

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 organisations are set out below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2023/24.

Acocks Green Primary School Academy *
Arts Council England
Betel UK
Birmingham Citizens Advice Bureau Service Ltd *
King Edward VI Academy Trust *
Midlands Arts Centre
Millennium Point Property Ltd *
Millennium Point Trust

- Birmingham Disability Resource Centre *
- Birmingham Opera Company
- Birmingham Organising Committee for the 2022 Commonwealth Games Limited
- Birmingham Repertory Theatre *
- Birmingham Retirement Council
- Birmingham Royal Ballet *
- Birmingham Settlement Ltd *
- Birmingham Voluntary Service Council *
- Canal & River Trust *
- Care Plus
- City of Birmingham Symphony Orchestra *
- Clifton Road Youth Centre
- Culture Spectrum
- Foundation for Conductive Education *
- Friends of Acocks Green Recreation Ground
- Greater Birmingham and Solihull LEP Ltd.
- Gurdwara Baba Deep Singh Ji Shaheed
- Holloway Hall Community Association
- Mind *
- New Local Ltd
- Pen Museum
- Royal Orthopaedic Hospital
- Royal Sutton Coldfield Community Town Hall Trust
- SIFA Fireside *
- Sikh Council UK
- St Barnabas School (Academy)
- St. Basil's *
- St. Paul's Community Development Trust *
- Warwickshire County Cricket Club *
- West Midlands Ambulance Service
- West Midlands Combined Authority *
- West Midlands Fire and Rescue Authority *
- Witton Lodge Community Association Ltd *
- Workers' Educational Association
- 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 BIDs highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2023/24.

- 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 2023/24.

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

Other Related Parties

In addition to the organisations 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 2023/24 with the following organisations which fall within the definition of related parties:

- Arthur Terry Learning Partnership Academy
- Aspirations Care Limited
- Birmingham Crisis Centre
- Birmingham Women's and Children's NHSFT
- Heartlands Academy
- Hill West Primary School Academy
- Norton Hall Children and Family Centre
- PBRS Estate Management Company Limited
- Rookery School Academy
- Royal Sutton Coldfield Town Council
- Sandwell and West Birmingham Hospitals NHST
- Sir Josiah Mason Trust
- South and City College (Birmingham) Limited
- Spitfire Advice and Support Services Ltd
- Stirchley Primary School Academy
- Stockland Green School Academy
- Thompsons Solicitors
- University Hospital Birmingham Foundation Trust
- University of Birmingham
- Yardley Great Trust

The value of transactions for non-consolidated related parties, individually less than £0.1m within 2023/24, was net expenditure of £0.5m (£0.9m expenditure and £0.4m income).

**Note 47**
**The Council Acting as Agent**

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

| **Agency Role** | **No** | **Level of Reserve** £m | **Gross Expenditure** £m |
|---|---|---|---|
| Accountable Body | 43 | 129.3 | 31.7 |
| Provision of External Payrolls | 104 | 0 | 0 |
| Arrangements supporting Housing activities | 2 | 3.5 | 4.8 |
| Reporting of Trust activities | 16 | 24.1 | 0.4 |
| Subsidiary Companies | 6 | 22.1 | 2.2 |
| Other transactions | 34 | 1.0 | 0.4 |

External Payrolls

The Council provides payroll services to external organisations, including Academy Schools and Colleges of Further Education, using capacity within its payroll system. The cost of providing the service is charged to the external organisation. 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 several 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 2024 was £28.7m (2022/23: £27.5m). 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 2023 | Income | Expenditure | **Balance at 31 March 2024** |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Council acting as Sole Trustee** | | | | |
| Birmingham Municipal Charity - general charitable objectives | 0.8 | 0.0 | 0.0 | 0.8 |
| Charles Baker Trust – for the elderly and disabled | 0.3 | 0.0 | 0.0 | 0.3 |
| Cropwood Estate – management of the estate | 10.1 | 0.1 | 0.0 | 10.2 |
| Elford Trust – healthy recreation for Birmingham citizens | 4.8 | 0.3 | 0.0 | 5.1 |
| Harriet Louisa Loxton Charity – for the aged and infirm | 2.2 | 0.3 | 0.1 | 2.4 |
| Highbury Trust – for the benefit of the citizens of Birmingham | 1.9 | 0.2 | 0.2 | 1.9 |
| Other | 0.2 | 0.0 | 0.0 | 0.2 |
| **Total Council acting as Sole Trustee** | **20.3** | **0.9** | **0.3** | **20.9** |

| | | | | |
|---|---|---|---|---|
| **Council acting as Custodian** | | | | |
| Alderson – to let dwelling houses to ex-servicemen and other persons in need | 0.6 | 0.1 | 0.1 | 0.6 |
| Bodenham Trust – for children with special educational needs | 0.7 | 0.1 | 0.0 | 0.8 |
| Clara Martineau Trust – for children with special educational needs | 5.6 | 0.6 | 0.1 | 6.1 |
| Moseley Road Friends Institute – provision and maintenance | 0.2 | 0.0 | 0.0 | 0.2 |
| Other | 0.1 | 0.0 | 0.0 | 0.1 |
| **Total Council acting as Custodian** | **7.2** | **0.8** | **0.2** | **7.8** |
| **Total Trust Balances** | **27.5** | **1.7** | **0.5** | **28.7** |

Analysis of the assets of the main funds:

| | Restricted Funds at 31 March 2024 £m | Unrestricted Funds at 31 March 2024 £m | **Total Funds 31 March 2024 £m** |
|---|---|---|---|
| **Council acting as Sole Trustee** | | | |
| Birmingham Municipal Charity - general charitable objectives | 0.8 | 0.0 | 0.8 |
| Charles Baker Trust – for the elderly and disabled | 0.1 | 0.2 | 0.3 |
| Cropwood Estate – management of the estate | 0.8 | 9.4 | 10.2 |
| Elford Trust – healthy recreation for Birmingham citizens | 4.3 | 0.7 | 5.0 |
| Harriet Louisa Loxton Charity – for the aged and infirm | 2.2 | 0.2 | 2.4 |
| Highbury Trust – for the benefit of the citizens of Birmingham | 1.8 | 0.2 | 2.0 |
| Other | 0.1 | 0.1 | 0.2 |
| **Total Council acting as Sole Trustee** | **10.1** | **10.8** | **20.9** |
| | | | |
| **Council acting as Custodian** | | | |
| Alderson – to let dwelling houses to ex-servicemen and other persons in need | 0.0 | 0.7 | 0.7 |
| Bodenham Trust – for children with special educational needs | 0.0 | 0.7 | 0.7 |
| Clara Martineau Trust – for children with special educational needs | 0.6 | 5.5 | 6.1 |
| Moseley Road Friends Institute – provision and maintenance | 0.2 | 0.0 | 0.2 |
| Other | 0.1 | 0.0 | 0.1 |
| **Total Council acting as Custodian** | **0.9** | **6.9** | **7.8** |
| **Total Assets** | **11.0** | **17.7** | **28.7** |

# SUPPLEMENTARY FINANCIAL STATEMENTS 2023/24

## 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.

| 2022/23 £m | | Note | 2023/24 £m |
|---|---|---|---|
| | **Income** | | |
| (260.6) | Dwellings rents | | (278.2) |
| (10.8) | Non-dwellings rents | | (9.5) |
| (22.5) | Charges for services and facilities | | (22.3) |
| **(293.9)** | **Total Income** | | **(310.0)** |
| | **Expenditure** | | |
| 69.0 | Repairs and maintenance | | 90.7 |
| 64.6 | Supervision and management | | 99.6 |
| 9.9 | Rent, rates, taxes and other charges | | 1.9 |
| 62.9 | Depreciation and impairment charge | H3 & H6 | 67.7 |
| 0.2 | Debt management costs | | 0.2 |
| **206.6** | **Total Expenditure** | | **260.1** |
| **(87.3)** | **Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement and Net (Income) / Cost of HRA Services** | | **(49.9)** |

| 2022/23 | **HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:** | 2023/24 |
|---|---|---|
| 1.9 | Change in fair value of financial instruments | (17.9) |
| 50.6 | Interest payable and similar charges | 49.2 |
| 0.7 | Amortisation of premia and discounts | 0.7 |
| (2.5) | HRA interest and investment income | (2.9) |
| 6.0 | (Gains)/ Losses on the disposal of HRA non-current assets | 38.9 |
| 4.3 | Pensions interest cost and expected return on pensions assets | 1.0 |
| (0.7) | Capital Grants and Contributions Receivable | (0.2) |
| **(27.0)** | **(Surplus)/Deficit for the Year on HRA Services** | **18.9** |

**Movement on the Housing Revenue Account Statement**

| 2022/23 | | 2023/24 |
|---|---|---|
| £m | | £m |
| (27.0) | (Surplus)/Deficit for the year on the HRA Income and Expenditure Account | 18.9 |
| 3.9 | Adjustments between accounting basis and funding basis under statute (Note 16) | (44.2) |
| **(23.1)** | Net (increase) / decrease before transfers to / (from) reserves | **(25.3)** |
| (1.0) | Transfer to / (from) reserves | (1.4) |
| **(24.1)** | (Increase) / decrease for the year on HRA balance | **(26.7)** |
| **(10.0)** | HRA Balance Brought Forward | **(34.1)** |
| **(34.1)** | HRA Balance Carried Forward | **(60.8)** |

| | **Total HRA Reserve** | |
|---|---|---|
| (34.1) | HRA Balance | (60.8) |
| (6.0) | HRA Earmarked Reserve | (4.6) |
| **(40.1)** | **Total HRA Reserve** | **(65.4)** |

## 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 2023 | | 31 March 2024 |
|---|---|---|
| 3,680 | 1 bedroom bungalows | 3,673 |
| 14,625 | 1 bedroom flats | 14,515 |
| 55 | 1 bedroom houses | 54 |
| 293 | 2 bedroom bungalows | 293 |
| 10,147 | 2 bedroom flats | 10,035 |
| 8,087 | 2 bedroom houses | 8,088 |
| 29 | 3 or more bedroom bungalows | 29 |
| 3,624 | 3 or more bedroom flats | 3,591 |
| 17,730 | 3 or more bedroom houses | 17,657 |
| **58,270** | **Total housing stock** | **57,935** |

The change in the property numbers is analysed below:

| 2022/23 | | 2023/24 |
|---|---|---|
| 58,902 | Stock at 1 April | 58,270 |
| (614) | Sales | (586) |
| (134) | Demolitions / transfers | (46) |
| 116 | Acquisitions | 297 |
| **58,270** | **Stock at 31 March** | **57,935** |

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

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| £m | | £m |
| 3,000.9 | Council dwellings/garages | 2,966.5 |
| 22.4 | Assets under Construction | 11.3 |
| 30.3 | Other land and buildings | 24.2 |
| **3,053.6** | **Total operational assets** | **3,002.0** |
| 49.0 | Non-operational assets | 46.8 |
| **3,102.6** | **Total** | **3,048.8** |

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 2023/24 of 40%. The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £210.9m was spent on HRA dwellings during the year.

As at 31 March 2024, the Council also owned 200 dwellings (31 March 2023: 212) that were occupied by trespassers following the death or departure of the tenant of that property. These properties are, therefore, not available for social housing. These properties are not considered to have a value whilst they are occupied in this way, but if they were to become available for social housing, their value, on the basis of an Existing Use Value – Social Housing (EUV-SH) would be £10.2m (31 March 2023: £10.9m).

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

| 31 March 2023 | | 31 March 2024 |
|---|---|---|
| £m | | £m |
| 717.6 | Land | 715.0 |
| 16.4 | Kitchens | 18.5 |
| 20.7 | Bathrooms | 27.5 |
| 49.7 | Windows | 52.9 |
| 46.2 | Heating | 46.8 |
| 11.0 | Roofs | 11.0 |
| 2,139.3 | Remaining Structure | 2,094.8 |
| **3,000.9** | **Total** | **2,966.5** |

### 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 2024 is £7,009.3m.

(b) The difference between the above figure and the figure of £2,966.5m in the Balance Sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the MHCLG's stock valuation model as explained in Supplementary Note H1.

### H3. Revaluations and Impairment Charges

Revaluations and impairment charges reflect an increase or reduction in the value of property due to the economic environment or an event that has occurred to the assets. This could include a decline in demand, obsolescence, and commitments to make significant changes to housing. There has been an impairment in HRA asset values in 2023/24 of £0.1m (2022/23: £0.1m). The net value of HRA dwellings has decreased by £34.4m to £2,966.5m.

**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

| 2022/23 | | 2023/24 |
|---|---|---|
| £m | | £m |
| 17.9 | Balance on Major Repairs Reserve at 1 April | 17.9 |
| 62.9 | Amount transferred to Major Repairs Reserve during the year | 67.7 |
| (62.9) | 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 | (55.5) |
| **17.9** | **Balance on Major Repairs Reserve at 31 March** | **30.1** |

**H5. Capital Expenditure on HRA Assets**

Expenditure on HRA assets was funded from the following sources:

| 2022/23 | | 2023/24 |
|---|---|---|
| £m | | £m |
| 17.4 | Usable Capital Receipts (Right to Buy/Land) | 60.8 |
| 62.9 | Major Repairs Reserve | 55.4 |
| 0.0 | HRA Revenue contributions | 24.8 |
| 1.2 | Prudential Borrowing | 66.1 |
| 5.9 | Other resources | 3.8 |
| **87.4** | | **210.9** |

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £46.1m (land £3.2m, houses £42.9m). The values for 2022/23 were £61.2m (land £14.6m and houses £46.6m). The Government operates a capital receipts pooling framework and of these amounts £0.2m was paid to Central Government (2022/23: £0.1m).

**H6. Depreciation Charges**

The total charge for depreciation for the houses and other property within the Council's HRA is £67.7m (2022/23: £62.9m). 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 2024 totalled £15.7m (2022/23: £17.9m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £21.7m at 31 March 2024 (2022/23: £23.4m).

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 £18.3m at 31 March 2024 (2022/23: £36.1m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 17.9 | Current tenants | 15.7 |
| 10.0 | Housing benefit overpayment | 7.4 |
| 13.4 | Other debt (services/leaseholders) | 14.3 |
| **41.3** | **Total arrears** | **37.4** |
| 36.1 | Provision for bad debts | 18.3 |

## 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.

| 2022/23 | 2022/23 | 2022/23 | | 2023/24 | 2023/24 | 2023/24 |
|---|---|---|---|---|---|---|
| Council Tax | NNDR | Total | | Council Tax | NNDR | Total |
| £m | £m | £m | Income | £m | £m | £m |
| (489.9) | | (489.9) | Collectable Council Tax | (520.7) | | (520.7) |
| **(489.9)** | | **(489.9)** | | **(520.7)** | | **(520.7)** |
| | (413.2) | (413.2) | Collectable Business Rates | | (397.4) | (397.4) |
| | 1.9 | 1.9 | Transitional Payment Payable to Government | | (32.4) | (32.4) |
| | **(411.3)** | **(411.3)** | | | **(429.8)** | **(429.8)** |
| | - | - | **Enterprise Zone Deficit Repayable to the Collection Fund** | | | |
| | | | **Apportionment of Prior Year Deficit:** | | | |
| (17.4) | (162.1) | (179.4) | Birmingham City Council | 14.0 | 11.2 | 25.2 |
| | - | - | Central Government | | - | - |
| (0.7) | (1.6) | (2.4) | West Midlands Fire & Rescue Authority | 0.6 | 0.1 | 0.7 |
| (2.0) | | (2.0) | West Midlands Police and Crime Comm. | 1.7 | | 1.7 |
| **(20.1)** | **(163.7)** | **(183.8)** | **Total Apportionment of Prior Year Deficit** | **16.3** | **11.3** | **27.6** |
| **(510.0)** | **(575.0)** | **(1,085.0)** | **TOTAL INCOME** | **(504.4)** | **(418.5)** | **(922.9)** |

| 2022/23 | 2022/23 | 2022/23 | | 2023/24 | 2023/24 | 2023/24 |
|---|---|---|---|---|---|---|
| Council Tax | NNDR | Total | | Council Tax | NNDR | Total |
| £m | £m | £m | Expenditure | £m | £m | £m |
| | | | **Precepts Demands & Shares Incl Prior Years Surplus:** | | | |
| 403.0 | 360.0 | 763.0 | Birmingham City Council | 431.3 | 424.1 | 855.4 |
| | - | - | Central Government | | | - |
| | 4.9 | 4.9 | **Enterprise Zone Surplus Repayable from the Collection Fund** | | 1.4 | 1.4 |
| 17.6 | 3.5 | 21.1 | West Midlands Fire & Rescue Authority | 19.2 | 4.2 | 23.4 |
| 48.5 | | 48.5 | West Midlands Police and Crime Comm. | 53.3 | | 53.3 |
| | | | **Charges:** | | | |
| 19.3 | 27.7 | 47.0 | Increase/(Decrease) in Provision for Bad and Doubtful Debts | 15.3 | 7.9 | 23.2 |
| | 38.3 | 38.3 | Increase/(Decrease) in Provision for Appeals | | 40.1 | 40.1 |
| | 1.8 | 1.8 | Cost of Collection | | 1.8 | 1.8 |
| **488.4** | **436.2** | **924.6** | **TOTAL EXPENDITURE** | **519.1** | **479.5** | **998.6** |
| **(21.6)** | **(138.8)** | **(160.4)** | **(Surplus)/Deficit for the year** | **14.7** | **61.0** | **75.7** |
| **7.6** | **127.5** | **135.1** | **(Surplus)/Deficit brought forward** | **(14.0)** | **(11.3)** | **(25.3)** |
| **(14.0)** | **(11.3)** | **(25.3)** | **(Surplus)/Deficit carried forward** | **0.7** | **49.7** | **50.4** |

## Notes to the Collection Fund

### C1. Contributions from Council Taxpayers

The Council's tax base at January 2023 (the number of chargeable dwellings in each valuation band net of discounts) converted to an equivalent number of Band D dwellings was calculated as follows:

| Band | Number of Properties | Ratio | Band D equivalent dwellings |
|---|---|---|---|
| AR | 154 | 5/9 | 85 |
| A | 91,354 | 6/9 | 60,903 |
| B | 92,473 | 7/9 | 71,924 |
| C | 64,893 | 8/9 | 57,683 |
| D | 34,513 | 1 | 34,513 |
| E | 19,575 | 11/9 | 23,925 |
| F | 8,272 | 13/9 | 11,949 |
| G | 5,538 | 15/9 | 9,229 |
| H | 807 | 18/9 | 1,613 |
| **Total** | **317,579** | | **271,824** |
| | | | |
| Less adjustment for collection rate | | | (8,562) |
| | | | **263,262** |

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.

### C2. Business Ratepayers

The Council collects Business Rates (NNDR) receipts for its area, which are based on local rateable values multiplied by a uniform rate which is set by the Government (49.9p for 2023/24: 49.9p for 2022/23). The total non-domestic rateable value at 31 March 2024 was £1,212.46m (31 March 2023: £1,136.79m).

Since 1st 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.

**C3. Precept Payments**

The preceptors on the Council Tax element of the Collection Fund are the City 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**

| | 2022/23 BCC £m | 2022/23 Fire £m | 2022/23 Police £m | 2023/24 BCC £m | 2023/24 Fire £m | 2023/24 Police £m |
|---|---|---|---|---|---|---|
| Council Tax Arrears | 159.8 | 7.1 | 19.8 | 181.2 | 7.6 | 21.7 |
| Impairment Allowance for doubtful debts | (63.0) | (2.8) | (7.8) | (76.6) | (3.2) | (9.2) |
| **Amounts Past Due but not Impaired** | **96.8** | **4.3** | **12.0** | **104.6** | **4.4** | **12.5** |
| **Represented by Amounts:** | | | | | | |
| Less than 1 Year | 42.0 | 1.9 | 5.2 | 42.8 | 1.8 | 5.1 |
| 1-2 Years | 18.8 | 0.8 | 2.3 | 21.8 | 0.9 | 2.6 |
| 2-6 Years | 28.2 | 1.3 | 3.5 | 31.7 | 1.3 | 3.8 |
| Over 6 Years | 7.8 | 0.3 | 1.0 | 8.3 | 0.4 | 1.0 |
| **TOTAL** | **96.8** | **4.3** | **12.0** | **104.6** | **4.4** | **12.5** |

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

| | 2022/23 BCC £m | 2022/23 Fire £m | 2022/23 CG £m | 2023/24 BCC £m | 2023/24 Fire £m | 2023/24 CG £m |
|---|---|---|---|---|---|---|
| Business Ratepayer Arrears | 159.5 | 1.6 | 0.0 | 140.6 | 1.4 | 0.0 |
| Impairment Allowance for doubtful debts | (96.0) | (1.0) | 0.0 | (92.5) | (0.9) | 0.0 |
| **Amounts Past Due but not Impaired** | **63.5** | **0.6** | **0.0** | **48.1** | **0.5** | **0.0** |
| **Represented by Amounts:** | | | | | | |
| Less than 1 Year | 41.8 | 0.4 | 0.0 | 25.1 | 0.3 | 0.0 |
| 1-2 Years | 10.1 | 0.1 | 0.0 | 12.1 | 0.1 | 0.0 |
| 2-6 Years | 11.6 | 0.1 | 0.0 | 10.9 | 0.1 | 0.0 |
| Over 6 Years | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **TOTAL** | **63.5** | **0.6** | **0.0** | **48.1** | **0.5** | **0.0** |

# Statement of GROUP Accounts 2023/24

## 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 2023 to 31 March 2024. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2024, 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 2023/24.

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

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

Associate
Birmingham Airport Holdings Limited

Joint Venture
Paradise Circus Limited Partnership

Further detail regarding the Council's relationship with the above companies is given in notes G20 and G21.

The Council maintains involvement with a number of other related entities where the assets and liabilities of the companies are not included in these Group Financial Statements, either on the basis of materiality or that the Council does not exercise control or has no significant influence over the operation of the entity. Further details are set out in Note 46, Related Parties to the Council entity accounts.

**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.

| | 2022/23 | | 2023/24 | |
|---|---|---|---|---|
| | Entity £m | Group £m | Entity £m | Group £m |
| (Surplus)/Deficit on Provision of Services | 260.3 | 284.4 | 26.9 | 25.4 |

The 2023/24 GCIES shows an positive movement of £259.0m from £284.4m deficit to £25.4m deficit in the net Surplus/(Deficit) on Provision of Services compared to 2022/23 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 2024 and the level of reserves, split into usable and unusable.

| | 2022/23 | | 2023/24 | |
|---|---|---|---|---|
| | Entity £m | Group £m | Entity £m | Group £m |
| Long Term Assets | 7,428.7 | 7,425.9 | 7,327.9 | 7,320.7 |
| Current Assets | 651.0 | 641.5 | 884.2 | 861.4 |
| Current Liabilities | (1,001.1) | (991.1) | (899.2) | (857.8) |
| Long Term Liabilities | (4,064.0) | (4,061.5) | (4,154.6) | (4,149.8) |
| **Net Assets/(Liabilities)** | **3,014.6** | **3,014.8** | **3,158.3** | **3,174.5** |
| Represented by: | | | | |
| Usable Reserves | 917.9 | 895.3 | 955.0 | 949.2 |
| Unusable Reserves | 2,096.7 | 2,119.5 | 2,203.3 | 2,225.3 |
| **Total Reserves** | **3,014.6** | **3,014.8** | **3,158.3** | **3,174.5** |

The Net Group assets have increased to £3,174.5m in 2023/24 from an asset of £3,014.8m in 2022/23 a movement of £159.7m. This is mainly due to reductions in the pension liabilities in the Council's Accounts, Acivico Ltd Accounts and Birmingham Children's Trust CIC Accounts. Further details on this can be found in Note 20 of the Entity Accounts and Note G18 of the Group Accounts.

The difference in the level of usable reserves attributable to Group entities has increased from £895.3m in 2022/23 to £949.2m in 2023/24, a movement of £53.9m. This is mainly due to movements in the Council reserves, details of which can be found in Note 17 of the Entity Accounts.

Group Cash Flow Statement – shows how the Group generates and uses cash during the year and the impact this has on the balances of cash and cash equivalents.

The notes below will provide information only where there are material differences between the entity and Group Accounts.

## Group Comprehensive Income and Expenditure Statement

This statement shows the income and expenditure recognised by the Group during the reporting period.

| 2022/23 Gross Expenditure | 2022/23 Gross Income | 2022/23 Net Expenditure | | Note | 2023/24 Gross Expenditure | 2023/24 Gross Income | 2023/24 Net Expenditure |
|---|---|---|---|---|---|---|---|
| £m | £m | £m | **Continuing Operations** | | | | |
| 574.2 | (182.2) | 392.0 | Adult Social Care | | 622.7 | (207.8) | 414.9 |
| 1,314.7 | (849.2) | 465.5 | Children and Families | | 1,338.8 | (898.7) | 440.1 |
| 71.8 | (43.1) | 28.7 | City Housing | | 80.4 | (45.8) | 34.6 |
| 337.6 | (91.7) | 245.9 | City Operations | | 355.9 | (110.8) | 245.1 |
| 113.5 | (100.4) | 13.1 | Place, Prosperity and Sustainability | | 82.6 | (103.1) | (20.5) |
| 736.0 | (558.4) | 177.6 | Council Management | | 722.1 | (623.2) | 98.9 |
| 110.3 | (101.2) | 9.1 | Strategy, Equalities and Partnerships | | 110.1 | (105.9) | 4.2 |
| 0.0 | (112.1) | (112.1) | Centrally Managed | | 3.7 | (87.8) | (84.1) |
| 206.7 | (293.6) | (86.9) | Housing Revenue Account | | 260.1 | (310.0) | (49.9) |
| **3,464.8** | **(2,331.9)** | **1,132.9** | **Total Cost of Services** | | **3,576.4** | **(2,493.1)** | **1,083.3** |
| 127.6 | - | 127.6 | Other Operating Expenditure | | 133.0 | - | 133.0 |
| 324.9 | (68.0) | 256.9 | Financing and Investment Income and Expenditure | G4 | 256.4 | (58.7) | 197.7 |
| 24.8 | (1,257.8) | (1,233.0) | Taxation and Non-Specific Grant Income | | 72.5 | (1,461.1) | (1,388.6) |
| | | **284.4** | **(Surplus)/Deficit on Provision of Services** | | | | **25.4** |
| | | (4.9) | Share of the (surplus)/deficit on the Provision of Services of Associates | | | | (8.4) |
| | | 0.2 | Tax Expense/(credit) of Subsidiaries | | | | (0.4) |
| | | 1.6 | Tax Expense/(credit) of Associates | | | | 2.8 |
| | | **281.3** | **Group (Surplus)/Deficit** | | | | **19.4** |
| | | | **Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services** | | | | |
| | | (200.3) | (Surplus) / deficit on revaluation of Property, Plant and Equipment assets | | | | 91.0 |
| | | - | Changes in non-current assets charged to the revaluation reserve | | | | (270.7) |
| | | (2,804.7) | Remeasurement of the net defined benefit liability | G18 | | | |
| | | | Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures | | | | |
| | | **(3,005.0)** | | | | | **(179.7)** |
| | | | **Items that may be reclassified to the (Surplus)/Deficit on the Provision of Services** | | | | |
| | | 0.3 | (Surplus) / deficit on revaluation of financial assets | | | | 0.6 |
| | | **(3,004.7)** | **Other Comprehensive (Income) / Expenditure** | | | | **(179.1)** |
| | | **(2,723.4)** | **Total Comprehensive (Income) / Expenditure** | | | | **(159.7)** |

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves.

| | General Fund Balance | Housing Revenue Account | Capital Receipts | Major Repairs Reserve | Capital Grants Unapplied Account | **Total Usable Reserves** | Unusable Reserves | **Total Council Reserves** | Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures | **Total Group Reserves** |
|---|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | **£m** | £m | **£m** | £m | **£m** |
| **Balance at 1 April 2022** | **1,045.8** | **17.0** | **(80.4)** | **17.9** | **112.6** | **1,112.9** | **(697.6)** | **415.3** | **(123.9)** | **291.4** |
| **Movement in Reserves during 2022/23** | | | | | | | | | | |
| Surplus/(Deficit) on the provision of services | 0.1 | 27.0 | | | | 27.1 | | 27.1 | (308.4) | (281.3) |
| Other Comprehensive Income and Expenditure | | | | | | | 2,859.6 | 2,859.6 | 145.1 | 3,004.7 |
| **Total Comprehensive Income and Expenditure** | **0.1** | **27.0** | | | | **27.1** | **2,859.6** | **2,886.7** | **(163.3)** | **2,723.4** |
| Adjustments between Group Accounts and Council Accounts | (287.4) | | | | | (287.4) | | (287.4) | 287.4 | - |
| **Net Increase/(Decrease) before Transfers** | **(287.3)** | **27.0** | **-** | **-** | **-** | **(260.3)** | **2,859.6** | **2,599.3** | **124.1** | **2,723.4** |
| Adjustments between accounting basis and funding basis under regulations (Note 16) | 29.3 | (3.9) | 14.7 | - | 25.2 | 65.3 | (65.3) | - | - | - |
| **Increase/(Decrease) in 2022/23** | **(258.0)** | **23.1** | **14.7** | **-** | **25.2** | **(195.0)** | **2,794.3** | **2,599.3** | **124.1** | **2,723.4** |
| **Balance at 31 March 2023** | **787.8** | **40.1** | **(65.7)** | **17.9** | **137.8** | **917.9** | **2,096.7** | **3,014.6** | **0.2** | **3,014.8** |
| **Movement in Reserves during 2023/24** | | | | | | | | | | |
| Surplus/(Deficit) on the provision of services | **299.2** | **(18.9)** | | | | **280.3** | | **280.3** | **(299.7)** | **(19.4)** |
| Other Comprehensive Income and Expenditure | | | | | | | 170.6 | 170.6 | 8.5 | 179.1 |
| **Total Comprehensive Income and Expenditure** | **299.2** | **(18.9)** | | | | **280.3** | **170.6** | **450.9** | **(291.2)** | **159.7** |
| Adjustments between Group Accounts and Council Accounts | (307.2) | | | | | (307.2) | | (307.2) | 307.2 | - |
| **Net Increase/(Decrease) before Transfers** | **(8.0)** | **(18.9)** | | | | **(26.9)** | **170.6** | **143.7** | **16.0** | **159.7** |
| Adjustments between accounting basis and funding basis under regulations (Note 16) | 4.9 | 44.2 | (5.7) | 12.2 | 8.4 | 64.0 | (64.0) | - | - | - |
| **Increase/(Decrease) in 2023/24** | **(3.1)** | **25.3** | **(5.7)** | **12.2** | **8.4** | **37.1** | **106.6** | **143.7** | **16.0** | **159.7** |
| **Balance at 31 March 2024** | **784.7** | **65.4** | **(71.4)** | **30.1** | **146.2** | **955.0** | **2,203.3** | **3,158.3** | **16.2** | **3,174.5** |

## 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 2023 £m | | Note | 31 March 2024 £m |
|---|---|---|---|
| 6,963.1 | Property, Plant and Equipment | | 6,871.1 |
| 249.9 | Heritage Assets | | 249.2 |
| 43.0 | Investment Properties | G5 | 42.6 |
| 33.2 | Intangible Assets | | 23.9 |
| 6.4 | Long Term Investments | | 5.8 |
| 110.5 | Long Term Debtors | | 104.3 |
| 19.8 | Investments in Associates | G21 | 23.8 |
| **7,425.9** | **Total Long Term Assets** | | **7,320.7** |
| | | | |
| 99.4 | Short Term Investments | | 237.3 |
| 0.4 | Assets Held for Sale | | 64.5 |
| 2.6 | Inventories | | 1.7 |
| 446.2 | Short Term Debtors | G7 | 486.9 |
| 92.9 | Cash and Cash Equivalents | | 71.0 |
| **641.5** | **Total Current Assets** | | **861.4** |
| | | | |
| (464.6) | Short Term Borrowing | | (319.9) |
| (502.5) | Short Term Creditors | G8 | (502.8) |
| (24.0) | Provisions | | (35.1) |
| **(991.1)** | **Total Current Liabilities** | | **(857.8)** |
| | | | |
| (73.5) | Long Term Creditors | | (73.4) |
| (409.8) | Provisions | | (416.0) |
| (2,849.8) | Long Term Borrowing | | (3,195.7) |
| (362.7) | Other Long Term Liabilities | | (333.2) |
| (365.7) | Net Liability on Defined Benefit Pension Scheme | G18 | (131.5) |
| **(4,061.5)** | **Total Long Term Liabilities** | | **(4,149.8)** |
| | | | |
| **3,014.8** | **Net Assets/(Liabilities)** | | **3,174.5** |
| | | | |
| 895.3 | Usable Reserves | G9 | 949.2 |
| 2,119.5 | Unusable Reserves | G10 | 2,225.3 |
| **3,014.8** | **Total Reserves** | | **3,174.5** |

## Group Cash Flow Statement

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

| 2022/23 | | Note | 2023/24 |
|---|---|---|---|
| £m | | | £m |
| (281.3) | Net Surplus/(Deficit) on Continuing Operations | | (19.4) |
| **(281.3)** | **Net Surplus/(Deficit) on the provision of services** | | **(19.4)** |
| 720.2 | Adjustments to net Surplus/(Deficit) on the provision of services for non-cash movements | G14 | 411.9 |
| (204.2) | Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities | | (184.5) |
| **234.7** | **Net cash flows from Operating Activities** | | **208.0** |
| (340.7) | Investing Activities | G12 | (430.9) |
| 137.4 | Financing Activities | G13 | 201.0 |
| **31.4** | **Net increase/(decrease) in cash and cash equivalents** | | **(21.9)** |
| 61.5 | Cash and cash equivalents at the beginning of the reporting period | | 92.9 |
| **92.9** | **Cash and cash equivalents at the end of the reporting period** | | **71.0** |

## NOTES TO THE GROUP ACCOUNTS

### Note G1
### Accounting Policies

The Group Financial Statements summarise the Council's and its Group's transactions for the 2023/24 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

Members within the Group have been classified as either subsidiaries, associates or joint ventures with details included in respect of the classification within Notes G20 and G21. Subsidiaries have been consolidated into the Group Financial Statements on a line by line basis, with associates and joint ventures consolidated under the equity method.

Investments in subsidiaries and associates in the Council's entity accounts are carried at cost rather than fair value less any provision for losses unless there is evidence of impairment.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies.

The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 1 to the Council entity accounts, with additional policies specific to the Group set out below.

### Disposal of a Subsidiary Company

When a subsidiary company is disposed of, the assets and liabilities of the subsidiary are derecognised at their carrying value at the time of disposal and the value of any consideration received is recognised. The transactions plus any resulting differences are identified in the Profit/Loss on disposal of a subsidiary and form part of the Surplus/Deficit on Provision of Services within the Group Comprehensive Income and Expenditure Statement.

### Defined Contribution Pension Schemes

The NEC Limited Group funded two defined benefit schemes, which ceased to provide future service accrual with effect from 30 June 2010 and operated two contributory benefit schemes comprising a Stakeholder Scheme to which only members contribute, and a Group Personal Pension Plan where the company matched member contributions to an agreed maximum. The schemes transferred to PETPS (Birmingham) Limited on 1 May 2015 on the Council's disposal of NEC Ltd. Further information may be found in Note G18.

**Defined Benefit Pension Scheme**

Acivico Limited and Birmingham Children's Trust CIC participate in the Local Government Pension Scheme (LGPS). The scheme is a funded defined benefit scheme based upon career average salary for benefits accrued since 1 April 2014 and on final pensionable salary for benefits accrued to 31 March 2014. Further information may be found within the Council's entity accounting policies and Note G18.

## Note G2
## Critical Judgements in Applying Accounting Policies

In addition to the Critical Judgements, set out in Note 2 of the entity accounts, the Council has considered the following judgement in respect of the application of its accounting policies.

The Council has created a number of companies that are limited by guarantee that are also charitable companies. In such cases the Council is sole member on creation of the company.

The Trustees of a charity have the responsibility for determining the policies and the activities of the company in line with the specific remit of the charity. Where the Council is sole member of the charitable company, it also has, through the Articles of Association, the right to appoint Directors or Trustees to sit on the company board. Whilst the Council has the right to appoint Directors, this right is limited to appointing a minority of Directors such that they have less than 20% of the voting rights. The charitable company board is responsible for the day to day management and for setting the direction of the company. Trustees of charities must always act in the best interest of the charity and not in the interests of the body that appointed them.

Whilst the Council is sole member of charitable companies and whilst it may pass resolutions to impact on the operation of the companies, to date it has not done so. There are also financial barriers to the Council exercising any form of control as this may jeopardise the charitable nature of the organisations which would lead to financial detriment.

On the basis of the above factors, the Council considers that it does not have the current ability to direct the relevant activities of charitable companies given its minority level of representation, the Trustees must act independently of the Council in the best interest of the charity and should the Council exercise any rights through its role as sole member, it is considered that this would have an adverse financial impact. Therefore, the Council does not consider that it should consolidate any charitable companies into the Council's Group Accounts.

## Note G3
## Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Information on pension valuations has been provided by actuaries supporting the relevant funds based on the best information available at the time of producing the reports. Details of the pension funds and their sensitivity to changes in determinants of the funds' assets and obligations are set out in Note 20 in the Council entity accounts and Note G18 of the Group Financial Statements.

Other assumptions made about the future and other major sources of estimation and uncertainty are provided in Note 4 to the Council entity accounts.

## Note G4
## Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure disclosed in the Group CIES are detailed below.

| 2022/23 | | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure | Gross Income | Net | | Gross Expenditure | Gross Income | Net |
| £m | £m | £m | | £m | £m | £m |
| 177.0 | - | 177.0 | Interest Payable and similar charges | 194.7 | - | 194.7 |
| 80.2 | - | 80.2 | Net interest on the net defined benefit liability | 17.3 | - | 17.3 |
| - | - | - | Admin Expenses – Pensions | - | - | - |
| 28.5 | - | 28.5 | (Gain)/Loss on financial assets at amortised cost | 11.4 | - | 11.4 |
| - | - | - | (Gain)/Loss on financial assets at Fair Value through Profit & Loss | 2.2 | - | 2.2 |
| | | | (Gain)/Loss on the Disposal of Financial Instruments | | | |
| - | (29.1) | (29.1) | Interest Receivable and similar income | - | (25.1) | (25.1) |
| 0.1 | - | 0.1 | Changes in the Fair Value of Investment Properties | - | (1.0) | (1.0) |
| 39.1 | (38.5) | 0.6 | (Surplus)/Deficit on trading operations not consolidated within Service Expenditure Analysis in Comprehensive Income and Expenditure Statement | 30.8 | (32.2) | (1.4) |
| - | (0.4) | (0.4) | Other investment income and expenditure | - | (0.4) | (0.4) |
| **324.9** | **(68.0)** | **256.9** | **Sub Total** | **256.4** | **(58.7)** | **197.7** |

**Note G5**
**Investment Properties**

The Council, Birmingham City Propco Limited and InReach (Birmingham) Limited have non-current assets that meet the criteria for treatment as Investment Properties. Details of the financial impact of Investment Properties are set out below.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| **Cost or Valuation** | | |
| **At 1 April** | **42.5** | **43.0** |
| Assets reclassified between categories | | |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | 0.5 | (0.4) |
| **At 31 March** | **43.0** | **42.6** |

| Recurring Fair Value Measurement | Input Level in Fair Value Hierarchy | Valuation Technique used to measure Fair Value | Fair Value 31 March 2023 | Fair Value 31 March 2024 |
|---|---|---|---|---|
| | | | £m | £m |
| Highest and Best Use | Level 2 | The fair value has been measured using a market approach, taking into account quoted prices for similar assets in active markets and data and market knowledge. | 34.3 | 33.9 |
| 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. | 8.7 | 8.7 |

The fair value of the Council's Group Investment Properties is measured annually at each reporting date. Valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The valuations were undertaken by appropriately qualified valuers as detailed below:

- For the Council, Azmat Mir MRICS, Head of Property Consultancy within the Council's Property Services section.
- For InReach (Birmingham) Limited, Mark Shelley MRICS and James Cartwright MRICS of Avison Young (UK) Ltd.
- For Birmingham City Propco Limited, James Williamson MRICS and Ian Elliot MRICS of Avison Young (UK) Ltd

## Note G6
## Financial Instruments

This note sets out the differences from the information contained in Note 37 of the Council entity accounts to enable the reader to determine, more clearly, the impact of group company transactions.

Debtors and Cash
Debtors and cash consolidated as part of the Group Financial Statements are classified as loans and receivables. Further information on Group debtors is provided in Note G7.

Creditors
Short term creditors consolidated as part of the Group Financial Statements are classified as financial liabilities at amortised cost. Further information on Group creditors is provided in Note G8.

Long term creditors consolidated as part of the Group Financial Statements relate to debt issued by NEC (Developments) Plc on the London Stock Exchange. The following long-term creditors are brought into the Group Financial Statements upon group consolidation.

| | 31 March 2023 | 31 March 2024 |
|---|---|---|
| **Long-term Creditors** | £m | £m |
| NEC 7.56% Loan Stock – maturity 30 September 2027 | (73.0) | (73.0) |

The basis of the fair value of the NECD bond is in accordance with IFRS 9 fair value hierarchy 'Level 1 - fair value is only derived from quoted prices in active markets for identical assets or liabilities'. The quoted market price is obtained from Bloomberg on 31 March 2024 and used to calculate the fair value of the NECD bond.

| **Financial Liabilities** | **Input level in Fair Value Hierarchy** | **Valuation inputs and assumptions used to measure Fair Value** | **31 March 2023** | | **31 March 2024** | |
|---|---|---|---|---|---|---|
| | | | Carrying Amount £m | Fair Value £m | Carrying Amount £m | Fair Value £m |
| NEC Loan Stock | Level 1 | Stock Market valuation | 73.0 | 80.1 | 73.0 | 75.0 |

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 2024 between the Council entity accounts, £3,267.5mm and the group accounts, £3,195.7m, is largely represented by the borrowing recognised by the Council associated with group entities, namely NECD and PETPS SLP. These transactions are eliminated on consolidation.

Income, Expense, Gains and Losses
These amounts in the Group Financial Statements are not considered materially different from those in the Council entity accounts.

Fair Values of Assets and Liabilities
The amounts consolidated as part of the Group Financial Statements are not considered significantly different from the carrying amounts.

Nature and extent of risks arising from financial instruments
The nature and extent of risks from financial instruments arising in the Group Financial Statements are not considered materially different from those in the Council entity accounts.

**Note G7**
**Short Term Debtors**

The table below shows amounts owed to the Council's Group undertakings at the end of the year that are due within 12 months. These balances have been split by type of organisation to reflect the potential relative risks that the Council faces. The actual level of recovery will continue to be monitored to ensure that the recovery rate is as high as practicable.

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 99.5 | Central government bodies | 105.2 |
| 19.1 | Other local authorities | 25.0 |
| 3.1 | NHS bodies | 2.9 |
| 3.2 | Public corporations and trading funds | 0.8 |
| 321.3 | Other entities and individuals | 353.0 |
| **446.2** | **Total** | **486.9** |

**Note G8**
**Short Term Creditors**

The table below shows amounts owed by the Council's Group undertakings at the end of the year that are due within 12 months, split by type of organisation.

| 31 March 2023 | | 31 March 2024 £m |
|---|---|---|
| (78.6) | Central government bodies | (47.4) |
| (10.7) | Other local authorities | (12.5) |
| (2.2) | NHS bodies | (2.6) |
| (42.1) | Public corporations and trading funds | (61.4) |
| (368.9) | Other entities and individuals | (378.9) |
| **(502.5)** | **Total** | **(502.8)** |

## Note G9
## Usable Reserves

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

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| | General Fund Balances comprising: | |
| 117.9 | Unearmarked Reserves | 140.6 |
| 194.3 | Earmarked Reserves | 154.4 |
| 379.4 | Grants Reserves | 394.7 |
| 96.2 | Ringfenced Reserves | 95.0 |
| 40.1 | Housing Revenue Account (HRA) | 65.4 |
| (65.7) | Capital Receipts Reserve | (71.4) |
| 17.9 | Major Repairs Reserve | 30.1 |
| 137.8 | Capital Grants Unapplied | 146.2 |
| (27.4) | Company Profit & Loss | (10.6) |
| 4.8 | Merger Reserve | 4.8 |
| **895.3** | **Total** | **949.2** |

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

## Note G10
## Unusable Reserves

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

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 2,680.3 | Revaluation Reserve | 2,507.8 |
| (215.0) | Capital Adjustment Account | (94.0) |
| (61.9) | Financial Instruments Adjustment Account | (60.5) |
| 63.0 | Deferred Capital Receipts | 67.3 |
| (357.6) | Pensions Reserve | (135.5) |
| 28.5 | Collection Fund Adjustment Account | (48.4) |
| (18.4) | Accumulated Absences Account | (12.0) |
| 0.6 | Called up Share Capital | 0.6 |
| **2,119.5** | **Total** | **2,225.3** |

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.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| **2,542.4** | **Balance at 1 April** | **2,680.3** |
| | **Revaluations not posted to (Surplus)/Deficit on the Provision of Services** | |
| 323.2 | Council: Upward revaluation of assets | 193.6 |
| (122.9) | Council: Downward revaluation of assets | (284.6) |
| **200.3** | **Council: Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services** | **(91.0)** |
| | **Amounts written off to the Capital Adjustment Account** | |
| (60.1) | Council: Difference between fair value depreciation and historical cost depreciation | (50.1) |
| (11.9) | Adjustment for Transfer of land to Investment Property | - |
| | Council: Accumulated gains on assets sold or scrapped | (31.2) |
| **(72.0)** | **Council: Amount written off to the Capital Adjustment Account** | **2,508.0** |
| | **Group Movements** | |
| 9.6 | Other movements in reserve in Group entities | (0.2) |
| **9.6** | **Total Group Movements** | **(0.2)** |
| **2,680.3** | **Balance at 31 March** | **2,507.8** |

The Council is allowed under statute to reverse out the financial impact from its Comprehensive Income and Expenditure Statement where it has impaired or revalued equity in a company or where it has given a 'soft' loan to another organisation. The impact of adjustments form part of the unusable reserves.

In consolidating group accounts, inter-company transactions are eliminated. However, where the Council has either revalued assets or has given a soft loan to a group entity then the carrying values in the two organisations would be different. For consolidation, the entries in the Council entity accounts, reducing the carrying value of assets, would need to be reversed prior to elimination.

**Note G11**
**Cash Flow Statement - Operating Activities**

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

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| (27.5) | Interest Received | (28.2) |
| 178.8 | Interest Paid | 198.6 |
| (0.4) | Dividends Received | (0.4) |
| **150.9** | **Total** | **170.0** |

**Note G12**
**Cash Flow Statement - Investing Activities**

The cash flows from investing activities are set out below.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| (458.5) | Purchase of property, plant and equipment, investment property and intangible assets | (350.0) |
| (2,687.1) | Purchase of short-term and long-term investments | (3,367.4) |
| 103.0 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 65.3 |
| 2,701.9 | Proceeds from short-term and long-term investments | 3,221.2 |
| **(340.7)** | **Net cash flows from investing activities** | **(430.9)** |

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

The cash flows from financing activities are set out below.

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| 100.2 | Other receipts from financing activities | 117.6 |
| 852.8 | Cash receipts from short-term and long-term borrowing | 1,022.1 |
| (140.7) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts | (129.2) |
| (675.9) | Repayments of short-term and long-term borrowing | (811.1) |
| 1.0 | Other payments for financing activities | 1.6 |
| **137.4** | **Net cash flows from financing activities** | **201.0** |

**Note G14**
**Cash Flow Statement – Other Adjustments**

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

| 2022/23 £m | | 2023/24 £m |
|---|---|---|
| 156.9 | Depreciation/Impairment charge | 171.6 |
| - | Assets Reclassified between categories | - |
| 2.2 | Amortisation of Intangible Assets | 9.1 |
| - | Derecognition of available for sale assets | - |
| 205.9 | Derecognition of Non-Current Assets | 82.0 |
| (13.9) | (Increase)/Decrease in Associate & Joint Venture | (4.0) |
| 75.6 | Revaluation of Non-Current Assets | 68.6 |
| - | (Increase)/Decrease in Assets Held for Sale | - |
| (125.9) | (Increase)/Decrease in Debtors | (46.6) |
| 78.1 | Increase/(Decrease) in Creditors | 76.4 |
| (0.4) | (Increase)/Decrease in Inventories | 0.9 |
| 6.1 | Increase/(Decrease) in Provisions | 17.3 |
| 336.9 | Pensions Liability | 36.5 |
| (1.3) | Other Non-Cash Movements | 0.1 |
| **720.2** | | **411.9** |

**Note G15**
**Expenditure and Funding by Nature of Activity**

Detail of the Council's Expenditure and Funding by Nature of Activity is provided in Note 8 to the entity accounts.

| 2022/23 £m | Expenditure | 2023/24 £m |
|---|---|---|
| 1,270.8 | Employee Benefits Expenses | 1,151.9 |
| 2,158.3 | Other Service Expenses | 2,242.0 |
| 107.7 | Depreciation, Amortisation and Impairment | 319.0 |
| 257.3 | Interest Payments | 212.0 |
| 28.5 | Movements in the value of financial assets | 13.6 |
| 50.4 | Precepts and Levies | 52.1 |
| - | Payments to Housing Capital Receipts Pool | 0.1 |
| 69.0 | Loss on Disposal of Non-Current Assets | 47.6 |
| **3,942.0** | **Total Expenditure** | **4,038.3** |
| | Income | |
| (669.5) | Fees, Charges and Other Service Income | (691.7) |
| (775.4) | Income from Council Tax and Business Rates | (917.4) |
| (2,183.2) | Government Grants and Contributions | (2,377.3) |
| (29.5) | Interest and Investment Income | (26.5) |
| **(3,657.6)** | **Total Income** | **(4,012.9)** |
| **284.4** | **(Surplus)/Deficit on Provision of Services** | **25.4** |

**Note G16**
**Related Parties**

Details of the Council's material transactions with related parties are provided in Note 46 to the Council entity accounts. Details of the subsidiary companies, associates and joint ventures of group entities are detailed in the relevant Notes G20 and G21 of these group financial statements.

In addition to the related parties detailed within Note 46 to the Council entity accounts, Birmingham Airport Holdings Limited transacts business with the shareholding West Midlands District Councils, with Solihull MBC acting as the lead authority. Transactions would be undertaken in a number of areas and include Business Rates, planning applications and building control services. All of these transactions are carried out on an arms-length basis at full commercial rate.

Birmingham Airport Limited entered into a lease arrangement with Solihull MBC, on behalf of all the Districts, which has been treated as a finance lease in its accounts by the company. The total amount payable in the year under the arrangement was £1.0m with an amount due at the year-end of £4.7m.

**Note G17**
**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 40 to the Council entity accounts. This note sets out the impact of intra-Group leases and leases of Group entities to external organisations.

**Leases by Group entities to External Organisations**

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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| | Finance lease debtor (net present value of minimum lease payments): | |
| 0.1 | - Current | 0.1 |
| 19.9 | - Non-current | 19.8 |
| 42.2 | Unearned finance income | 41.3 |
| **62.2** | **Gross investment in the lease** | **61.2** |

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 2023 £m | 31 March 2024 £m | 31 March 2023 £m | 31 March 2024 £m |
| Not later than one year | 0.1 | 0.1 | 1.0 | 1.0 |
| Later than one year and not later than five years | 0.3 | 0.3 | 4.0 | 4.0 |
| Later than five years | 19.5 | 19.5 | 57.2 | 56.1 |
| **Total** | **19.9** | **19.9** | **62.2** | **61.1** |

Operating Leases

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

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 0.5 | Not later than one year | 0.4 |
| 1.7 | Later than one year and not later than five years | 1.7 |
| 24.4 | Later than five years | 24.1 |
| **26.6** | **Gross investment in the lease** | **26.2** |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**Note G18**
**Defined Benefit and Defined Contribution Pension Schemes**

Details of the Council's involvement in the Teachers' Pensions Scheme and Local Government Pension Scheme are provided in Notes 19 and 20 to the Council entity accounts.

Acivico Limited Group
The Company’s subsidiary companies participate in the West Midlands Pension Fund, a Local Government Pension Scheme.

A ruling was made regarding age discrimination arising from public sector pension scheme transition arrangements put in place when moving from final salary to average salary scheme arrangements. Court of Appeal judgements were made in cases affecting judges' pensions (the McCloud Judgement) and firefighter pensions. Allowance has been made for the potential impact in the results reported.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

| | 2022/23<br>£m | 2023/24<br>£m |
|---|---|---|
| Present value of funded defined benefit obligations | (60.3) | (62.0) |
| Fair value of plan assets | 97.9 | 106.1 |
| Adjustment for pension surplus in Acivico (Building Consultancy) | (37.6) | (40.1) |
| **Net (Liability)/Asset** | **-** | **4.0** |

Movements in the present value of defined benefit obligation:

| | 2022/23<br>£m | 2023/24<br>£m |
|---|---|---|
| Balance at beginning of period | 85.6 | 60.3 |
| Current service cost | 2.0 | 1.0 |
| Interest cost | 2.3 | 2.9 |
| Actuarial (gains)/losses | (28.0) | (0.7) |
| Contributions by members | 0.3 | 0.4 |
| Liabilities Extinguished on Settlement | - | - |
| Past Service cost including Curtailments | - | - |
| Benefits paid | (1.9) | (1.9) |
| **31 March** | **60.3** | **62.0** |

Movements in the fair value of plan assets:

| | 2022/23<br>£m | 2023/24<br>£m |
|---|---|---|
| Balance at beginning of period | 89.4 | 97.9 |
| Interest on assets | 2.3 | 4.7 |
| Actuarial (losses)/gains | 7.5 | 4.7 |
| Settlements | - | - |
| Contributions | 0.6 | 0.7 |
| Benefits paid | (1.9) | (1.9) |
| **31 March** | **97.9** | **106.1** |

Expense recognised in the profit and loss account:

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| **Operating Costs:** | | |
| Current Service Cost | 2.0 | 1.0 |
| Included in Operating Cost | 2.0 | 1.0 |
| | | |
| **Financing Costs:** | | |
| Interest cost on pension scheme liabilities | (2.3) | 2.9 |
| Interest income on plan assets | (2.3) | (4.7) |
| Net interest cost | - | (1.8) |
| | | |
| **Total income statement expense/(income)** | **2.0** | **(0.8)** |

Other Comprehensive Income

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

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Actuarial (gain)/loss on liabilities | (28.0) | (0.7) |
| Actuarial (gain)/loss on plan assets | 7.5 | 4.7 |
| **Remeasurement (gain)/loss recognised during the period** | **(20.5)** | **4.0** |

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

| | 2022/23 Fair Value | | 2023/24 Fair Value | |
|---|---|---|---|---|
| | £m | % | £m | % |
| Equities | 66.6 | 68 | 64.7 | 61 |
| Government Bonds | 21.5 | 22 | 29.7 | 28 |
| Other Bonds | - | - | 6.4 | 6 |
| Property | 6.9 | 7 | 5.3 | 5 |
| Cash/Liquidity | 2.9 | 3 | - | - |
| **Total** | **97.9** | **100** | **106.1** | **100** |

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

| | 2022/23 % | 2023/24 % |
|---|---|---|
| Discount rate | 4.8 | 4.8 |
| Future salary increases | 4.0 | 3.8 |
| Future pension increases | 3.0 | 2.8 |
| CPI increases | 3.0 | 2.8 |

In valuing the liabilities of the Pension Fund at 31 March 2024, mortality assumptions have been made as indicated below.

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

| | 31 March 2023 | 31 March 2024 |
|---|---|---|
| Male: member aged 65 (current life expectancy) | 22.5 | 22.3 |
| Male: member aged 45 (life expectancy at age 65) | 23.0 | 22.8 |
| Female: member aged 65 (current life expectancy) | 24.2 | 24.0 |
| Female: member aged 45 (life expectancy at age 65) | 25.4 | 25.1 |

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 | (1.0) |
| Effect on defined benefit obligation | |

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.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Present value of funded defined benefit obligations | (260.3) | (273.7) |
| Fair value of plan assets | 252.2 | 273.7 |
| **Net (Liability)/Asset** | **(8.1)** | **-** |

Movements in the present value of defined benefit obligation:

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Balance at beginning of period | 376.6 | 260.3 |
| Current service cost | 31.0 | 15.0 |
| Interest cost | 10.8 | 12.7 |
| Change in financial assumptions | (176.4) | (20.7) |
| Change in demographic assumptions | (16.1) | (1.7) |
| Contributions by scheme members | 4.7 | 5.0 |
| Experience/(gain) on defined benefit obligation | 32.3 | 7.2 |
| Benefits paid | (2.6) | (4.1) |
| **31 March** | **260.3** | **273.7** |

Movements in the fair value of plan assets:

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Balance at beginning of period | 256.7 | 252.2 |
| Derecognition of Pension Scheme Surplus | | (20.8) |
| Return on assets (less interest) | 7.2 | 12.9 |
| Interest on assets | (11.6) | 12.3 |
| Administrative expenses | (15.5) | - |
| Contributions paid by employer | 13.0 | 16.1 |
| Contributions by scheme members | 4.7 | 5.1 |
| Benefits paid | (2.6) | (4.1) |
| **31 March** | **251.9** | **273.7** |

Expense recognised in the profit and loss account:

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| **Operating Costs:** | | |
| Current Service Cost | 31.0 | 15.0 |
| Administrative Expenses | - | - |
| Included in Operating Cost | 31.0 | 15.0 |
| | | |
| **Financing Costs:** | | |
| Interest cost on pension scheme liabilities | 10.8 | 12.7 |
| Interest income on plan assets | (7.3) | (12.3) |
| Net interest cost | 3.5 | 0.4 |
| | | |
| **Total Income Statement expense** | **34.5** | **15.4** |

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:

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Return on plan assets in excess of interest income | (11.6) | 12.9 |
| Derecognition of Pension Scheme Surplus | | (20.8) |
| Actuarial gain/(loss) on liabilities due to changes in financial assumptions | 176.4 | 20.7 |
| Actuarial gain/(loss) on liabilities due to changes in demographic assumptions | 16.1 | 1.7 |
| Experience gain on defined benefit obligation | (47.6) | (7.2) |
| **Remeasurement gain/(loss) recognised during the period** | **133.3** | **7.3** |

No net pension scheme asset value has been recognised on the Trust's balance sheet at 31 March 2024 on the basis that the future economic benefit to the Trust of having a scheme asset cannot be reliably measured. As such the pension scheme gain has been reduced to leave the scheme at a £nil balance.

| | 2022/23 Fair Value | | 2023/24 Fair Value | |
|---|---|---|---|---|
| | £m | % | £m | % |
| Equities | 166.5 | 66 | - | - |
| Gilts | - | - | - | - |
| Bonds | 52.9 | 21 | - | - |
| Property | 17.7 | 7 | - | - |
| Cash/Liquidity | 15.1 | 6 | - | - |
| Other | | | | |
| **Total** | **252.2** | **100** | **-** | **-** |

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

| | 2022/23 % | 2023/24 % |
|---|---|---|
| Discount rate | 4.75 | 4.85 |
| Future salary increases | 3.95 | 3.75 |
| Future pension increases | 2.95 | 2.75 |
| CPI increases | 3.15 | 2.75 |

In valuing the liabilities of the Pension Fund at 31 March 2024, mortality assumptions have been made as indicated below.

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

| | 31 March 2023 | 31 March 2024 |
|---|---|---|
| Male: member aged 65 (current life expectancy) | 21.0 | 20.8 |
| Male: member aged 45 (life expectancy at age 65) | 21.7 | 21.5 |
| Female: member aged 65 (current life expectancy) | 23.8 | 23.6 |
| Female: member aged 45 (life expectancy at age 65) | 25.2 | 25.0 |

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 2022/23 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 2023 £m | 31 March 2024 £m |
|---|---|---|
| Present value of funded obligations | (129.7) | (126.1) |
| Fair value of plan assets | 142.9 | 134.3 |
| Deficit for funded plans | 13.2 | 8.2 |
| Unrecognised asset due to the asset ceiling | - | (8.2) |
| **Retirement Benefit Obligation** | **13.2** | **-** |

Income Statement

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

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| **Operating Costs:** | | |
| Administration Expenses | 0.9 | 0.8 |
| Past Service Cost | | (0.8) |
| Included in Operating Cost | 0.9 | 0.0 |
| | | |
| **Financing Costs:** | | |
| Interest cost on pension scheme liabilities | 5.3 | 0.6 |
| Interest income on plan assets | (5.3) | (0.6) |
| Net interest cost | 0.0 | 0.0 |

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| **Total Income Statement expense** | **0.9** | **0.0** |

Other Comprehensive Income

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

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Return on plan assets in excess of interest income | 61.3 | (10.0) |
| Actuarial gain/(loss) on liabilities due to changes in financial assumptions | (74.9) | 1.5 |
| Actuarial gain/(loss) on liabilities due to changes in demographic assumptions | (6.0) | 5.6 |
| Actuarial gain/(loss) on liabilities due to experience | 5.4 | 2.9 |
| **Remeasurement gain/(loss) recognised during the period** | **14.2** | **-** |

Reconciliation of Liabilities and Assets

Movements in the retirement benefit obligations are as follows:

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Beginning of Period | (205.0) | (129.7) |
| Interest Cost | (5.3) | (5.9) |
| Actuarial gain/(loss) on liabilities due to changes in financial assumptions | 74.9 | - |
| Actuarial gain/(loss) on liabilities due to changes in demographic assumptions | 6.0 | - |
| Actuarial gain/(loss) on liabilities due to experience | (5.3) | 4.2 |
| Benefits Paid | 5.0 | 5.1 |
| **Present value of obligation at 31 March** | **(129.7)** | **(126.3)** |

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

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Beginning of Period | 204.1 | 142.9 |
| Interest income on plan assets | 5.3 | 6.6 |
| Return on plan assets in excess of interest income | (61.3) | (10.0) |
| Contributions by employer | 0.8 | 0.8 |
| Administration expenses paid | (1.0) | (0.8) |
| Benefits paid | (5.0) | (5.1) |
| **Fair value of plan assets at 31 March** | **142.9** | **134.4** |

Plan Assets

The major categories of plan assets are as follows:

| | 31 March 2023 | | 31 March 2024 | |
|---|---|---|---|---|
| | £m | % | £m | % |
| Equities, GTAA* and Hedge Funds | 18.2 | 12.7 | 13.4 | 13 |
| Bonds and Cash | 90.5 | 63.3 | 89.9 | 64 |
| Infrastructure | 16.1 | 11.3 | 11.0 | 8 |
| Property | 14.1 | 9.9 | 16.1 | 12 |
| Gilts | 4.0 | 2.8 | 4.0 | 3 |
| | **142.9** | **100** | **134.4** | **100** |

* Global Tactical Asset Allocation

Assumptions

The principal assumptions made by the actuary were:

| | 31 March 2023 | | 31 March 2024 | |
|---|---|---|---|---|
| | % | | % | |
| | Fund | Scheme | Fund | Scheme |
| Discount rate | 4.70 | 4.80 | 4.8 | 4.7 |
| RPI Inflation rate | 3.30 | 3.40 | 3.25 | 3.40 |
| CPI Inflation rate | 2.80 | 2.80 | 2.75 | 2.80 |
| Future Pension increases | | | | |
| pension accrued prior to 5 April 2005 | 2.95 | 3.05 | 3.0 | 3.1 |
| pension accrued after 5 April 2005 | 1.90 | 1.90 | 1.95 | 2.0 |

The base mortality assumptions for the Fund and the Scheme are based on the SAPS tables (S3 series) (2021: SAPS tables (S3 series)). Future improvements are based on the CMI 2021 projection (2021: CMI 2020 projection) with a long term rate of improvement of 1.25% p.a. (2021: 1.25% p.a.).

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

| | 31 March 2023 Years | | 31 March 2024 Years | |
|---|---|---|---|---|
| | Fund | Scheme | Fund | Scheme |
| Male: member aged 65 (current life expectancy) | 20.8 | 22.3 | 20.2 | 21.7 |
| Male: member aged 45 (life expectancy at age 65) | 21.5 | 23.9 | 20.5 | 22.9 |
| Female: member aged 65 (current life expectancy) | 23.2 | 24.4 | 22.7 | 23.8 |
| Female: member aged 45 (life expectancy at age 65) | 24.4 | 25.4 | 23.5 | 24.5 |

Sensitivity Analysis

An increase of 0.25 per cent in the discount rate would decrease the retirement benefit obligations by £4.5m (2023: £4.6m).
An increase of 0.25 per cent in the inflation rate would increase the retirement benefit obligations by £3.9m (2023: £3.3m).
An increase of one year to the life expectancy would increase the retirement benefit obligations by £4.0m (2023: £4.1m).

The duration of the NEC Limited Pension Fund liabilities is approximately 15 years (2023: 15 years), and the duration of the NEC Executive Pension Scheme liabilities is approximately 10 years (2023: 10 years).

Expected Contributions for 2024/25

The contribution schedule in force sets out contributions of £0.0m that will be paid into the Fund in the 2024/25 financial year.

**Note G19**
**Adjustments between Group Accounts and Council Accounts**

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund Balance back to its Council position prior to funding basis adjustments being made.

| | General Fund Balance £m | Housing Revenue Account (HRA) £m | Capital Receipts Reserve £m | Major Repairs Reserve £m | Capital Grants Unapplied £m | **Total Usable Reserves** £m | Unusable Reserves £m | **Total Council Reserves** £m | Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £m | **Total Group Reserves** £m |
|---|---|---|---|---|---|---|---|---|---|---|
| 2022/23 | | | | | | | | | | |
| Provision of goods and services to subsidiaries | 17.1 | | | | | 17.1 | | 17.1 | (17.1) | - |
| Purchases of goods and services from subsidiaries | (304.5) | | | | | (304.5) | | (304.5) | 304.5 | - |
| **Total adjustments between Group accounts and Council accounts** | **(287.4)** | | | | | **(287.4)** | | **(287.4)** | **287.4** | - |

| 2023/24 | General Fund Balance £m | Housing Revenue Account (HRA) £m | Capital Receipts Reserve £m | Major Repairs Reserve £m | Capital Grants Unapplied £m | **Total Usable Reserves £m** | Unusable Reserves £m | **Total Council Reserves £m** | Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £m | **Total Group Reserves £m** |
|---|---|---|---|---|---|---|---|---|---|---|
| Provision of goods and services to subsidiaries | 26.9 | | | | | 26.9 | | 26.9 | (26.9) | - |
| Purchases of goods and services from subsidiaries | (334.1) | | | | | (334.1) | | (334.1) | 334.1 | - |
| **Total adjustments between Group accounts and Council accounts** | **(307.2)** | | | | | **(307.2)** | | **(307.2)** | **307.2** | **-** |

**Note G20**
**Subsidiary Companies**

### I. Acivico Limited

Acivico Limited is a registered company, which is wholly owned by the Council. The company was launched in April 2012, with three special purpose vehicles: one holding company and two trading companies. The two trading companies, Acivico (Design Construction and Facilities Management) Limited and Acivico (Building Consultancy) Limited, have been operational since April 2012 and provide a range of statutory and non-statutory services on behalf of and to the Council and to other public and private sector clients. The Council has held the £1 issued ordinary share (100%) for the whole of the reporting period covered by these financial statements.

The Council issued a letter of assurance to the company, in August 2023, to ensure that it was able to meet its liabilities as they fell due.

The year-end of the company is 31 March and for the purposes of consolidation the draft accounts for the period to 31 March 2024 have been used, as amended for alignment of accounting policies and the guarantee given by the Council.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Total Comprehensive Income for the Year | 1.0 | 6.3 |
| Net Assets/(Liabilities) at the year-end | (1.0) | 3.4 |

There was no qualification to the audit opinion on the last audited accounts of the company. Information regarding transactions during the year and balances held at the year-end between the Council and Acivico Limited Group can be found within Note 46 of the Council entity accounts.

**II. Birmingham Children's Trust CIC**

Birmingham Children's Trust CIC was incorporated on 17 May 2017 and became independently operational on 1 April 2018. The Council is sole member of the company. However, as the company is an asset locked entity, the Council has no entitlement to any assets of the company. For the purposes of consolidation, the Council has used the Trust's draft accounts for 2023/24, as amended for alignment of accounting policies. Details of the outturn, before elimination of intra-group transactions, are set out below.

| | 2022/23<br>£m | 2023/24<br>£m |
|---|---|---|
| **Comprehensive Income and Expenditure** | | |
| Turnover | 276.0 | 310.2 |
| Operating Expenses | (297.2) | (309.8) |
| **Operating Profit/(Loss)** | **(21.2)** | **0.4** |
| | | |
| Interest Receivable | - | 1.9 |
| Interest Payable | (3.2) | (0.8) |
| **Profit/(Loss) for the Year** | **(24.4)** | **1.5** |
| | | |
| Other Comprehensive Income | - | - |
| Actuarial Gain/(Loss) on defined benefit scheme | 133.4 | 7.3 |
| **Total Comprehensive Income for the Year** | **109.0** | **8.8** |
| | | |
| **Balance Sheet** | | |
| Intangible Asset | 3.7 | 2.2 |
| **Total Non-Current Assets** | **3.7** | **2.2** |
| | | |
| Debtors | 38.4 | 42.1 |
| Short Term Investments | - | 27.3 |
| Cash and Cash Equivalents | 9.1 | 3.8 |
| **Total Current Assets** | **47.5** | **73.2** |
| | | |
| Cash Overdrawn | | |
| Creditors due within one year | (29.4) | (62.9) |
| **Total Current Liabilities** | **(29.4)** | **(62.9)** |
| | | |
| Long Term Borrowing | (14.0) | (4.0) |
| Pension Liabilities | (8.1) | - |
| **Total Long-Term Liabilities** | **(22.1)** | **(4.0)** |
| | | |
| **Total Assets/(Liabilities)** | **(0.3)** | **8.5** |
| | | |
| Reserves | (0.3) | 8.5 |
| **Total Reserves** | **(0.3)** | **8.5** |

There was no qualification to the audit opinion on the last audited accounts of the Trust.

Information regarding transactions during the year and balances held at the year-end between the Council and Birmingham Children's Trust Community Interest Company can be found within Note 46 of the Council entity accounts.

**III. The National Exhibition Centre (Developments) Plc**

The company was set up to provide an additional 30,000 square metres of exhibition space in four halls. The building was financed by a loan stock issue of £73 million, at 7.5625%, by the company and is guaranteed by the Council and which is due for repayment in 2027.

The Council has held all 1,000 issued ordinary shares of £1 each and all 100,000 £1 preference shares throughout the reporting period covered by these financial statements.

The position at the year end is detailed below.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Profit/(Loss) for the year | (1.0) | (1.0) |
| Net Assets/(Liabilities) at the year-end | 4.1 | 3.2 |

The year end of the company is 30 September. For the purposes of consolidation, the management accounts to 31 March 2024 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.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Profit/(Loss) for the year | - | - |
| Net Assets/(Liabilities) at the year-end | - | 0.2 |

The year-end of the company is 31 March and for the purposes of consolidation the final accounts for 31 March 2024 have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

Information regarding transactions during the year and balances held at the year-end between the Council and PETPS (Birmingham) Limited can be found within Note 46 of the Council entity accounts.

### V. PETPS (Birmingham) Pension Funding Scottish Limited Partnership

PETPS (Birmingham) Pension Funding Scottish Limited Partnership (SLP) was formed by PETPS (Birmingham) Capital Limited (PETPS Capital) and PETPS (Birmingham) General Partner Limited (PETPS General), which are both wholly owned subsidiaries of the Council.

The arrangement was created in 2017/18 to enable the Council to manage the funding implications of its guarantee in respect of the pensions from the NEC Group Limited following its disposal. The Council has invested equity in PETPS Capital which it has subsequently invested in SLP. The rights of the investment in SLP have been assigned to the NEC Pension Fund Trustees whilst the pension fund is in deficit. At 31 March 2024, the level of investment in SLP that is currently assigned to the NEC Pension Fund Trustees was £0.0m (31 March 2023: £0.0m).

At 31 March 2024, there were nominal balances in PETPS Capital and PETPS General with the major transactions in SLP.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Profit/(Loss) for the year | - | - |
| Net Assets/(Liabilities) at the year-end | - | - |

The year-end of the company is 31 March 2024 and for the purposes of consolidation the final accounts have been used. Advantage has been taken of the exemption not to produce partnership accounts or obtain an audit, under regulation 7 of The Partnerships (Accounts) Regulations 2008 as the financial information for the partnership has been consolidated into these group accounts.

The accounts have been voluntarily prepared by the members, PETPS (Birmingham) Capital Limited, PETPS (Birmingham) General Partner Limited and NEC Pension Company No. 2 Limited in accordance with the Companies Act 2006 as applied by the Partnerships (Accounts) Regulations 2008, regulation 4; however an audit has not been obtained.

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.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Operating Profit/(Loss) for the year | 0.5 | 0.7 |
| Change in value of Investment Property | - | (2.2) |
| Interest Payable | (0.8) | (0.8) |
| Tax | - | 0.6 |
| Total Comprehensive Income for the Year | (0.3) | (1.7) |
| Net Assets/(Liabilities) at the year-end | 3.3 | 1.5 |

The year end of the company is 31 March and for the purposes of consolidation the final accounts for the 12 month period ending 31 March 2024 have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

**VII. Birmingham City Propco Limited**

The Council set up Birmingham City Propco Limited, a wholly owned subsidiary of the Council, in 2017/18 to provide a vehicle for commercial investment. The initial transactions of the company were to purchase the leasehold interests of the Council in respect of the Crowne Plaza NEC and Hilton Metropole NEC Hotels, which were completed on 15 March 2018.

| | 2022/23 £m | 2023/24 £m |
|---|---|---|
| Profit/(Loss) for the year | 0.7 | 1.4 |
| Net Assets/(Liabilities) at the year-end | 10.3 | 11.7 |

The year end of the company is 31 March and for the purposes of consolidation the final accounts for the 12 month period ending 31 March 2024 have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

Information regarding transactions during the year and balances held at the year-end between the Council and Birmingham City Propco Limited can be found within Note 46 of the Council entity accounts.

**Note G21**
**Associate and Joint Venture**

The associate that has been consolidated into the Group Financial Statements is listed below.

**I. Birmingham Airport Holdings Limited**

The seven West Midlands District Councils together own 49% of Birmingham Airport Holdings Limited (BAH) (the Council holds 18.68% of the total shareholding). The remaining shares of the company are held by Airport Group Investments Limited, 48.25%, and 2.75% is held for the benefit of employees. The Shareholders' Agreement provides for the District Councils to cast their 49% vote in all circumstances in one consolidated block. The vote of 75% of ordinary shareholders is required for certain major decisions of the company.

The seven West Midland Districts together own all £15.4m of BAH's 6.31% preference shares (the Council owns £5.9m) which are cumulative and redeemable.

The BAH Group Accounts incorporate:
- Birmingham Airport Limited;
- Birmingham Airport Air Traffic Limited;
- Birmingham Airport Developments Limited;
- Birmingham Airport (Finance) Plc;
- Birmingham Airport Operations Limited;
- Birmingham Airport Services Limited;
- BHX Fire and Rescue Limited;
- BHX (Scotland) Limited;
- BHX Limited Partnership;
- Euro-Hub (Birmingham) Limited; and
- First Castle Developments Limited.

The principal activity of the group is the operation and management of Birmingham Airport and the provision of facilities and services associated with those operations.

The year-end of the company is 31 March 2024. For the purposes of consolidation the final accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

BAH is accounted for as an associate for the following reasons:

- The Shareholders' Agreement provides for the Districts to cast their 49% vote in all circumstances in one consolidated block. As the Council holds 18.68% within this 49% it is considered that the Council has greater power to influence the voting of the block;

- At 1 April 2019, 4 of the 16 Directors were Council officers or councillors. At 1 July 2020, 2 of the 11 Directors were Council councillors, at 27 October 2021, 2 of the 12 Directors were Council councillors and at 31 March 2023, 2 of the 14 Directors were Council councillors and at 31 March 2024, 2 of the 14 Directors were Council councillors.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the principal of equity accounting under the Code, the summarised financial information for the associate for the year ended 31 March is detailed below:

| 31 March 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 517.9 | Non-Current Assets | 556.6 |
| 89.9 | Current Assets | 66.4 |
| (88.9) | Current Liabilities | (65.3) |
| (413.2) | Non-Current Liabilities | (422.3) |
| 105.7 | Net Assets | 135.4 |
| **19.7** | **Council Interest in Net Assets @ 18.68%** | **25.2** |
| **152.1** | **Revenue** | **184.3** |
| 21.7 | Post-Tax Profit/(Loss) | 33.5 |
| 52.8 | Other Comprehensive Income/(Expenditure) | (3.8) |
| 74.5 | Total Comprehensive Income/(Expenditure) | **29.7** |
| - | Less Dividends paid | |
| **74.5** | **Change in Net Assets** | **29.7** |
| **13.9** | **Council Interest in Total Comprehensive Income/(Expenditure) @ 18.68%** | **5.5** |

The carrying value of the Council's interest in net assets of this entity is £5.5m (2022/23: £19.7m), which is included within Investments in Associates and Joint Ventures in the Group Balance Sheet.

Birmingham Airport Holdings Limited at 31 March 2024 has disclosed the following contingent liabilities within its financial statements:

- On 3 December 2013 the company along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £75 million private placement senior notes issued by Birmingham Airport (Finance) plc. Series A senior notes of £30 million are for a period of ten years maturing on 3 December 2023 and carry a fixed interest rate of 4.472 per cent per annum. Series B senior notes of £45 million are for a period of 15 years maturing on 3 December 2028 and carry a fixed interest rate of 4.557 per cent per annum;

- On 30 March 2016 the company along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £76 million private placement senior notes issued by Birmingham Airport (Finance) plc. The notes are for a period of twenty five years maturing on 30 March 2041 and carry a fixed interest rate of 3.8 per cent per annum.

- On 24 January 2019, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £90 million private placement senior notes issued by Birmingham Airport (Finance) plc on 24 January 2019. The senior notes are for a period of 30 years maturing 24 January 2049 and carry a fixed interest rate of 3.21 per cent per annum.

- On 23 January 2020, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £85 million private placement senior notes issued by Birmingham Airport (Finance) plc on 24 January 2020. The senior notes are for a period of 30 years maturing 24 January 2050 and carry a fixed interest rate of 2.44 per cent per annum.

- On 21 May 2020, the company, along with other group members of Birmingham Airport Holding Limited, provided guarantees in support of £45 million private placement senior notes issued by Birmingham Airport (Finance) PLC on 21 May 2020. The senior notes are for a period of 30 years maturing 21 May 2050 and carry a fixed interest rate of 2.94 per cent per annum.

- The company, in its role as parent company to the group, has provided a statutory guarantee to certain subsidiaries for all outstanding liabilities as at 31 March 2022. This guarantee allows the subsidiary companies to take the audit exemption from obtaining a signed statutory audit opinion under section 479A of the Companies Act 2006. The subsidiaries provided with the guarantee were:

  - Birmingham Airport Air Traffic Limited;
  - Birmingham Airport Developments Limited;
  - Birmingham Airport Operations Limited;
  - Birmingham Airport Services Limited;
  - BHX Fire and Rescue Limited;
  - Euro-Hub (Birmingham) Limited; and
  - First Castle Developments Limited.

The joint venture that has been consolidated into the Group Financial Statements is listed below.

**II. Paradise Circus Limited Partnership**

Paradise Circus Limited Partnership (the partnership) is a joint venture arrangement between the Council, BriTel Funds Trustees Limited (BriTel) and Paradise Circus General Partner Limited, which is itself formed through a partnership of the Council and BriTel. The Council and BriTel share control of the joint venture on a 50/50 basis.

The partnership is facilitating the development of the area known as Paradise Circus, supporting delivery against one of the Council's strategic aims of making Birmingham an entrepreneurial city to learn, work and invest in. The entity was incorporated on 11 September 2013, with operational activity commencing in January 2015.

The year-end of the company was 30 June 2024. For the purposes of consolidation management accounts have been used for information for the nine-month period to 31 March 2024. The audit of the 2022/23 Accounts is ongoing and no audit opinion has been given to date.

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 2023 £m | | 31 March 2024 £m |
|---|---|---|
| 25.6 | Non-Current Assets | 28.5 |
| 20.2 | Current Assets | 19.0 |
| (7.6) | Current Liabilities | (8.0) |
| (54.0) | Non-Current Liabilities | (56.5) |
| (15.8) | Net Assets/(Liabilities) | (17.0) |
| **(7.9)** | **Council Interest in Net Liabilities @ 50%** | **(8.5)** |
| **2.6** | **Revenue** | **0.1** |
| (0.3) | Post-Tax Profit/(Loss) | (2.0) |
| - | Other Comprehensive Income/(Expenditure) | |
| (0.3) | Total Comprehensive Income/(Expenditure) | (2.0) |
| **(0.1)** | **Council Interest in Total Comprehensive Income/(Expenditure) @ 50%** | **(1.0)** |

The carrying value of the Council's interest in this entity is a net deficit of £8.5m (2022/23: £7.9m deficit), which is included within the current liabilities in the Group Balance Sheet.

# Annual Governance Statement 2023/24

## 1. Executive Summary

1.1 Good governance should be the foundation of every local government organisation. The 2023/24 financial year has been a difficult period for Birmingham City Council and this makes improvement in its governance processes, as well as its financial situation, one of its top priorities.

1.2 Government intervention and the appointment of Commissioners, changes in key senior officers within the Council and the issuing of two Section 114 notices has led the Council to undertake a deep dive into its compliance and processes.

1.3 Birmingham City Council is committed to acting in the public interest, in resolving its financial difficulties and making inclusive, robust decisions and plans that will see an improved Council and services for its citizens at the end of the process.

1.4 The Council recognises that the Annual Governance Statement (AGS) is a valuable means of explaining its governance arrangements to its citizens, service users, taxpayers and other stakeholders. The report holds the Council to account and sets out how the controls it has in place manage the risk that it will fail to deliver its strategic outcomes.

1.5 The council is required by law to conduct a review, at least once a year, of the effectiveness of its governance arrangements, and communicate this publicly in an annual governance statement. This report covers the financial year 2023/24 and accompanies the Council's statutory accounts.

1.6 The AGS has been produced in an open and honest manner alongside the delayed 2022/23 AGS. Such delays has meant that the areas of concern over the governance arrangements are duplicated over the two financial years. This AGS has reviewed the council's performance across all of its activities. The review has identified a number of areas where its governance arrangements could be improved and strengthened, and these are set out at the end of the document.

1.7 Birmingham City Council is committed to addressing each of these governance issues identified and will continue to seek to improve as a Council and address the shortcomings identified in this AGS. Progress in implementing the action plan set out in the AGS will be carefully monitored during the year ahead, and an update will be reported in next year's AGS.

Signed by:

Joanne Roney CBE — Cllr John Cotton
Managing Director — Leader of the Council

## 2. Introduction

2.1 Good governance is about how a local authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2 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, properly accounted for and used economically, efficiently and effectively.

2.3 In delivering its statutory functions, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which includes having appropriate systems of internal control, including arrangements for managing risk.

2.4 Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

2.5 Good governance should ensure the Council is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- Leadership and management 3
- Performance and risk management
- Stewardship of public money; and
- Public engagement and outcomes for our residents, taxpayers and service users.

2.6 The responsibility for leading and directing the annual review of the effectiveness of the Council's governance arrangements and providing ongoing oversight and challenge lies with the Council's statutory officers, comprising the Chief Executive, Chief Finance Officer (s.151 officer) and Monitoring Officer. The findings in this report have been presented and agreed by the Council's Audit Committee.

2.7 The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement (AGS). The Annual Governance Statement is a valuable means of explaining to the community, service users, taxpayers and other stakeholders the governance arrangements and how the controls that are in place have managed risks of failure in delivering on intended outcomes.

2.8 In this document the Council:

- Acknowledges its responsibility for ensuring there is a sound system of governance;
- References the effectiveness of key elements of the governance framework and the roles and responsibilities of individuals and bodies within that framework;
- Provides an opinion on the level of assurance that the governance arrangements can provide and their fitness for purpose;
- Produces an action plan showing actions taken, or proposed, to deal with significant governance issues;
- References how issues raised in the previous year's annual governance statement have been resolved;
- Commits to monitoring implementation as part of the next annual review.

## 3. Good Governance

3.1 The Delivering Good Governance in Local Government: Framework (2016), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE), sets the standard for local authority governance in the United Kingdom.

3.2 The framework is designed to help local authorities develop and implement high standards of governance, to ensure that:

- resources are directed in accordance with agreed policy and priorities;
- there is sound and inclusive decision making; and
- there is accountability for the use of resources to achieve desired outcomes for residents and communities.

3.3 The framework sets out a continuous process of seven principles, as illustrated in Figure 1 below, with a core of A and B being about behaviours. The seven principles underpin good governance in the public sector. It shows that achieving good governance is a continuous process of evaluation and review.

Figure 1 – Delivering Good Governance Core Principles


4.4 This Annual Governance Statement (AGS) demonstrates how Birmingham City Council's governance arrangements deliver these seven principles in practice.

## 5. Birmingham City Council's Governance Framework

5.1 Birmingham City Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used in a way that represents value for money. Additionally, the council has a duty under the Local Government Act 2003 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.

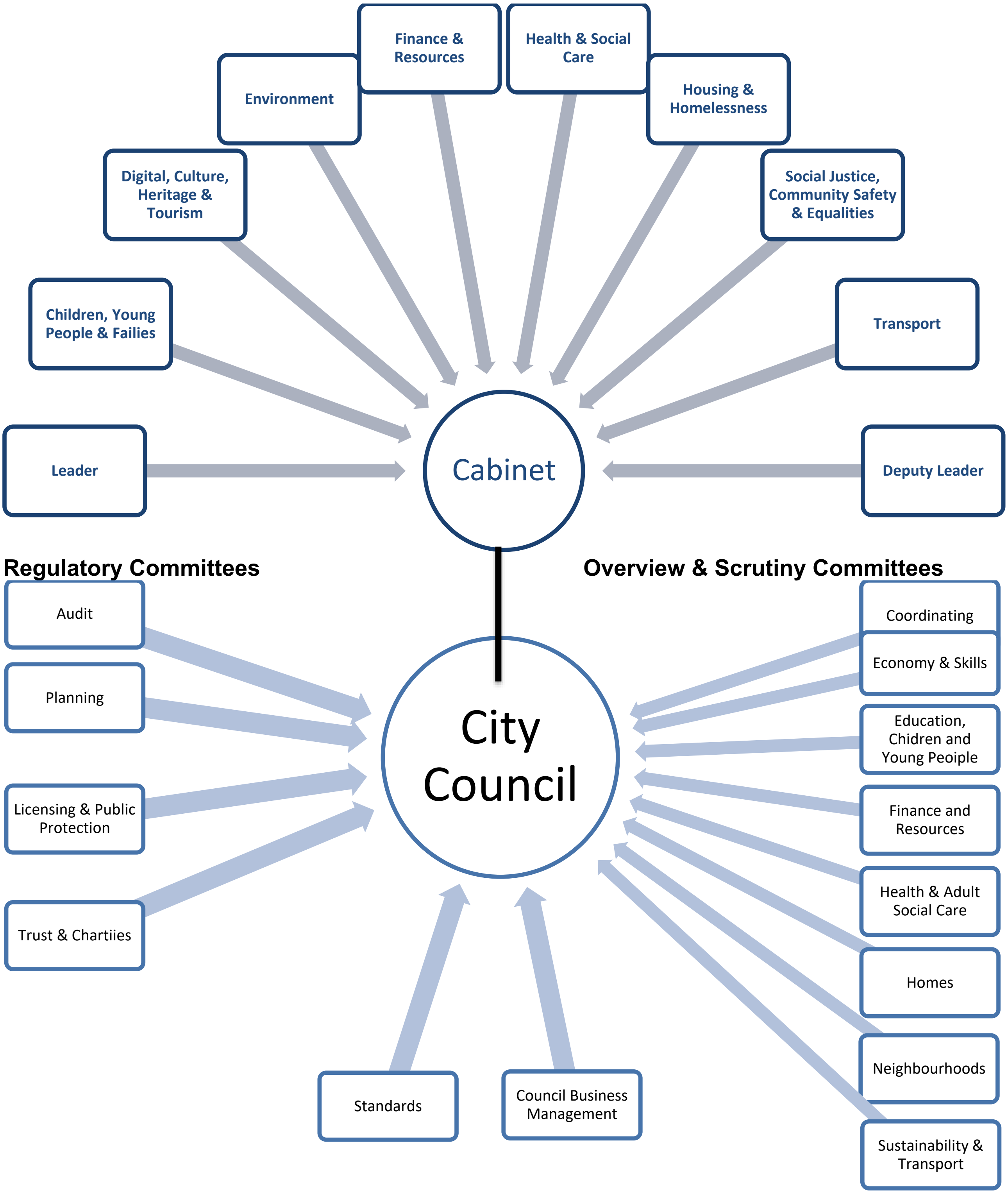
5.2 In discharging these responsibilities, Birmingham City Council is responsible for putting in place proper arrangements for the governance of its affairs and the effective management of risk. To achieve this, the council has adopted a code of governance which is consistent with the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).

5.3 The council's code of governance consists of a number of policy documents and procedures and is underpinned by an ethos and shared values in which the highest standard of conduct is expected from all Members and officers.

5.4 A key component of the code of governance is the council's written Constitution. This sets out how decisions are made and the procedures which are followed to ensure efficiency, transparency, and accountability to residents. A copy of the council's constitution can be found of the council's website: Birmingham City Council Constitution.

5.5 The Constitution defines the roles and responsibilities of the executive, non-executive, scrutiny and chief officer functions. Figure 2, below, illustrates the council's policy and decision-making processes, as defined by the Constitution.

**Figure 2 – Birmingham City Council's decision-making structure chart**




**Decisions delegated to officers**

5.6 Another significant aspect of the council's code of governance is its system of internal control, which is designed in accordance with the council's key rules and procedures, including the Constitution, Code of Conduct for Employees and Financial Regulations.

5.7 The system of internal control is intended to identify the risks that threaten the achievement of the council's strategic aims and objectives, to evaluate the likelihood and impact of those risks, and to manage them efficiently, effectively and economically.

5.8 There have been many changes in the management structure of the Council in the last two financial years.

### Management Structure and Areas of Responsibility as at 1st April 2025

Managing Director
Joanne Roney

Deputy Chief Executive
Rishi Shori

Executive Director – Place, Prosperity and Sustainability
Richard Lawrence

Executive Director – Children & Families
Sue Harrison

Executive Director – Adult Social Care and Health
Stuart Lackenby

Executive Director – City Operations
Craig Cooper

Executive Director – City Housing
Paul Langford

Executive Director – Human Resources, OD and Payroll
Katy Fox

City Solicitor and Monitoring Officer
Marie Rosenthal

Executive Director – Finance (S151 Officer)
Carol Culley

Executive Director – Corporate Services
Richard Brooks

Director – Public Health
Jo Tonkin

Director – Digital, Information and Technology Services
Martin Sadler

Assistant Director – Corporate Communications
Eleri Roberts

### Areas of Responsibility

Rishi Shori

Deputy Chief Executive

- Legal
- Governance
- CPMO
- Internal Audit
- Risk Management
- Insight, Poly and Strategy
- Strategic Partnerships
- Public Participation
- Corporate Communications
- Member Support
- Cabinet Officer
- Managing Director's Office

Sue Harrison

Strategic Director – Children and Families

- Schools and Employability
- SEND and Inclusion
- Thriving Children and Families
- Commissioning and Performance

Paul Langford

Executive Director – City Housing

- Housing Management
- Housing Solutions and Support Services
- Asset Management
- Strategic Enabling
- Community Regeneration and Development
- Partnership and Community Engagement

Fiona Greenway

Director – Finance (S151 Officer)

- Finance Performance and Insight
- Financial Strategy
- Audit
- Group and Capital Finance
- Assurance and Risk Management

Richard Lackenby

Executive Director – Adult Social Care and Health

- Social Care Delivery
- Social Care Commissioning
- Community Services & EDI
- Quality & Improvement
- Early Intervention and Prevention
- Revenue, Benefits and Rents

Craig Cooper

Strategic Director – City Operations

- Coroner
- Street Scene
- Waste Management
- Regulation and Enforcement
- Neighbourhoods
- Highways and Infrastructure
- Community Safety and Resilience

Richard Brooks

Executive Director – Corporate Services

- Commercial Procurement
- Strategic Partnerships, External Affairs and Corporate Leadership
- Public Health
- Centralised Services
- Digital, Information and Technology Services

Katy Fox

People Services

- Industrial Relations
- HR Improvement and OD
- People Operations
- Equal Pay Programme

Richard Lawrence

Executive Director – Place, Prosperity and Sustainability

- Property and Investment
- Place, Strategy and Performance
- Planning, Transport and Sustainability
- Corporate Landlord
- Development
- Investment & Valuation
- Planning
- Route to Zero
- Transport and Connectivity

5.9 The Council's Executive Structure has also changed. There are ten members of Cabinet including the Leader and Deputy as at 1st April 2025

**Cllr John Cotton**
Leader of the Council
Includes
- Leadership of the Council and Cabinet and Strategic Liaison with Corporate Leadership Team
- Best Value Commissioners
- Communications
- Strategic Policies
- Strategic Partnerships and External Affairs
- Lord Mayor's Parlour
- Financial Strategy
- Policy and Partnerships
- West Midlands Combined Authority
- Localisation including Shaping Birmingham's Future Together

**Cllr Sharon Thompson**
Deputy Leader and Cabinet Member for Economy and Skills
Includes
- Economic Grow and Jobs
- Skills and Entrepreneurship in Schools
- Business Improvement Districts
- Major Sporting Events and Events Development
- Promotion of the City and Inward Investment
- Major Projects
- Levelling Up and Devolution
- Employment and Skills
- Employment Opportunities
- Cost-of-Living
- Council Land Use and Property Assets
- Land Use Planning

**Cllr Mick Brown**
Children, Young People and Families
Includes
- Children's Services
- Overseeing the children's Trust
- Corporate Parenting
- Overseeing Early Years
- Corporate Parenting
- SEND and inclusion
- Education of Children & Young People
- Youth Engagement and Youth Service

**Cllr Jayne Francis**
Housing and Homelessness
Includes
- Council House Management Services
- Housing Development
- Registered Social Landlords
- Private Rented Sector
- Tenant Engagement in Social Housing
- Exempt Accommodation
- Housing Options

**Cllr Mariam Khan**
Health and Social Care
Includes
- Adult Health and Social Care
- Public Health
- Healthy Communities
- Integrated Care System

**Cllr Majid Mahmood**
Environment and Transport
Includes
- Enforcement
- Waste Strategy and Services
- Pest Control
- Cleaner Neighbourhoods
- Recycling
- Parks and Allotments
- Green City
- Climate Change
- Transport Strategies
- Highways
- Planning Committee (Highways)
- Air Quality
- Flood Risk Planning

**Cllr Rob Pocock**
Transformation, Governance and HR
Includes
- Improvement and Recovery Plan oversight and delivery
- Structure and governance of the Council
- Member/Officer Protocol
- External Scrutiny and Local Government Ombudsman
- Strategic risk management and internal audit
- Whistleblowing and Corporate Complaints
- Legal Services
- Human Resources (including Member Development Programmes)
- Early Intervention and Prevention
- Business Change
- Efficiency, Value for Money and Improvement for the Council – Performance
- Council wide Efficiency and Improvement

**Cllr Saima Suleman**
Digital, Culture, Heritage and Tourism
Includes
- Customer Services
- Oracle Recovery Board
- Open Data and Information Systems
- Information Law and Data Protection
- Arts, Culture and Tourism
- The Library of Birmingham and Community Libraries
- Museums
- Promoting the City's Rich Heritage
- Commonwealth Games Legacy
- Major Sporting Events and Events Development
- Digital inclusion
- ICT Strategy, information Governance and GDPR

**Cllr Nicky Brennan**
Social Justice, Community Safety and Equalities
Includes
- City of Sanctuary, Asylum and Refugees, Modern Slavery and Trafficking
- Emergency Planning
- Safer Communities
- Social Cohesion and Inclusion
- Tackling inequality
- Equalities within the Community
- Third Section Partnership and Engagement
- Domestic Abuse
- Bereavement Services and Register Office
- External Challenge
- Contest Board
- Prevent Board

**Cllr Karen McCarthy**
Finance
Includes
- Contract Management
- Commercialisation
- Finance
- Birmingham Business Charter for Social Responsibility
- Rent Service
- Revenues and Benefits Service
- Procurement
- Internal Trading Operations
- Commissioning
- Oversight of Consultants

5.10 The rest of this AGS highlights certain aspects of the council's governance arrangements that have seen significant developments in 2023/24.

## 6. Review of Corporate Governance

6.1 In July 2023 the Council commissioned the Centre for Governance and Scrutiny (CfGS) to carry out an independent review of governance. The review was commissioned following a request from the Department of Levelling Up, Housing and Communities (DLUHC) Minister Lee Rowley MP. The Council was asked to consider an independent review to provide assurance that action was being taken to remedy the governance issues identified in reports from the DfE SEND Commissioner, Housing Ombudsman, and various Local Government & Social Care Ombudsman Public Interest Reports. The purpose of the review was to assess key governance issues identified in those various external reviews and judgements, the Council's response to them, and to recommend actions to further improve governance at the Council. The scope of the review was agreed with DLUHC Local Stewardship Team officials, and was based on the themes of:

| Theme | Areas of focus |
|---|---|
| Leading effective governance | Clarity of Vision and priorities<br>Understanding of roles and responsibilities<br>Culture and understanding |
| Enabling and supporting good governance | Robustness of processes and practice<br>Support services and functions<br>Levels of assurance and compliance |
| Financial Governance | Capacity and skills<br>Financial management and budget oversight<br>Financial risk management |
| Improving governance and decision making | Customer focus<br>Stakeholder engagement<br>Learning from external review and challenge |

6.2 The findings of the CfGS review are presented to the Council's Cabinet on 12th December 2023. It highlighted a number of governance and financial challenges and failures and concluded that the causes of them are multi-faceted, but that at the core is a problem of culture and behaviours, including a failure of individual and collective accountability and responsibility.

6.3 A Stabilisation Plan was jointly produced by CfGS and designed to stabilise and strengthen governance within the Council over the short term (6 months). The Plan summarised the recommendations made by CfGS and the Council's response to them, in terms of current, planned, or proposed activity. Longer term improvement activities have been incorporated into the Council's Improvement and Recovery Plan (IRP), developed in accordance with the Intervention Directions issued to the Council under Section 15(5) and (6) of the Local Government Act 1999.

## 7. Member/Officer Protocol Review

7.1 As part of the CfGS review, a priority was identified for the Council to develop a new Member/Officer protocol. The objective of this review was to put in place a more effective and consistent framework for Member/Officer relations. The development of a protocol is an important point on the Council's stabilisation journey, but it is not meant to be the destination.

7.1 A Member survey was undertaken (from 6 March 2024 to 22 March 2024) to enable the Council to better understand Elected Members and their needs. The responses have been used to inform the protocol and related activities including Member development. Engagement sessions on the proposed protocol have taken place between March 2024 and June 2024 Full Council. Specifically, engagement sessions have been undertaken with the following groups;

- Constitution Review Group
- Corporate Leadership Team
- Portfolio Holder Briefings
- Extended Corporate Leadership Team
- Group Leaders Meeting
- Informal Cabinet
- Executive Management Team
- Audit Committee Members
- Overview and Scrutiny Committee Members
- Standards Committee Members

7.2 The sessions took place either in person or via Microsoft Teams meetings. In addition, the following activities were undertaken to achieve as much engagement with the draft protocol as possible:

- Two Question and Answer sessions were held online, week commencing 10 June 2024, one in the evening and one in the daytime, to allow those members who hadn't been able to engage a further opportunity.
- The draft protocol was circulated by email to all members, inviting final comments, questions and feedback by 19 June 2024.
- Group Leaders were encouraged to share the protocol within group meetings and provide feedback.
- Officers attended the Marketplace at the June 2024 full council meeting to allow a further opportunity for members to ask questions and provide feedback on the protocol.

7.3 The protocol will be taken to September 2024 Full Council for approval and adoption. The protocol will be reviewed by the Standards Committee after adoption by Council; this will enable the Committee to consider the performance of the protocol, compliance with its principles and make any resulting necessary amendments.

## 8 Commissioners Involvement

8.1 In September 2023, the Secretary of State for the Department of Levelling Up, Housing and Communities advised that Commissioners would be appointed to the Council following the issuing of the S114 Notice. The Commissioners are responsible for the governance, scrutiny of strategic decision making, functions associated with the strategic financial management of the Council and functions relation to the appointment, designation and dismissal of senior officers within the Council.

8.2 The following Commissioners were nominated by the Secrtary of State:-

- Max Caller CBE – Lead Commissioner
- John Coughlan CBE – focussing on improvement and governance
- Chris Tambini – focussing on the financial position and recovery
- Pam Parkes – focussing on improving human resources and organisational design capacity and finding solutions to the equal pay issue
- Jackie Belton – focussing on housing services
- Myron Hrycyk – focussing on fixing the Oracle issues, improving IT and providing commercial insight.

8.3 In addition, Lord John Hutton and John Biggs were appointed as political advisors.

## 9 The Council Vision

9.1 The Corporate Plan 2022-2026 was agreed in full council on in 2022. The plan set out our strategic priorities and the outcomes the Council was aiming to deliver, enable and influence as an organisation. The plan brought together the main elements of its mission to:

- Support: Our mission is to support, enable and encourage our citizens to fulfil their true potential by breaking down barriers and tackling inequalities; to support our citizens to have a voice and to be heard; to support our communities to improve the areas in which they live and shape the world around them.
- Serve: Our mission is to provide best-in-class public services, by striving for continuous improvement, being innovative and working in partnership to meet the needs of our citizens and our communities.
- Level Up: Our mission is to create a fairer, stronger city where all citizens share in the creation and benefits of more sustainable economic growth, where our citizens live longer, healthier and happier lives.

9.2 The Plan replaced the Council Plan 2018-22, presenting a refreshed set of priorities for 2022-2026 that reflect a changed context for the organisation, addressing the impact of the COVID-19 pandemic, tackling inequality and supporting the ‘levelling up’ of the city.

9.3 The Corporate Plan 2022-2026, and the priorities within it, are supported by a range of strategies and programmes (both current and new) which set out how and what the Council will deliver, including:

- Delivery of strategies and policies – strategies (some of which are statutory plans) that set out detailed actions and outputs which will help deliver priorities, for example Route to Zero Plan, Economic Recovery Strategy, Our Future City Plan, Birmingham Transport Plan, Homelessness Prevention Strategy, and many more.

- Place-based strategies - for priority areas such as the East Birmingham Inclusive Growth Strategy, the Perry Barr Masterplan and Birmingham Curzon HS2: Masterplan for growth. There are also plans and programmes which support and enable the council to deliver priorities in an effective, efficient, and productive way - including:
- The Budget and Medium-Term Financial Plan: sets out how the council's financial resources will be deployed. The Budget outlines the council's financial income and expenditure for the next year and the Medium-Term Financial Plan sets out how the council intends to deploy its financial resources for the next three years.
- Plans to improve the council's effectiveness and modernise its ways of working, for example through its Workforce Strategy, ICT & Digital Strategy, Transformation Programme and Everyone's Battle, Everyone's Business (the action plan to address inequalities within our organisation and through our civic leadership).

9.4 A delivery and performance management regime was established to track outline the key actions, activity and metrics that support the delivery of the Corporate Plan priorities.

## 10 Financial Situation

10.1 The Council's financial position is extremely challenging with a General Fund budget deficit of £225.9m for the 2024/25 financial year. The budget was only able to be approved with the approval of Exceptional Financial Support from the Secretary of State for Levelling Up, Housing and Communities.

10.2 In addition to these budgetary issues, the Council faces significant potential Equal Pay liabilities. The Council is under statutory intervention, with commissioners appointed by the Secretary of State for Levelling Up, Housing and Communities.

## Overview of Areas of Concern

### 11. Oracle Issues

11.1 Since the implementation of the Oracle Enterprise Resource Planning (ERP) system in April 2022, there have been significant issues with the processes, interfaces, and the system's ability to produce meaningful reports.

11.2 By the start of the 23/24 financial year, many of the previously missing interfaces had been built and had replaced manual loading of data.

11.3 During April 2023 the Council commissioned a 'discovery' report to identify and summarise the known remaining issues with the Oracle solution.

11.4 A plan was produced to prioritise the known outstanding issues and to deal with those problems that could be addressed without needing to wait for a full re-implementation. This led to a schedule of prioritised fixes that was worked on throughout the 2023/24 financial year.

11.5 During the 23/24 financial year, manual procedures around reviewing the data within Oracle continued, making corrections where necessary to increase the data quality within the system.

11.6 In August 2023, more detailed audit logging was switched on to provide better traceability and improved controls against fraud.

11.7 In September 2023, the Oracle Risk Management Cloud module was implemented and activated. The reports generated by this module indicated that segregation of duties and privileged account controls were much weaker than expected. A rectification plan was drawn up and initiated. A significant number of improvements have been made as at March 2024 and further improvements will continue to be made, some to be ready for the start of the 24/25 financial year.

11.8 Throughout 2023/24, the backlog of bank reconciliations was addressed through manual off-system bank reconciliations, and a wider controls framework including system based controls was drawn up. Given the additional experience and practice, staff skill levels and efficiency in performing both manual activities and working with the Oracle system more generally continued to increase.

11.9 Despite the many improvements made in 2023/24, some key core weaknesses were not able to be fixed, including the BRS system, which continued to have the following impacts:

- An inability to perform automated or manual bank reconciliations on the solution
- Regular and automated posting of a proportion of cash receipts to the wrong ledger account, meaning the information in key reports, where available, was wrong and could not be relied on for business management or reconciliation control purposes
- Continuation of a significant cashbooks team (e.g. eventually reduced to 19 individuals) to try and manually find and correct incorrect postings

11.10 In addition, improvements to the control framework and segregation of duties controls took place towards the end of the year rather than being in place for the period. As a result, the remaining problems and issues noted are still likely to have had a significant impact on the effectiveness of the Oracle systems controls environment in financial year 2023/24.

## 12. Equal Pay

12.1 During the early stages of the 2023/24 financial year, refreshed analysis of the Council's potential Equal Pay liabilities identified an increased potential liability estimated to be in the region of £650m to £760m. The Cabinet announced the results of this analysis at its meeting on 28th June 2023, outlining that the Council would not be able to afford the liabilities from existing resources including reserves. This is one of the biggest financial challenges that the Council has ever faced, and it means that significantly fewer resources are now available for the 2024/25 financial year.

12.2 These potential Equal Pay liabilities led to the issuance of a Section 114 (3) notice on 5 September 2023. This decision was made as the Council was effectively in a negative General Fund position because the cost of providing for potential Equal Pay liabilities, that the Council was legally obliged to recognise, resulted in the Council exceeding the financial resources (including reserves) available to it. This meant that the spend due to fall within the 2023/24 financial year would exceed the financial resources available to the Council in the same period.

12.3 The Council must limit the growth of any liabilities by implementing a new system of pay and grading to remove any future potential Equal Pay liabilities and do so by the 1 April 2025 (which is the target date assumed by current estimates). Budget of £20m has been set aside for this work across the 2024/25 (£13.3m) and 2025/26 (£6.7m) financial years. Further analysis is being carried out to refine the Council's estimates of these potential Equal Pay liabilities.

12.4 Equal Pay Program

12.4.1 The Equal Pay Programme team has been formed to deliver the critical Equal Pay programme by April 2025.

12.4.2 The program objectives are to deliver:

- deliver an equal pay compliant evaluation scheme with all current roles re-evaluated.
- deliver a revised pay and grading structure which is equal pay compliant.
- ensure all employees within scope to have any changes to terms and conditions arising from changes to their evaluation or the transfer to a revised pay and grading structure, completed by 1 April 2025.

12.4.3 The program scope includes all roles in Birmingham City Council (BCC), Birmingham Children's Trust (BCT), roles in relevant schools in the Birmingham area which operate under NJC terms and conditions (Schools) and relevant roles in Acivico which operate under NJC terms and conditions (Acivico).

12.5 Purpose and effectiveness of the Equal Pay Governance Framework

12.5.1 In accordance with the approach agreed between BCC and the joint trade unions in October 2023, the program is using a modified version of the NJC evaluation principles. The deployment of this and the progress of the program is subject to the oversight of an agreed governance structure outlined below.

12.5.2 The Operational Steering Group has met regularly on a fortnightly basis since December 2023 to discuss and resolve any issues arising from a BCC / Joint Trade Union Working Group (JWG) where the details of the modified Job Evaluation approach are discussed and developed collaboratively. The first dispute is due to be escalated from the Operational Steering Group to the Governance Board in late March 2024 regarding the arrangements for the trade union assessment of the evaluations.

12.5.3 The Equal Pay Improvement Board has held two meetings to review in detail the progress of the program. Detailed scrutiny of the program status, along with key issues and risks is undertaken.

12.5.4 The critical issue for the governance groups to decide is the ability of the program to deliver the key outcomes by 1 April 2025. A critical stage gate is the delivery of the benchmarking phase of the program by end of May 2024. It has been highlighted that progress towards delivery has been slower than planned, however mitigations are being put in place to address these risks.

## 13. Structural Budget Issues

13.1 The Council was already facing significant financial challenges prior to the issuance of the Section 114 notices. On 25th July 2023, Cabinet was advised of a forecast General Fund overspend against budget of £87.4m for the 2023/24 financial year (excluding costs being incurred to fix the Oracle system). The forecast for 2024/25 also showed an additional budget gap of £77.5m, making this £164.8m cumulative across the two years (against the forecasts included within the 2023/24 Financial Plan).

13.2 Since then, a significant review of the Council's base budgets has been carried out that identified some significant structural issues. This included a review of potential budget pressures and the key assumptions underpinning the 2023/24 budget and the forecasts that were used for 2024/25.

13.3 The budget for the 2024/25 financial year was subject to a significant amount of due diligence. This included a full review ("re-basing") of the key assumptions that the budget for the 2023/24 financial year and previous forecasts for the 2024/25 financial year were based upon, including:

- Reviewing demand pressures across all Directorates;
- Reviewing and updating the inflation forecasts for pay, contracts and general price inflation;
- Writing-off the entirety of the 2023/24 savings programme that was agreed by Council on the 28 February 2023 as part of its 2023/24 Financial Plan based on under-delivery and the absence of meaningful delivery plans. This has been replaced by a significant new savings programme, as laid out in the budget report to Cabinet and Full Council; and,
- Adopting a root and branch review of proposed contributions to and from reserves, as well as a review of the Council's Reserves & Balances Policy.

## 14. Reserves and Balances Position

14.1 The Council's General Fund has overspent for the 2022/23 financial year and is facing a further overspend for the 2023/24 financial year.

14.2 When the impact of these budget overspends is combined with the potential Equal Pay liabilities, the Council faced a negative reserves position in the region of £680m.

## 15. Waste Service

15.1 Waste Collection has experienced poor service delivery, challenging industrial relations and poor financial controls over several years. These issues are now being addressed by the Waste Transformation Programme, which is an integral part of the IRP and has its reporting and governance arrangements consistent with the IRP – i.e. via monthly reporting at the Waste Programme Board and the City Operations Transformation Board, supported by detailed governance arrangements within the programme itself. This Waste Transformation Programme will continue in 2024/25.

15.2 This ongoing transformation includes a fundamental redesign of the service, connected to the delivery of budget savings, to remove historical inefficiencies, alongside the planned introduction of new technology and replacement fleet. An interim management team has assembled to lead this change programme.

15.3 Once the transformation has been implemented, the aim is to see improved outcomes for residents, reduced cost of delivery, improved recycling levels and a more reliable and consistent service.

## 16. Fleet Management

16.1 It has been identified this financial year that the Council has not established a sustainable position for fleet management, fleet maintenance, compliance and policy. Within Street Scene, this is the work of the Interim Fleet Management team, which forms part of the wider Street Scene transitional leadership team.

16.2 Steps will need to be taken in 2024/5 to re-procure a reliable and modern replacement fleet for waste collection, aligned with the Waste Transformation Programme (set out in section 15 above).

16.3 It is recognised that further fleet renewal is dependent upon the 2025/6 budget process and capital funding being made available for fleet renewal in Street Cleansing, Grounds Maintenance and Parks. Thereafter, the funding for an annualised programme of fleet renewal. This is work that will be started in 2024/25 to identify budget requirements for subsequent years.

16.4 Temporary resources have been attached to the Fleet Service to address concerns and work is underway to mobilise a sustainable fleet maintenance capability.

16.3 In addition, initial feasibility work is being undertaken to assess the potential for the introduction of an Integrated Transport Unit to consolidate key fleet management functions across the whole Council to improve consistency of approach and deliver efficiency improvements.

## 17 Commissioning, Procurement and Contract Management: Governance

17.1 The Council is required to comply with the Public Contracts Regulations (2015) (PCR15); the Public Services (Social Value) Act (2012), the Local Government Transparency Code (2015) and the Concession Contracts Regulations (2016) as well as other more general legislation.

17.2 In addition, Part D of the Council's Constitution - Finance, Procurement and Contract Governance Rules (PCGR) - operates as a set of internal governance rules that all officers are required to comply with (subject to any relevant exemptions as set out within the PCGR).

17.3 The PCGR includes a process for dealing with breaches of the rules and a process to waive the PCGR in certain circumstances. (noting that the PCR15 cannot be waived). Whilst a number of procurement templates were updated in 2022/23 and training on the PCGR provided across the Council. All breaches and waivers are recorded and reported in accordance with the PCGR.

17.4 The PCGR aligns with the Council's Schemes of Delegation that state the levels of authorisation required within directorates to carry out their functions in accordance with the Constitution. These are required to be adhered to when authorising procurement related reports at the start (Procurement Strategy) and the end of the process (Contract Award).

17.5 Social Value is an integral part of the procurement process and is governed according to the Social Value Policy and associated documents as published on the Council's website.

17.6 Notices in relation to procurement projects are published in accordance with PCR15 and resulting contract and spend data is published on the Council's website in accordance with the Transparency Rules that require all spend over £500 to be made public.

17.7 Since the introduction of government appointed Commissioners, they have also been involved in the key decision making process.

17.8 Operating Model

17.8.1 In 2020, an external review was commissioned by the then Head of Finance and was carried out by Price Waterhouse Cooper. The findings were reported to the Council, and this resulted in the adoption of a new Target Operating Model (TOM) for Corporate Procurement Services (CPS). The main rationale for the new TOM was the introduction of a structure that would enable improved value for money through a focus on Category Management within 3 spend categories as well as improved engagement with directorates through alignment of sub-categories to areas of spend within the Council.

17.8.2 Unfortunately, the TOM was not successfully implemented. This was due to the service not being fully invested in the change.

17.8.3 CPS does not carry out all procurement activity within the Council and the PCGR details the governance and authorisations required by value and type of activity. CPS does lead/support on projects over the PCR15 threshold and either carries out or supports/advises directorates in quotations below threshold(s).

17.8.3 The Council has divisions outside of CPS that also have procurement/contract management expertise e.g. IT, Adults, Highways and Infrastructure, Housing, Transportation and the Children's Trust.

17.8.4 The Council uses the services of Acivico (the Council's Wholly Owned Company) which is a Teckal arrangement covered under Regulation 12 of PCR15. However, on undertaking a high level commercial due diligence review, further work has been identified which is now underway to ensure that the company remains Teckal Compliant against the two key tests:

- the control test
- the functional test

17.8.5 STAR Procurement were invited to carry out an audit of the effectiveness of the procurement and commissioning function at the Council. Although the resulting report has not been accepted in its entirety, a new post for a Commercial and Procurement Director was created. This new post will lead on an enhanced end to end service to be developed.

17.8.6 A further review and plan developed by the interim Commercial & Procurement Director, has been developed and supported by the Commissioners and CLT to support the significant steps to shore up and professionalise the service, this is underway with focus being on: Procurement Act readiness (now scheduled for February 2025), People Development, Processes & Procedures, technology and reporting.

17.9 Contract Management

17.9.1 Contract management is either carried out corporately or by the specific directorate to whom the contract relates. After a review, it has been recognised that there is a need to develop and implement effective contract management consistently across the organisation. Therefore, it is intended that a centralised approach will be developed for commercial, procurement and contract management by developing a corporate commercial function. This will be underpinned through a ‘profession’ approach which will allow our people to focus their time and skills on the parts of the commercial lifecycle which adds the most value for the Council. It is proposed that a Commercial, Procurement and Contract Management Board will be established in late 2024 to deliver a consistent and efficient approach. The first cohort of the Contract Management Pioneering programme is underway, complemented by a workstream under the CPS transformation programme focusing on contract management toolkits, training and a connected network across the council for peer to peer development.

17.10 Systems & Controls

17.10.1 As part of the Procurement process it is required that all contracts above £5,000 are included on the Council’s contract register on Oracle. This means that a contract and Contract Purchase Agreement (CPA) number would be created on Oracle and then included on any requisitions/ Purchase Orders that are raised in relation to that contract. An audit activity is underway to ensure that the contract register is accurate and current, with actions being taken where areas for improvement have been identified.

17.10.2 Compliance reports are run on a monthly basis, these require significant manual effort and have data constraints, but are used as a measure to support the Directorate meetings reviewing issues of non-compliance.

17.10.3 All contracts Above Threshold are required to be tendered via the Council’s e-tendering system (In-Tend) so that a complete audit trail is available. This is managed by Commercial and Procurement Officers from a system perspective, often the strategic procurement is outsourced.

17.10.4 In preparation for the Procurement Act 2023, current contracts and payments are published on the Council's website. Work is ongoing to ensure that all relevant contracts are available.

17.10.4 The Council is seeking to introduce a “No PO, No PAY” policy to ensure that the correct process is followed, and payments are not made outside the prescribed contracting procedure. This is a joined up piece of work with finance colleagues, governance is to be improved in this area coupled with legacy system issues, this is being addressed through the Oracle Reimplementation, specifically as part of the Purchase to Pay process.

17.10.5 As well as a robust spend control system, introduced since the issuing of section 114 notice, CPS are seeking to put in place interim procurement compliance and planning meetings with each of the directorates, to oversee the procurement decisions procurement pipeline planning and to support the identification and delivery of savings. Future Commercial and Procurement Governance will be designed and implemented as part of the Transformation programme.

**18. Auditing and Compliance**

18.1 The Internal Audit function of the Council regularly audits the procurement process. The recommendations from each audit exercise are captured in a tracker which is monitored until all actions are closed.

18.2 Spend Compliance Reports were created within Oracle late 2023, until then there had been no available Compliance reporting since the migration from Voyager SAP in April 2022.

18.3 Spend Compliance reporting is run monthly however there have been issues identified with duplication of spend information which has skewed the compliance figures and meant that we were unable to report non-compliance so far to date. Most of these issues have now been resolved and reporting of compliance and non-compliance will resume at Directorate meetings from April 2024.

**19. Capital Programme and Governance**

19.1 The Capital Strategy and Programme is refreshed and approved each year at Full Council. Its purpose is to set out how the Council aims to use its resources to support corporate priorities and objectives.

19.2 The overall objective of the current Capital Strategy is for capital investment to support the Council's Financial Recovery Plan. This will be achieved by:

a) Ensuring capital investment is prudent, sustainable, and affordable in the context of the Council's overall finances;
b) Keeping borrowing and revenue costs of the capital programme to the absolute minimum, effectively for Statutory or Regulatory compliance or where it produces revenue savings to the Council;
c) Ensuring effective programme, project, and procurement management in delivering the capital programme alongside corporate monitoring control and scrutiny.

19.3 The Capital programme is a resource and expenditure planning tool and does not confer approval for individual budget items to proceed. Individual budgets will not proceed to spend until there has been an executive decision which would normally include 'Gateway' business case appraisals at Strategic Outline Case (capital budget proposal stage), Outline Business Case, and Full Business Case. This process appraises options to deliver desired outputs, sets out the rationale to support the recommended solution, and identifies capital and revenue implications and funding. Account is also taken of the outcome of consultations, equality and risk assessments, and contribution to the Council's strategic objectives.

19.4 Revised or additional capital budgets may be approved by Cabinet, within the constraints of the Constitution regarding additional borrowing and the Council's Prudential borrowing limit. This includes Cabinet approval to additional external resources allocated to the Council. It is intended that no substantial increases in prudential borrowing or the use of capital receipts will be agreed outside of the annual budget process.

19.5 Going forward we will ensure that all approved capital projects will have a two-year longstop date. This means that a new, updated approval will be required where it has not been possible to enter contract within two years of approval.

19.6 Strategic oversight of the capital programme is managed by the Capital Board, including:

- development of proposals for the capital strategy, capital planning and prioritisation, prior to executive decision
- review of business cases prior to executive decision
- monitoring of the capital programme including financial, performance and risks
- review of capital governance and processes.

19.7 CIPFA's Prudential Code and Treasury Management Code have been adopted by the Council.

19.8 Quarterly Budget Monitoring Reports are presented to Cabinet throughout the year updating Members on progress, detailing any variations from the approved programme and may include recommendations to approve additions, reductions or the reprofiling of budgets between years in line with operational needs. Issues with the Oracle implementation have meant these have not been as regular in 2023/24. It is important that regular monitoring takes place during 2024/25.

19.9 Individual projects will also report to Cabinet as required to provide progress updates on capital projects, seek ongoing project approvals, recheck viability and as part of gateway reviews.

19.10 At year end a report is presented to Cabinet on the outturn position and outcomes of the capital programme, with explanations of significant variations from budget, implication on delivery and makes recommendations on budgets to be carried forward into future years.

## 20. Partnership Working

20.1 The Council has acknowledged that effective partnership working with external agencies and organisations is critical to achieving its objectives and succeeding in its improvement journey.

20.2 Partnerships must be managed robustly, with clear objectives linked to strategic plans and appropriate systems for managing risk and monitoring performance. Partnership working also needs to be guided by a strong culture of collaboration, openness and transparency that can build trust between partners. Information sharing and evidence-based policy are key parts of good partnership working.

20.3 Weaknesses have been identified in our corporate knowledge and cross-directorate information sharing on partner relationships. There is some excellent practice across the organisation but too often the Council's approach is driven too much by the teams own agendas within silos, rather than genuinely seeking solutions to challenges together.

20.4 In recognition of these challenges, the design for the new Strategy, Equality and Partnership Directorate, established in 2022, included a Strategic Partnerships Team. The team's role is to improve the management of key corporate partnerships, to enhance our mapping of partnerships and sharing of intelligence about partners and to support work to improve the culture of partnership working.

20.5 Four core programmes of work are contributing to these aims and will be incorporated into the council's Improvement and Recovery Plan:

20.6 <u>Succeeding in Partnership</u>

20.6.1 This programme of work is creating a toolkit to help with the assessment of existing partnerships and the creation of new ones – setting out some core values and practical mechanisms for improved management of partnerships. Through engagement with those running partnerships in each directorate, the toolkit will reflect the practical challenges and good practice already in existence as well as developing shared values and approaches across the organisation. The programme will then move on to embed these values and approaches and support collaborative working on culture change.

- **Stakeholder Sentiment Tracker.** This project is putting in place a regular survey of key stakeholders so that for the first time we have reliable feedback on how they perceive our performance innovation, governance, social responsibility, leadership and the key roles of a city council.
- **Stakeholder Relationship Management application.** This project is creating an application that will enable us to bring together intelligence on key partners and their objectives and priorities and our interactions with them.
- **Shaping Birmingham's Future Together.** This programme of work will take forward the commitment made by the Leader of the Council to create a city council that is less centralised and shares power with partners, communities, neighbourhoods and service users. It will also enable partners and the people of Birmingham to co-create a new twenty year vision for the city, identifying challenges to be addressed in partnership.

## 21 <u>SEND</u>

21.1 Since 2020, there has been a 20% increase in the number of EHCPs the Council supports, from 9,169 in 2020 to 11,016 in 2024. The last 12 months has seen an increase of 3.8% from 10,610 (January 2023) to 11,016 (January 2024).

21.2 Following a local area SEND inspection by Ofsted between June 25th and 29th, in September 2018 Birmingham received the written statement of action (WSOA) outlining 13 significant areas of weakness.

21.3 Arrangements were reinspected between 24th and 27th May 2021 and concluded that only one area of weakness had seen any improvement. On October 15th, 2021, John Coughlan was appointed as Commissioner under the Statutory Direction and is Chair of the SEND Improvement Board (SIB). Two DfE stocktakes have since taken place (June 2022 and Dec 2022). By persistently addressing the significant areas of weakness, local teams have made significant progress and improved practice has continued to strengthen business as usual.

21.4 Services continue to improve for all children and young people with additional needs across Birmingham and our SEND, Strategy, Inclusion Strategy and Self Evaluation Framework outlines the priorities that are being delivered against. An improvement plan has been co-produced which details all 11 priorities and all the actions required in order to improve SEND services across the local area partnership.

21.5 A Sufficiency Strategy has been developed prioritising 5 to16-year-olds. This strategy helps supports the LA and partners to understand what provision is required for the next 5 years. Work is being undertaken now on alternative provision, early years and post 16.

21.6 An Accelerated Progress Plan (APP) stock take took place in December 2023, DFE and NHSE signed off one of the priority action areas as a result of all the evidence provided. The remaining areas were also recorded as showing improvements.

21.7 Work has commenced under the Delivering Better Value (DBV) Programme. Two workstreams have been identified and a programme management group is now in place to monitor drive forward all identified actions. We also secured a £1 million grant to help support the LA to move work stream 1 and 2 forward. A Steering Group has been established to oversee this work and the DFE will be monitoring this programme.

21. 8 SEND and Alternative Provision activity sits within the dedicated SEND and AP Improvement Programme and associated programme management and governance arrangements as monitored by the SEND and AP Improvement Board Chaired by John Coughlan, DfE Commissioner.

21. 9 The Improving Service for Children and Families Board receive a quarterly update report from the SEND and AP Improvement Board to ensure robust triangulation and co-production across Directorate wide improvement activity.

## 22 Housing

22.1 Housing Ombudsman Report**:** In January 2023, the Housing Ombudsman published their special report into Birmingham City Council's complaints handling processes which assessed several historic complaints relating to the way in which repairs are conducted in tenants' homes. We worked closely with the Ombudsman through a formal monitoring period which ended on the 26 April 2023. The service has since met with the Housing Ombudsman and submitted evidence of the actions taken over the last 12 months in response to the special report and are awaiting their response. There is now formal indication from the Ombudsman that formal monitoring will cease; a task and finish group is still in place and meets bi-weekly to ensure all relevant actions are embedded.

22.2 Regulator of Social Housing – Regulatory Notice: Between January 2023-March 2023, the Council engaged in correspondence with the Regulator of Social Housing, responding to requests for information. This resulted in the Regulator serving the Council with a Regulatory Notice, confirming a breach against the Home Standard and Tenant Involvement and Empowerment Standard - Consumer Standards (2017). The Regulator have also recently consulted on a proposed set of new Consumer Standards, in which the Council has undertaken a self-assessment against, informing an operational delivery plan for the service. Formal monitoring meetings are in place with the Regulator on a monthly basis in relation to the breach and whilst this continues to be a high-risk situation for the Directorate, there has been acceleration in all areas and the Council are building trust and confidence with the Regulator in relation to the areas of concern. The Directorate are working with strategic partners Campbell Tickell to ensure that preparation for inspection continues in parallel to operational work on the areas of breach. This is reported formally through Compliance Board, Overview & Scrutiny and will form part of the Housing Sub-Board, led by Commissioners.

22.3 The Council is seeking to accelerate the delivery of affordable homes across the city in three key ways, focusing on social rent as an affordable tenure wherever possible:

a) Through the revised Birmingham Local Plan, where a differentiated policy between the city core and the wider city is applied (seeking to meet the viability challenges in the former), and seeking commuted sums for offsite delivery where low numbers of discounted market rent accommodation are the alternative affordable provision;

b) Through a review of all Birmingham City Council owned assets/sites (delivered through an area-based review), including those strategic sites (such a site in Yardley Brook) which were previously planned to be delivered directly by the Council, but which will now be sold to reputable/delivery focused developers working in tandem with housing associations (or housing associations themselves), and offering nominations rights to the Council on first and on second letting. Where possible, the level of affordable homes delivered on these sites will be materially above the planning policy minimum;

c) Through the emerging Place Based Strategy, securing joint support from the Combined Authority and Homes England, and ensuring the developers and investors are aware of the Council’s strategic priorities, and the Council is aware of the opportunity cost of sites/assets not being developed (whether or not they are currently owned by the Council).

22.4 Households with dependents in B&B for more than six weeks (the statutory maximum): January 2024 there are 450 households with dependents in B&B emergency TA for more than 6 weeks and this is down from the recent peak of 516 in June 2023. This is a financial, legal, and regulatory pressure as well as an operational pressure. Birmingham has seen a 20% increase in homeless presentations in 2023 compared to 2022. Birmingham remains an outlier compared to other cities, though numbers have risen nationally.

22.4.1 Further initiatives to address this have included property acquisitions, a dynamic purchasing system for private sector leasing and the launch of the new Allocations Policy giving greater priority to homeless households in temporary accommodation. A Target Operating Model review increased focus on prevention – with December 2023 reporting over 60% success rate at prevention stage of homeless assessment. Spend controls through 2023-24 and ahead, have resulted in a reduction in resources both staff and financial compared to those planned. A Temporary Accommodation Strategy set out a plan to address B&B pressures, this also is impacted by spending constraints.

22.5 Capital Investment and Repairs/Asset Management: Damp and mould related issues continue to rise. The requirements to meet Awaab's Law and continuing interest from solicitors targeting our estates increases the costs to the Council. In turn, this creates further workflow and resource requirements. The volumes continue to increase compared with 2022/23. Whilst we've addressed the Ombudsman recommendations under Para 49, we still face a risk of complaints and severe maladministration historically. Repairs volumes and the increased investment requirements continues to challenge the viability of our current contracts and the need to abort the recent tender process. The condition of our homes and general compliance is subject to regulatory breach with the Social Housing Regulator. This is compounded by the new requirements of the Building Safety Act and Regulator requirements. Redesign of the structures to modernise the services in Asset Management. Removing the reliance on interim resources and availability of workforce in the sector is a significant issue.

22.5.1 Plans are in place across the service to tackle damp and mould, analysing demand and high risk properties, increasing response by contractors, planning delivery in a more targeted way as well as pro-actively managing communications to residents and members. Intervention is improving the backlog and we now are embedding the activities required to meet expectations. These will be monitored through the changes we've made with the two-year interim contract award to Equans & Fortem. Extensive acceleration programmes are underway, but this remains a significant challenge for the Council. Extensive redesign of the structures to modernise the services in Asset Management is underway.

22.6 Tenant Engagement: Putting our customers at the heart of our service and accepting proposed changes as recommended by Tenant Participation Advisory Service (TPAS). We are introducing the TPAS recommendations and changing the governance structure and meeting the requirements of the Tenant Involvement and Empowerment Standard.

22.7 Delays in assessing applications to the Housing Register: In September 2021 there were over 15,000 applications to the Housing Register that had not been assessed, with the oldest of these approaching 12 months. Additional resources reduced this backlog and sought to have all applications within 6 weeks by end of 2021/22. This was not achieved and an average of 500 applications per week were received in 2022/23 (up from 477 in 2021, and 391 in 2020). The delay in assessing applications results in complaints and negative findings by the LGSCO on individual cases. The LGSCO regularly require an update on the plans to reduce this delay. It is a risk that a wider finding be made against the LA on this basis.

22.7.1 The Corporate Improvement and Delivery Unit undertook an end-to-end process review of this area, resulting in an Action Plan. This plan has been in mobilisation/delivery for 9 months during which time the performance has declined.

The Robotics and Automation Project undertook a review of processes and was not able to identify any significant further automation solutions.

22.8 Rent and Service Charge arrears relating to some forms of Temporary Accommodation: The service is collecting 85% of rent due, this is a significant improvement on previous performance, but remains below optimum. This reflects the nature of the service, type of accommodation, household circumstances and growing size of Temporary Accommodation.

22.8.1 Colleagues from the Corporate Revenues Team have been providing support and there is recognition of the need for change and optimisation of income collection across the service, with greater integration of income collection. The Temporary Accommodation Strategy identified the value of further resources for income collection. This investment has been held off due to immediate savings needs and now S188. As soon as able additional resources will be brought in. There is not full assurance of the income collection operation until these changes and investments are made and the performance improves further.

22.9 LGSCO findings against Housing Solutions and Support: This is a financial, legal, and reputational risk. It arises from service failings resulting in the need to settle complaints ahead of an LGSCO case, or in response to an LGSCO finding. Findings typically relate to delays in considering applications or changes to applications to the Housing Register, or temporary accommodation, the length of time in B&B or the suitability of Temporary Accommodation provided. The LGSCO have required regular updates on plans to reduce the backlog of applications to the Housing Register and for the reduction in households with dependents in B&B more than 6 weeks. Neither the application backlog, nor the numbers in B&B are easy to solve matters. There is a risk of a wider public interest decision to be taken by the LGSCO relating to either of these circumstances which would have wider reputational and financial implications. In addition, the LGSCO are showing interest in the shared nature of accommodation in Homeless Centres which could result in further challenges to what is suitable and for how long. Operationally mitigations are in place and in February 2023 DMT agreed an approach. This approach is to be revisited Q4 2023-24.

22.10 Establishing tighter Governance of HRA business plan: Investment in our stock portfolio has become more vital than ever- the Social Housing Regulation Bill, our obligations post Grenfell, and the ongoing route to zero targets means that the HRA is being ever more stretched. The report to Cabinet on “Housing Revenue Account Business Plan and Rent Setting 2024-2025” and the “Asset Management Strategy” was approved on 16th January 2024. The Directorate have worked closely with consultants 4oc, who have drafted a governance framework that enables HRA finance to be monitored much more closely together. This will be supported by the Commissioner led Housing Sub-Board whereby monitoring of the HRA Business Plan will be tracked on a monthly basis, providing assurance to Commissioners that the plan achieves both its short-term and long-term aspirations.

22.11 Delivering Housing Strategy commitments: The Housing Strategy 2023-2028 was launched in January 2023, setting out a refreshed approach to tackling challenges around housing in the city. The strategy has delivered several key achievements in the last year; an annual review paper was considered by CLT on 12th March 2024 and highlighted some of the key achievements and areas of challenge over the last year, evaluating the overall success of the strategy. The annual review paper will inform the delivery plan for the following year and will ensure that the strategy has been considered in the context of the changing landscape and environment.

## 23. Adult Social Care

23.1 2023/2024 has been a period of change for the ASC Directorate, however the change has been managed and risks mitigated; working closely with partners internally and externally to deliver the necessary changes. The most significant issues identified include:

23.2 Safeguarding: There have been significant improvements in responding to referrals in the City-Wide Safeguarding Team although referral rates continue to be challenging. To achieve improvements in safeguarding the following actions have been taken:

- Establishing a Triage Service to screen incoming referrals; providing an initial response or transferring on referrals where required.
- Referral backlogs have been addressed through targeted work and the waiting list is now no longer than 3 months. The Enquiry Backlog has also been cleared, exceeding the Performance Target of Dec 2023.
- Quality and Performance improvements are being driven through the Safeguarding specific Audit and Assurance Framework with a Director led Service Improvement Board driving through the changes.

23.3 Deprivation of Liberty: In April 2023 the Department of Health & Social Care (DHSC) announced that the implementation of Liberty Protection Safeguards [LPS} would be further delayed. The Directorate, alongside other local authorities, are facing the challenge of managing the pressures that LPS was intended to address. The Birmingham backlog in moderate and low priority assessments (currently 1207 cases) is continuing to rise. To address these issues the following actions have been taken:

- The Association of Directors of Adult Social Services prioritization tool is being used by DOLS Team managers, to identify and allocate high risk referrals and review the moderate/low referrals.
- Vacant Best Interest Assessor posts are being covered by agency workers and we have implemented virtual assessments to ensure a timelier response to DOLS renewals.
- A temporary DOLS Authoriser has been recruited until the implementation of LPS.
- The Council has secured £190k Grant funding, to support the completion of outstanding High priority assessments and are exploring reinstating Business Support over-time to assist data cleansing.
- We are adopting more proportionate assessment forms to reduce to bureaucratic pressure on Best Interest Assessor's.
- DOLS will need ongoing management by the specialist DOLS Team.

23.4 Constituency Teams: A review of the Social Work Teams has begun with a 'One team, one service' approach continuing across the 10 Constituency Teams to address issues around equity, consistency, standardisation, and parity in decision making. To further improve the service there will be a:

- Targeted focus on quality and practice with Principal Social Worker supporting with Practice Forums, Learning from Complaints and Case File Audits.
- Continuation of work to embed a Performance Culture.
- Targeted focus on all Reviews ensuring citizens assessed outcomes are met. Target focus on NHS Continuing Healthcare disputed Cases and addressing the skills gap of our workforce.
- Target financial monitoring led by Head of Service.

23.5 Transitions and Preparation for Adulthood (PFA): In response to escalating costs of Care Packages, there has been further scrutiny placed on support packages coming to Quality, Equality Meetings Budget Meetings, and a clear audit trail of expenditure. This includes looking at alternative options to meet eligible needs, including Shared Lives, supported housing and community catalysts for transportation costs. There remains a backlog of statutory Assessments and Recruitment and Retention issues, there will be Human Resources support to push these through. To further improve the service there will be a:

- a focus on identifying and dealing with the service backlog so there can be the appropriate allocation of resources.
- a revisit of the Referral Process to ensure Cases are picked up by the correct Team. This will include a move to screening onto the Duty System once appropriate.
- a process to manage Complaints which are currently at a reduced level.
- Business Cases in to support the recruitment to vacant Posts including the Team Manager.
- many developed links with the Children's Trust to the PFA service, which will ensure data sets are available in advance to enable us to plan workload and forecast expenditure. There is a request for a more appropriate Performance Data. Current backlogs include younger people not appropriate for PFA.

PFA Operational Guidance is near completion coving both the Children's Trust and PFA. The complete PFA team is a Statutory Service and there are moves to begin the Transitions process from 14 years' old (Pilot) and 17 years' old as 'business as usual' supporting this with secured Grant money.

## 24. Review of Effectiveness

24.1 External Audit

24.1.1 The external auditor issued Statutory Recommendations in September 2023. This is discussed at 12.2 in this document.

24.1.2 Grant Thornton also presented a Value For Money report into Oracle Implementation in January 2024 which the Council is responding to and this is discussed in the Oracle section of this document (section 9.3).

24.1.3 The Draft financial statements for 2020/21 and 2021/22 were issued in line with the prevailing statutory timetable. The conclusion of their respective audits was delayed due to the national technical issue surrounding valuation of infrastructure assets. The audit Committee in March 2023 received draft Audit Finding Reports for both years from the external auditor and were informed the audits would be completed in the next few weeks. However the conclusion of the audit was further delayed due to the issues around the potential equal pay liability and the implementation of Oracle. Further audit testing is taking place. The external auditor is expected to conclude the audits in the early part of the 2024/5 year.

24.1.4 The audit for the 2022/23 financial statements has yet to start. Discussion are ongoing as to the nature and scope of any such audit in light of the issues concerning the implementation of the ERP system.

24.2 Internal Audit

24.2.1 Internal Audit Opinion: In accordance with the Public Sector Internal Audit Standards (PSIAS), Standard 2450 Overall Opinions, the designated Chief Audit Executive must deliver an annual internal audit opinion and report.

24.2.2 The Assistant Director of Audit and Risk Management, as the designated Chief Audit Executive, delivered their annual internal audit opinion and report to Audit Committee in June 2023. This opinion stated:

*"For 2022/23 I can only provide limited assurance on the system of internal controls. Our review of financial processes was constrained by system access issues and incomplete financial records following the implementation of the new ERP system. The Council is aware of the issues and has established a stabilisation task force, escalation process, and governance structure."*

24.2.3 This opinion leads to a conclusion that the internal control environment (including key financial systems, risk, and governance) was not operating effectively.

24.2.4 The 2023/24 opinion will be delivered by the Principal Group Auditor, as the nominated designated Chief Audit Executive. The annual Internal Audit report is due to be considered at the July 2024 Audit Committee. This report will consider the range of audits and other value-adding activities undertaken by Internal audit during the year and the findings from the range of external reviews and judgements. These reviews and judgements have flagged significant financial, governance and cultural challenges.

24.3 Internal Audit Effectiveness:

24.3.1 The PSIAS require a quality assurance framework to be established (standard 1300). In January 2023 Audit Committee received an external quality assessment against the PSIAS. This assessment identified that Internal Audit 'conforms' with the standards. The Service meets the requirements of the Standards and exceeds the basic expectations in several areas, for example in the operation of an information management system that is accredited to ISO 27001 standards and is externally assessed on an annual basis. Interviews with a sample of stakeholders indicate that Internal Audit is valued; and makes a positive contribution. Whilst recognising that Internal Audit is PSIAS compliant the assessment identified that the PwC and CIPFA reports are a good foundation from which to develop a strategy and structure that can enable the service to be even more proactive, risk focused, and influential in driving good governance arrangements for the Council.

24.3.2 Whilst the Internal Audit Service provided six monthly update reports in relation to Internal Audit activity, and annual updates in relation to Counter fraud activity, to the Audit Committee the frequency of reports was not considered sufficient given the range of issues faced. An Internal Audit update is now provided at every Audit Committee meeting.

24.3.3 A central Internal Audit recommendations tracking database is now being established to monitor and report on progress against the delivery of the actions agreed to address concerns raised by Internal Audit. The tracker is currently being piloted and will be implemented on a phased basis across the whole Council.

24.3.4 The recent external reviews have reflected on the need for a more risk-based approach to planning and focusing the work of Internal Audit. A revised Internal Audit planning methodology was agreed by Audit Committee in February 2024. Under this revised methodology Internal Audit will initially focus activity for 2024/25 on the significant challenges faced and delivery of stabilisation and Improvement and Recovery Plans. It is recognised that the programme of work to rebuild risk management is key and will lead to a greater visibility and a more in-depth understanding of risks.

24.4 Standards Committee Reports

24.4.1 Modernisation of systems and practices used by Scrutiny and Committee Services is highlighted as a priority by the Centre for Governance and Scrutiny in the Stabilisation Plan. This will ensure all decisions are legally and financially compliant. Work to develop a new single report template is the first step towards achieving this and will ensure the Council meets minimum standards in the future. Future work will build upon this to achieve ‘Best in Class’ including the development of a digital solution through IT&D. This will support the progression of reports from initiation to presentation at meetings.

24.4.2 A desktop review outlined a range of report templates in use, developed individually over time. Examples of issues include: some templates do not meet legal requirements, or there is inadequate or no guidance on what information should be provided. This feedback was also provided by the Commissioners. Taken together, these issues impact on the quality of information provided to Members to make decisions.

24.4.3 Practice from other Local Authorities, who have experienced similar issues, was reviewed. Based on that, it was determined that a single template, together with revised guidance, would address many of our issues. This practice also highlighted how a single template provides a more effective platform for further improvements to take place, such as the proposed work for IT&D. It was particularly noted that the launch of the template had to be supported by an effective implementation plan.

24.5 New Report Template

24.5.1 The new template closely resembles the current Cabinet report. The most significant changes from the existing Cabinet report template are:

- The guidance provides more detailed information on the key points to be covered in all sections, particularly to cover implications of decisions.
- Information provided in the event of urgent or late reports is now included within the main body of the report rather than on a separate paper.
- Commissioners’ comments are also included in the main body of the report.
- Member consultation (e.g. with ward members, if relevant, and O&S Chairs) is a separate section from ‘External Consultation’.

24.5.2 For reports to other Committees, the most significant changes are:

- There are new sections, which have previously only been used for Cabinet reports, to be completed.
- The guidance provides more detailed information on the key points to be covered in all sections, particularly to cover implications of decisions. For clarity, all reports as a minimum will require legal and financial clearance. Report authors will need to engage with relevant directorate partners and service areas to ensure they can complete reports in a timely manner.

- Commissioners' comments are also included in the main body of the report.

24.5.3 The new template will be supported by guidance, as well as training to:
- Help report authors to navigate the form. Primarily this will help report authors to understand which sections they should complete.
- Identify the key points to be covered in individual sections to ensure the right information is provided.

24.5.4 The audit trail for clearances of reports will also be tightened up. All report authors will need to confirm the details:
- Who has cleared the report;
- What date the report was shared with them; and
- What date they cleared the report.

24.6 Key Activity to Date

24.6.1 A new template and supporting guidance has been drafted. This has been shared with key service areas, for example Finance and Legal, to ensure it meets their requirements moving forward.

24.6.2 Feedback to date has been positive and welcomed this step. There have been minor clarifications where report authors should be signposted to for further information to complete sections. Where sections relate to other areas for improvement and recovery, signposting links have been updated to ensure the most up to date information is provided to report authors. This minimises the need for the template to be continually updated.

24.6.3 External assurance has been provided on the initial draft; this provides confidence it meets legal requirements and quality standards. Further assurance will be sought before we move to implementation.

24.6.4 A launch plan has been prepared to ensure a smooth implementation of the new template. This has been informed by the Committee and Scrutiny team at this stage and captures the key issues we anticipate to arise and ways to address them. As a sample of the 'target audience', we will also be sharing this with key officers across the Council to incorporate their feedback too.

24.5 The proposed launch of the template will take place in April 2024. It will be shared with all scheduled report authors for meetings taking place in May (and June Cabinet). Training for report authors to be provided.

## 25. Risk Management Strategy & Framework

25.1 Principal Risks (known as *Strategic Risks* during the time-period reported on) were reviewed and agreed as they were reported by the Corporate Leadership Team on a monthly basis. A summary report and updates on outstanding actions was presented to Audit Committee quarterly throughout the year. During the year, an external review was commissioned to deliver findings and recommend improvements to the functionality and capability of multiple aspects of oversight for governance and assurance, which spotlighted crucial weaknesses in adherence to the Risk Management Framework, and the Framework itself. This, in turn led to the need for a re-assessment of critical risks & issues faced by the Council, and an ongoing re-visitation of what the Council considers are truly its *Principal Risks*.

25.2 Engagement with several external partners to redesign and rebuild the Risk Management strategy and framework, and elicit the risks facing the authority began throughout the second half of 2023/24,. A formal "Risk Improvement & Rebuild" exercise was undertaken by the newly created standalone Risk Management function, reporting directly into the s151 Officer. This exercise and the work of the function was - and will continue to be - informed by findings of the external partners, the *CfGS Stabilisation Plan* and overarching *Improvement & Recovery Plan*.

## 26 Ofsted

26.1 The Office for Standards in Education, Children's Service and Skills (Ofsted) is the government department responsible for the inspection and regulation of services providing education, skills and care for children and young people. The Care Quality Commission (CQC) is an independent regulator of health and social care in England. Inspecting local authority children's services (ILACS) focus on the effectiveness of local authority arrangements in place to help and protect children, to effectively impact the experiences and progress of children in care, looked after children and care leavers.

26.2 Children's services in Birmingham are managed by Birmingham Children's Trust and Birmingham City Council. The Birmingham Children's Trust was set up in 2018 by Birmingham City Council to create the conditions that enabled good social work and family support to flourish.

26.3 Children's Services were last inspected by Ofsted in 2023, services were recognised by Ofsted as 'Good'. All five areas inspected were given a 'Good' grading, with many positive highlights focusing on areas including the quality of staff leadership, partnership working, safeguarding and corporate parenting. Local area arrangements for children and young people with special educational needs and/or disabilities (SEND) inspections are inspections of the local area that sit outside the ILACS framework.

26.4 On June 13th, 2022, Ofsted, and the CQC opened a consultation on proposed changes to their joint approach to the inspection of local area partnerships. In November 2022, the new jointly developed Ofsted and CQC Area SEND Inspection Framework was published setting out arrangements for the 2023 (and thereafter) jointly carried out inspections.

26.7 We continue to engage with all formal inspection agencies and have robust governance, compliance and planning mechanisms in place to ensure that processes are able to effectively respond to inspection outcomes and associated action planning, this to include the timely cascading of outcomes with Senior Leadership and Overview and Scrutiny Committee and the partnership workforce.

## 27 **Care Quality Commission**

27.1 Local Authority Assessment Pilot: The Care Quality Commission (CQC) has been given new powers under the Health and Care Act 2022 to assess how local authorities deliver against key aspects of their duties under Part 1 of the Care Act 2014. The purpose of the assessments is to understand the performance of local authorities and to assure the CQC and the Department of Health and Social Care about the quality of care in an area and consider whether any improvements may be required. The CQC worked with five local authorities as part of a pilot to test the full methodology to ensure it is effective and can be applied to the wide variety of local authorities across England. The assessment of Birmingham was completed during the summer of 2023 and the findings published in November 2023. The overall indicative rating for the Council's assessment is 'Good: evidence shows a good standard'. The Council will be subject to a formal assessment at some point in the future. Activity to support our preparations for future inspection is overseen by the Adult Social Care (ASC) Quality and Improvement Sub Programme Board which reports to the ASC Programme. The assessment identified areas of improvement linked to transitions, safeguarding and Dols which have been progressing through existing ASC improvement workstreams. Following participation in the pilot, the Directorate has pulled together reflections and further considerations to inform preparation for formal assessment. A CQC Improvement Task and Finish Group (overseen by the ASC Quality and Improvement Sub Programme Board) is being established to progress this work including an annual review of our self-assessment and evidence pack.

27.2 CQC Inspections: The CQC has undertaken assessments of three care homes, two homecare services and the Shared Lives service in Birmingham over the last four years. Two of the care homes, the homecare services and Shared Lived were rated Good (Ann Marie Howes, Perry Tree Centre, Shared Lives, North Home Care and South Birmingham Home Care) with many being identified as making significant improvements since previous inspections. In 2019 the Kenrick Centre was rated as "Requires Improvement". The Council responded to the requirements of the CQC fundamental standards & improvements by producing monthly service statements that reflect a true and accurate account the existing culture challenges and evidence of how this is being addressed. The registered manager engaged with the CQC and submitted Direct Monitoring Activity reports that personifies an intent and desire to change where there are gaps how these will be addressed. Since the investigation, all identified areas of training and development have been mapped with The Learning and Development Service. The service does have outstanding actions following the Equality Diversity and Inclusion (EDI) report and subsequent ODP action plan. However, the management team are coordinating this in a timely manner. The service has committed to regular growth and development sessions to further support team cohesion. Additionally, the service has collaborated with a number of internal and external stakeholder to produce remedial action plans that support the councils cultural priorities with the care environment. Currently the service is promoting community engagement initiatives in line with the partnership agenda. Further work is underway to develop and embed the service action plan and align this with the strategic vision re service development.

## 28 Performance and Budget Monitoring Information

28.1 Issues stemming from the problematic implementation of the Oracle system, both in terms of the reliability of the accuracy and completeness of actuals and the ability to produce reports easily, have made it difficult to get into a routine with the production of budget monitoring reports.

28.2 Progress has been made over the past 12 months with reducing the number of unposted and unallocated banking transactions and the Finance Team are now able to extract and manipulate general ledger data in order to produce analyses of the year-to-date position in the ledgers and they will work on standardising this and reporting it to directors and heads of service.

28.3 To date, forecasts have been based on business understanding and known issues but this will improve as the analysis is interrogated and better understood; a fully functioning forecasting and budgeting tool is not currently in place however. This has resulted in a reduction in management information for the 2023/24 financial year – a high level forecast for 2023/24 was provided to Cabinet in July 2023. A Quarter Three forecast was provided to Cabinet in April 2024. Significant improvements are planned, linked to progress with Oracle, for more regular reporting for the 2024/25 financial year.

28.4 In producing the 2024/25 budget, a decision was taken to write off all of the 2023/24 savings planned as it was evident that they were not credible or being delivered. Those that remain deliverable have been wrapped into the new proposals for 2024/25. Monitoring and managing the delivery of savings will be a key area of focus through 2024/25 as it is recognised that this is critical for the financial stabilisation of the council. A significant amount of money will be invested across the organisation over the next two years to enable the council to deliver on the planned savings and it is critical that the effectiveness of this is monitored and achieves maximum impact.

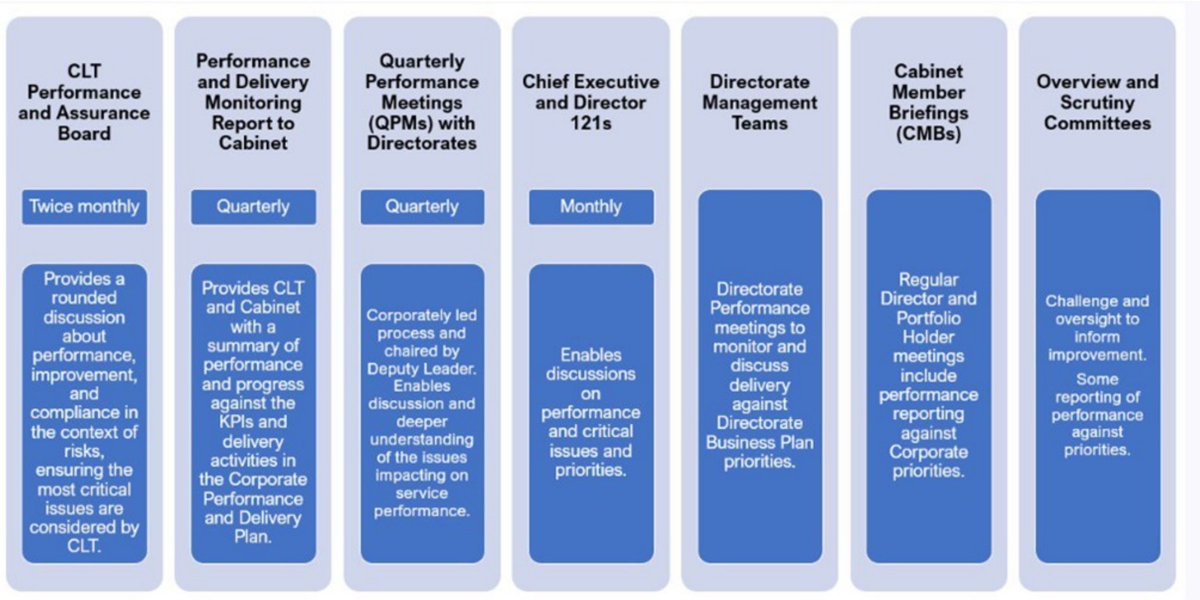
## 29 Performance

### 29.1 Corporate Performance Management 2023/24

29.1.1 The importance of an effective performance management framework is a key theme of the Council's Corporate Governance Code as outlined in section C1 of the Constitution. The Code sets out the importance of continually reviewing performance and of using the performance management framework as a means of ensuring citizens receive excellent value for money. An integral part of the Council's overall governance and internal controls, the established corporate performance framework comprises several components that enables the reporting and consideration of information and insight about the performance of council services and the operating health of the organisation across several different forums, including:

- Quarterly Performance and Delivery Report considered by the Corporate Leadership Team (CLT) and Cabinet, providing a summary and analysis of performance and delivery progress against the ambitions and priorities set out in the Corporate Plan 2022-2026, using the KPIs and delivery milestones set out in an annual Corporate Performance and Delivery Plan
- A monthly CLT Performance and Assurance Board that considers a range of performance and assurance reports, which together provide updates and highlighted issues regarding organisational health, delivery of key services, customer experience, and transformation.

- A Quarterly Performance Meeting with each Directorate, which is a corporately led process, chaired by the Deputy Leader, that facilitates discussion and a deeper understanding of the issues impacting on service performance.
- Performance reporting to Overview and Scrutiny Committees, including scrutiny of service performance data and other performance information aligned to committee work programmes.
- Directorate Management Teams meet to consider performance and delivery against priorities
- Cabinet Member Briefings provide an opportunity to update portfolio holders on performance and delivery matters
- Chief Executive and Director meetings includes information prepared by the Programmes, Performance and Improvement (PPI) Division about performance and delivery




29.1.2 Further improvement and development of the performance management framework has been undertaken during 2023/24, including:

- A refreshed approach to identifying and escalating critical service performance, risk and compliance issues to the monthly CLT performance and assurance board was introduced. Key aspects of this approach include the bringing together of issues arising by exception from performance reports, customer complaints, ombudsman performance, internal audit and other assurance reports. This enables the highlighting and escalation of key performance issues in the context of delivery priorities and strategic risks.
- A review of the KPIs reported corporately which will propose a refreshed suite of measures, focussed on the delivery of safe and compliant basic services to citizens, with reporting against these set to commence during 2024/25.

29.1.3 The development of an Improvement and Recovery Plan (IRP) in response to the Secretary of State's Intervention Directions will be the primary document against which performance and delivery will be reported. There will however be a continuation reporting against our Corporate Plan, which will refreshed and updated during the first half of 2024/25.

## 30 Self Assessment

30.1 In accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016), a self-assessment of the effectiveness of governance arrangements was completed in April and May 2024 by each directorate, at Director level, to inform the AGS. Where these self-assessments identified particular governance issues or areas where improvements are needed, these are detailed in section 31 of the AGS.

## 31. Governance Issues

31.1 A key element of the annual governance statement is to identify any significant governance issues. Table 2 below summarises the governance issues which management will continue to monitor and address in the year ahead.

| Ref No. | Governance Issue Identified | Action To Be Taken | Responsible Officer | Target Date |
|---|---|---|---|---|
| 1 | The Council must now implement the Stabilisation Plan which was jointly produced with the Centre for Governance and Scrutiny. The Stabilisation Plan is designed to stabilise and strengthen governance within the Council.<br>(See para 6.3 above for reference) | The Plan covers 13 work streams including:-<br>1. Refocus corporate attention and priorities on ensuring safe, legally compliant, and fairly delivered services to local people;<br>2. Begin work to reframe values and expected behaviour;<br>3. Develop and publicise a set of baseline behavioural standards for members and officers;<br>4. Review the Constitution;<br>5. Reframe the scrutiny work programme to focus on the Council's improvement and recovery priorities;<br>6. Strengthen working relationships between the Chairs of Scrutiny Committees and the Chair of the Audit Committee to lead and direct the function;<br>7. Put in place new arrangements for the support of the internal audit function, the Audit Committee and the links between audit and scrutiny;<br>8. Design, and being to put in place, new risk & information management arrangements – with an initial focus on member accountability;<br>9. Put in place robust arrangements for the members' oversight of the development of the 2024/25 budget and MTFS;<br>10. Integrate action on external auditor's recommendations in to wider practice;<br>11. Continue to rebuild relationships with external partners; | City Solicitor | January 2025 |

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| | | 12. Put in place proportionate arrangements to manage governance and decision-making in the context of the role of Commissioners;<br>13. Modernise systems and practices in Scrutiny and Committee Services. | | |
| | General issues with the implementation and set up of Oracle (and particularly the Band Reconciliation System) continue to cause issues for the Council.<br>(see para 9.3 above for reference) | All outstanding issues with Oracle to be resolved and rectified in line with the Oracle Programme deadlines set within the project plan. | Director of Finance | March 2025 |
| 2 | Since April 2022 the Council has not been able to produce Spend Compliance Reports.<br>(See para 20.3 above for reference) | The reintroduction of Spend Compliance Reports to directorates on a monthly basis is to take place with effect from April 2024. | Director of Finance | April 2025 |
| 3 | The Council must comply with the timescales set out in the Equal Pay Programme which has set out clear governance arrangements.<br><br>There is concern that the key outcomes of the programme will not be delivered by April 2025.<br>(see para 12.4 above for reference) | The first major milestone is the delivery of the benchmarking phase of the programme by end of May 2024. This should be closely monitored and reports back to the Governance Board and Improvement Board to assess likely adherence with the Programme. | Director of People Services | March 2025 |
| 4 | Poor service delivery and financial controls as well as challenging industrial relations in the Waste Service.<br>(see para 15.1 above for reference) | The Council much achieve successful implementation of the Waste Transformation Programme.<br><br>Close monitoring by the Waste Programme Board and City Operations Transformation Board of such implementation | Director of City Operations | March 2025 |
| 5 | Failure to establish suitable fleet management and fleet maintenance arrangements. Failure | As part of the Waste Transformation Programme (see above) the team must procure a reliable and modern waste collection fleet of | Director of City Operations | March 2025 |

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| | to comply with relevant policies leading to assets falling into disrepair and creating potential health and safety issues.<br>(see para 16.5 above for reference) | vehicles and ensure regular maintenance and renewal of fleet going forwards. | | |
| 6 | The Procurement Act 2023 will come into force in February 2025and the Council needs to ensure that it is fully prepared with relevant changes to the constitution and Contract Procedure Rules. Further, work is required to oversee procurement decisions and ensure effective project management of procurement processes to provide confidence on compliance.<br>(See para 17.8.6 and 17.10.5 above for reference) | A working group has been set up to ensure that the Council is prepared for the implementation of the Procurement Act 2023 with a link with the Cabinet Office has been established to keep abreast of the developments.<br><br>The Council is in the process of establishing a Procurement board to oversee the procurement decisions as well as monitor project management effectiveness. | Chief Operating Officer | February 2025 |
| 7 | Contract management is inconsistent across the Council with directorates carrying out their own contract reviews.<br>(see para 17.9.1 above for reference) | The Commercial, Procurement and Contract Management Board is to be established to deliver a consistent and effect approach to these processes.<br><br>A Contract Management Pioneering Programme is to be established along with the production of contract management toolkits and training to develop skills and knowledge. | Chief Operating Officer | January 2025 |
| 8 | Concern has been identified, given the wider issues with Oracle, that the Council's Contract Register is not up to date and accurate.<br>(see para 17.10.2 above for reference) | Undertake an audit of the Contract Register to identify missing information and ensure that an action plan is created to address any areas for improvement. | Chief Operating Officer | March 2025 |
| 9 | Some of the capital projects which are approved by the Council | All approved capital projects will have a two-year longstop date. This means that a new, | Chief Operating Officer | October 2024 |

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| | are taking a significant amount of time to agree the contract by which time the costs quoted have increased or the requirements for the project changed. This is leaving the Council vulnerable.<br>(See para 19.5 above for reference) | updated approval will be required where it has not been possible to enter contract within two years of approval. | | |
| 10 | Since the implementation of Oracle in April 2022 it has not been possible to provide Quarterly Budget Monitoring Reports to Cabinet. This impacts on the ability for members to monitoring performance against budget and consider amendments of budgets in line with operational issues.<br>(See para 19.8 above for reference) | Quarterly Budget Monitoring Reports to be reinstated asap.<br><br>In addition, all Capital Project Budgets to receive a two-year longstop date for spend. Any contracts not entered into within this will require additional approval for an extension of time. | Director of Finance | April 2024 |
| 11 | Weaknesses have been identified in the Council's corporate knowledge and cross-directorate information sharing on partner relationships. There is some excellent practice across the organisation but too often the Council's approach is driven too much by the teams own agendas within siloes, rather than genuinely seeking solutions to challenges together.<br>(See para 20.3 above for reference) | Consideration to be given to utilise available technology to assist with data sharing and management of partner relationships.<br><br>A Stakeholder sentiment tracking process is to be developed. This will see partnership surveys being carried out to assess working arrangements and identify any improvements that could be made. | Director of Strategy, Equality and Partnership | October 2024 |
| 12 | The Council received large number of Ombudsman complaints in relation to the Housing service. The Housing service | Operationally mitigations have been identified and the approach approved by DMT. A review of the mitigations, and their application, to be | Director of Housing | November 2024 |

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| | must review the approach taken to handling complaints and Ombudsman findings.<br>(See para 22.1 for reference) | undertaken and reported back to DMT. | | |
| 13 | Capital investment and repairs/asset management continue to cause issues with damp and mould related complaints increasing.<br>(See para 22.5 above for reference) | The service has created a plan to tackle damp and mould issues and manage repairs effectively. Continued monitoring will be undertaken and an extensive acceleration programmes have been identified.<br><br>Regular reporting and monitoring of contract performance, monitoring the success of new programmes and actual reductions in Ombudsman complaints is required to show success.<br><br>This includes the close monitoring of HRA finance which must continue on a monthly basis. | Strategic Director – Housing | March 2025 |
| 14 | The Housing Service have identified a need for change and optimisation of income collection across the service, with greater integration of income collection. The Temporary Accommodation Strategy identified the value of further resources for income collection.<br>(See para 22.8.1 for reference) | Working with colleagues from the Corporate Revenues Team additional resources must be brought in to ensure that the income collection operation is being run effectively and that income collection is taking place to generate monies for the Council where this is due. | Director of Housing and Director of Finance | October 2024 |

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| 8 | Following the issuing of the two Section 114 Notices by the Council, Intervention Directions were issued by the Government which requires the Council to prepare and agree an Improvement and Recovery Plan.<br>(See para 29.1.3 above for reference) | An IRP has been created and this will be going to Full Council for approval in April. The Council should ensure compliance with the IRP with regular monitoring and reporting. | Managing Director | October 2024 |

## Glossary

**Academy School**
A school that chooses to opt out of Local Authority control and receive its funding from the Education Funding Agency directly.

**Accounting Policies**
The rules and practices adopted by the Council that determine how the transactions and events are reflected in the Accounts.

**Accruals**
Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

**Amortised Cost**
Some financial assets and liabilities are carried at amortised cost, where part of their carrying amount in the Balance Sheet will be either written down or written up via the Comprehensive Income and Expenditure Statement over the term of the instrument.

**Annual Governance Statement**
The Annual Governance Statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

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

**Balances**
The total level of funds an authority has accumulated over the years, available to support expenditure within the year.

**Beacon Properties**
In valuing the Housing Stock the Council's properties are grouped into types of a similar nature. A sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.

**Business Rates**
A local tax paid by businesses to their local authority, based on the value of their premises as assessed by the Government Valuation Office Agency (VOA).

**Capital Charge**
A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

**Capital Expenditure**
Expenditure on the acquisition of a non-current asset, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. The Government has also enacted regulations which result in certain other types of spending being treated as capital expenditure.

**Capital Financing Requirement (CFR)**
A measure of an authority's cumulative need to borrow to finance capital expenditure, or to meet the costs of other long-term liabilities.

**Capital Receipt**
Cash received from the disposal of land and other non-current assets, and from the repayment of grants and loans of a capital nature made by the Council.

**Cash Flow Statement**
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as being from operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

**CIPFA/SOLACE Framework**
The CIPFA/SOLACE Framework helps local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of public business.

**Collection Fund**
A separate account administered by the Council collecting receipts from Council Tax and Business Rates and paying it on to the General Fund and other public authorities.

**Community Assets**
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**Comprehensive Income and Expenditure Statement (CIES)**
This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

**Consistency**
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**Creditors**
Amounts owed by the Council for work done, goods received or services rendered or taxation owed, but for which payment has not been made by the end of the year.

**Current Value**
Current Value is a measurement base which reflects the economic environment prevailing for the service or function that an asset supports when valuing the asset. The Current Value measurement bases include Existing Use Value, Depreciated Replacement Cost and Fair Value (see below).

**Debtors**
Amounts owed to the Council for work done, goods received, services rendered or taxation due but not received by the end of the year.

**Deferred Capital Receipts**
Income that is still due following disposal of a non-current asset.

**Defined Benefit Pension Scheme**
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**Defined Contribution Pension Scheme**
Pension schemes or other retirement benefit schemes in which the employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciated Replacement Cost**
A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and obsolescence.

**Depreciation**
The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset.

**Earmarked Reserve**
A reserve which has been set aside for a specific purpose.

**Effective Interest Rate**
The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

**Emoluments**
Payments received in cash and benefits for employment.

**Events After the Reporting Period**
Those events, both favourable and adverse, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.

**Existing Use Value**
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

**Expenditure and Funding Analysis**
The Expenditure and Funding Analysis shows how the Council allocates between the Council's Directorates, expenditure for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

**Fair Value**
Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Fees and Charges**
Income arising from the provision of services, for example, the use of car parks.

**Finance Lease**
A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

**Financial Instruments**
Financial Instruments are financial assets that can be traded. They can also be seen as packages of capital that may be traded. Most types of Financial Instruments provide an efficient flow and transfer of capital throughout all the world's investors. These assets can be cash, a contractual right to deliver or receive cash or another type of Financial Instrument, or evidence of one's ownership of an entity.

**General Fund**
The account which records income and expenditure for all the services of the Council except for the Housing Revenue Account and the Collection Fund, the net costs of which is met by Council Tax, Business Rates and Government grants.

**Government Grants**
Financial assistance from Government or other external bodies as a contribution towards the costs of services. Some grants may be accompanied by strict conditions relating to how the money can be spent. These are referred to as ring-fenced grants.

**Heritage Assets**
Assets that the Council intends to hold for the purpose of informing or educating the public about their heritage and which are not held for their investment value. Examples include collections of antiques in museums.

**Housing Revenue Account (HRA)**
A separate account detailing the expenditure and income arising from the provision of Council housing. Local authorities are required to maintain this separately from the General Fund.

**Impairment**
A diminution in value of a fixed asset resulting from, for example, obsolescence or physical damage. To comply with accounting standards the Council undertakes annual reviews of its assets to identify any assets which have been impaired.

**Infrastructure Assets**
These are inalienable assets, the value of which is recognised only by continued use of the asset created. Examples of such assets are highways and footpaths.

**Intangible Assets**
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity.

**International Financial Reporting Standards**
International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not for profit organisation called the International Accounting Standards Board (IASB). These are the standards which local authorities adhere to as interpreted for the public sector by the Chartered Institute of Public Finance and Accountancy (CIPFA).

**Investment Properties**
Interest in land and/or buildings in respect of which construction work and development have been completed, or which is held for its investment potential with rental income being negotiated at arm’s length.

**Investments – long term**
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

**Investments - short term**
A short-term investment is an investment that will mature to cash within a one-year time period and is considered liquid. An asset is liquid if the owner can readily access it.

**Lender Option Borrower Option (LOBO)**
A LOBO is a type of loan instrument where borrowing is undertaken, initially at a fixed rate of interest. Periodically, at specific points, the lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty.

**Liabilities**
Amounts due to individuals or organisations, at the Balance Sheet date, which will have to be paid at some time in the future. Current liabilities are payable within one year of the Balance Sheet date.

**Long Term Creditors**
These creditors represent existing liabilities to be settled beyond 12 months of the Balance Sheet date.

**Long Term Debtors**
These debtors represent income still to be received beyond 12 months of the Balance Sheet date, for example on the sale of an asset or granting of a loan.

**Market Value**
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Materiality**
An item is material if its omission, non-disclosure or mis-statement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.

**Minimum Revenue Provision (MRP)**
Minimum Revenue Provision is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements. The Council is required by law to make an annual determination of MRP that it considers to be prudent.

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

**Net Book Value**
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Operating Lease**
A lease other than a finance lease.

**Operational Assets**
Non-current assets held, occupied, used or consumed in the direct delivery of services for which the Council has a statutory duty or discretionary power to provide.

**Precept**
Amounts levied on the Council by other Councils or public bodies (Police and Crime Commissioners, Fire and Rescue Authorities and Parish Councils), which the Council collects on their behalf.

**Prior Period Adjustments**
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Property, Plant and Equipment**
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

**Provisions**
Contributions to provisions are amounts charged to the revenue account during the year for costs, resulting from a past event and with uncertain timing of payment and where a reliable estimate of the cost involved can be made.

**Related Parties**
There is a detailed definition of related parties in FRS8, Related Party Disclosures. For the Council's purposes, related parties are deemed to include the elected Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an interest.

**Reserves**
Reserves are reported in two categories.

<u>Usable Reserves</u>
Usable reserves are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

<u>Unusable Reserves</u>
Unusable reserves are reserves that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**Revenue Expenditure**
Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**
Expenditure incurred during the year that is treated as capital expenditure under statutory provision but does not result in a non-current asset owned by the Council. Examples of these are expenditure on items such as improvement grants.

**Right to Buy (RTB) Capital Receipts**
Capital receipts generated from the sale of Council housing under the national scheme available to existing tenants. These receipts can only be used in ways determined by the Government, for example to pay for further capital expenditure on Council housing.

**Service Concession Agreements**
A form of contract involving an external company providing services for a fixed period, using facilities that they have inherited/provided/constructed.

**Soft Loan**
Loans at nil or below prevailing interest rates are often referred to as soft loans.

**Top-up Grant**
Additional grant which the Government provides to reflect the difference between Business Rates income that the Council can generate and the amount which the Government has calculated it needs to spend on services.

**Voluntary Revenue Provision (VRP)**
Voluntary Revenue Provision is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements that the Council chooses to make over and above Minimum Revenue Provision.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIRMINGHAM CITY COUNCIL