



ACCOUNTS

2001 / 2002

ACCOUNTS



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1. FOREWORD

Introduction

The City Council manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This is vital if the Council is to continue to play a leading role in the life of the City and provide high quality services for the benefit of all its citizens. This task is shared by all Members and Officers of the Council under the leadership of Cabinet and Chief Executive. The Strategic Director of Resources has a particular role in ensuring financial stewardship. These accounts set out the results of Council activities for the year ended 31st March 2002 and its financial position at that date.

This statement of accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain which requires that the accounts present fairly the financial position of the City Council. Suitable accounting policies have been employed and applied consistently. Where necessary, prudent judgements and estimates were made which complied with the Code. The Council keeps proper and up to date accounting records and takes reasonable steps for the prevention and detection of fraud and other irregularities.

The purpose of this foreword is to provide the reader with:

- a review of the authority's financial performance in 2001/2002
- an explanation of the authority's financial position
- an overview of activities and significant matters which occurred during the year
- an understanding of the accounting statements

The main statements within the accounts and their purposes are:

- Consolidated Revenue Account – this account provides details of the cost of services which the City Council provides and shows how the net cost (after departmental income and appropriations) has been financed from general government grant (Revenue Support Grant) and local taxpayers.
- Housing Revenue Account – this account reflects the statutory obligation to 'ring-fence' and show separately the financial transactions relating to the provision of housing.
- Collection Fund – is maintained separately, as a statutory requirement, to show the transactions of the Council as billing authority in relation to non-domestic rates and council tax. It illustrates the way in which the income has been distributed to precepting authorities.
- Consolidated Balance Sheet – summarises the financial position of the City Council including the Housing Revenue Account and the Collection Fund. It provides a statement of the assets and liabilities at the end of the financial year (31st March 2002).
- Statement of Movements in Reserves – summarises the movements in the City

Council's revenue and capital reserves.

- Cash Flow Statement – summarises the total cash movements during the year for revenue and capital purposes.
- Group Accounts – these statements consolidate the City Council's accounts with those of NEC Ltd.

A glossary is provided in section 13 to assist the reader.

1. FOREWORD

Financial Summary 2001-2002

Revenue

An analysis by Portfolio / Committee of the City Council's net revenue spending is shown in the following table::

	Actual
	£'000
Portfolios	
Leader	70,230
Deputy Leader	40,529
Education & Lifelong Learning	622,518
Equalities & Human Resources	5,878
Housing (General Fund)	27,146
Leisure, Sport & Culture	85,147
Local Services and Community Safety	13,182
Regeneration	21,594
Social Services and Health	244,113
Transport, Street Services and Sustainability	124,650
 Council Business Management	 5,389
Regulatory Committees	
Development Control	2,484
Licensing	(24)
Public Protection	11,292
	<hr/> 1,274,028
 Capital Accounting & Other Changes	 (127,306)
	<hr/> 1,146,822
Government Grants and Local Taxes	1,146,822
Amounts to be met from government grants and local taxation	(1,144,383)
	<hr/> 2,439

Authorities are now required to calculate depreciation on all Operational Assets (e.g.schools, admin buildings etc.). Previously, the City Council could avoid charging depreciation if it could be proven that satisfactory maintenance would extend the useful life of these assets.Additional depreciation of over £20 million has been included in Advisory Team and Committee expenditure. However, there is no net effect on Council net spending as a corresponding entry is made in the Asset Management Revenue Account.

Net revenue expenditure by Portfolios and Committees for the year was £1,268 million compared to a revenue budget of £1,242 million.The variations include the effect of providing for depreciation, amounting to over £20 million in total,

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1. FOREWORD

and this is particularly noticeable in Leisure Culture and Tourism, Regeneration, Social Services and Health Advisory Teams, and Leader's Portfolios.

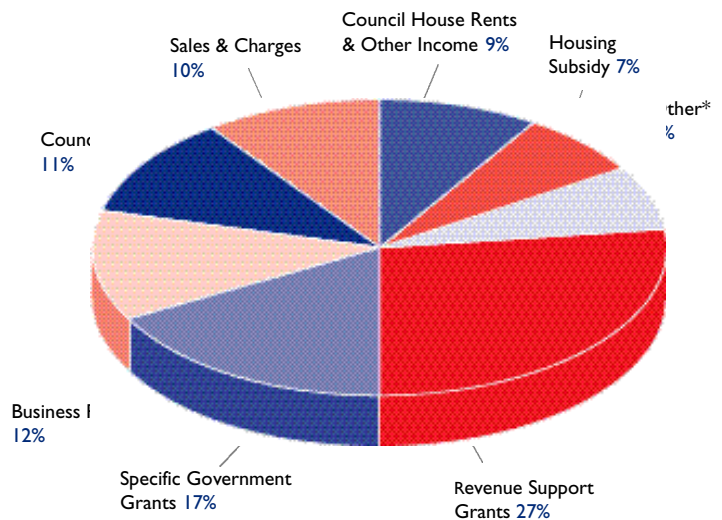
The City Council actual expenditure for the year amounted to £1,147 million. Most of this was met from government grants and local taxation. The difference of £2.4 million was met from general balances.

The graphs below show the sources of revenue funding for the City Council for 2001/2002 and where the money was spent by major service area.

Where the Money Came From

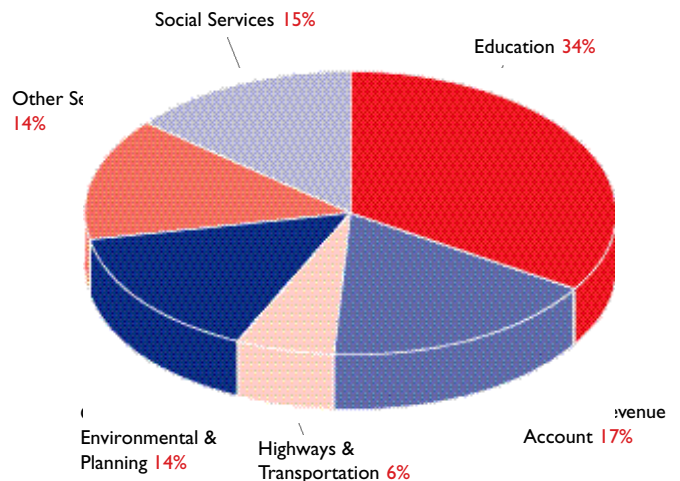
Source	£m
Revenue Support Grant	620.8
Specific Government Grants	394.9
Business Rates	275.4
Council Tax	248.2
Sales & Charges	235.8
Council House Rents & Other Income	196.9
Housing Subsidy	164.4
Other*	180.6
Total	2317.0

* other Rents and Grants, Miscellaneous use of Reserves



Where the Money was Spent

Source	£m
Education Services	800.3
Housing Revenue Account	385.2
Social Services	340.4
Highways & Transportation	130.7
Cultural, Environmental & Planning	328.5
Other Services	331.9
Total	2317.0



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General Fund Reserves and Balances

At the end of the year the balance on General Fund to be carried forward was £19.4 million comprising of £13.3 million of general balances and £6.1 million of committee carry forwards, which are permissible subject to certain parameters. Of these figures, £7.8 million are assumed to be used in support of the 2002/2003 budget.

As is the City Council's usual practice, £5.8 million will be retained as a minimum working balance, and the remainder will be used to assist budget pressures during the year. Cumulative balances for Local Management of Schools (LMS) at 31st March 2002 were £22.8 million.

In addition to the General Fund Balance, the City Council also prudently earmarks reserves (see Balance Sheet Note 16 and the Statement of Total Movements in Reserves in section 10).

Housing Revenue Account (HRA)

The Housing Revenue Account deals with transactions involving the management of the City Council's housing stock.(full details in Section 7).

The Local Government and Housing Act 1989 requires that the Housing Revenue Account is ring-fenced and cannot be subsidised by the General Fund.

The net surplus for 2001/2002 was £ 2.3 million which will be added to the surplus of £4.8 million brought forward to make a carry forward surplus of £7.1 million.

Capital Expenditure

Total expenditure on capital schemes in 2001/2002 was £197.3m (2000/2001 £175.2m), including spending on operational leasing and deferred charges. This compared to the latest capital budget, approved in February 2002, of £213.5 million. A breakdown of expenditure by Portfolio/Committee is shown below:

Portfolio/Committee	£' 000
Leader	2,874
Deputy Leader	7,938
Education & Lifelong Learning	23,936
Equalities & Human Resources	95
Housing	93,042
Leisure, Sport & Culture	12,269
Local Services and Community Safety	1,368
Regeneration	13,624
Social Services and Health	4,885
Transport, Street Services and Sustainability	37,249
Development Control	25
Public Protection	0
Portfolio Committee	197,305
Provisions	0
Total Programme	197,305

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The City Council's capital expenditure on an accruals basis, including amounts owing but not paid in 2001/02, analysed between types of asset, is summarised below. This also includes operational leasing and deferred charges.

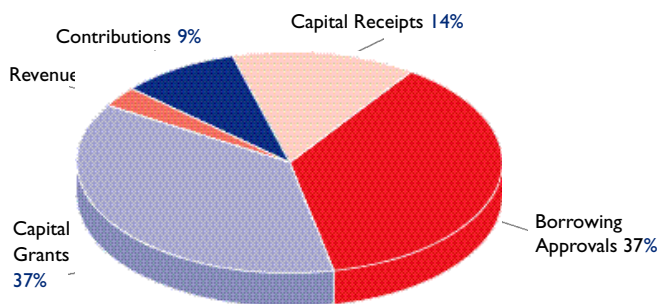
Deferred charges arise when expenditure of a capital nature is incurred on assets not owned by the City and which cannot therefore be added to the City's Asset Register and Balance Sheet. Examples of such expenditure are grants made by Housing to owner-occupiers of private houses to carry out improvements to their own properties. For accounting purposes, this expenditure is transferred to service revenue accounts together with any grant income received to fund the expenditure.

Type of Asset	2001/02 Expenditure (£m)
Other Land & Buildings	31.2
Vehicles and equipment	7.4
Investment Properties	0.2
Infrastructure	30.7
Community Assets	5.2
Council dwellings	69.7
Sub Total	144.4
Deferred Charges	47.5
Operational Leasing	5.4
Total Capital Expenditure (Accruals Basis)	197.3
Accruals included within above	(2.5)
Total Capital Expenditure (Payments Basis)	194.8

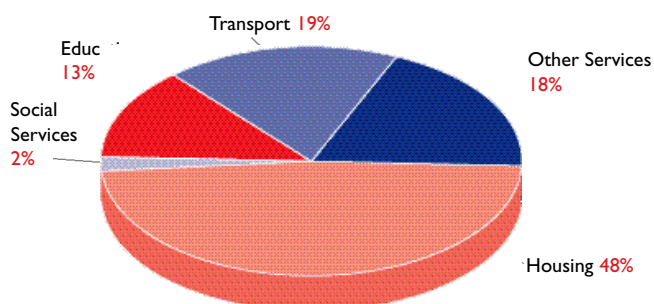
The City Council finances capital expenditure on a payments basis. However, the authority also needs to account for capital expenditure on an accruals basis, showing the amounts owing to contractors etc, for incorporation into the City Council's asset register and balance sheet. Accruals for 2001/02 are £2.5m.

An analysis of both where the money was spent, by major service areas, and the sources of funding are shown diagrammatically below:

Where the Money Came From	
Source	2001/02 £m
Borrowing Approvals	72.3
Capital Receipts	28.0
Capital Grants	71.3
Contributions (inc. operational leasing)	18.2
Revenue	5.0
Total	194.8



Where the Money was Spent	
Source	2001/02 £m
Housing	93.9
Education	23.9
Social Services	4.9
Transport	37.2
Other Services	34.9
Total	194.8



1. FOREWORD

Recent Progress

Among the City Council's achievements in 2001/2002 were :

- The completion of a pioneering Public Private Partnership rebuild of 10 schools and advanced plans for a further package.
- Obtaining £18m funding to develop services for children and their families in partnership with the voluntary sector, to support families within their communities and avoid statutory intervention.
- Completion and opening of Millennium Point (including ThinkTank – the museum of science and discovery) and the Water Hall gallery of Modern Art.
- A scheme to collect paper for recycling from over 200,000 homes launched in November and Government grants of £2.4m helped establish eight new CCTV schemes with 95 cameras.
- Made available £5m from the Neighbourhood Renewal Fund so local residents could engage in planning the future of their local services.
- Significantly reducing long term sickness and a first reduction in sickness absence rate since 1996.

Birmingham held its first Constitutional Convention in December 2001. Participants included members of local community and voluntary groups, residents and more who met to look at localised governance arrangements. The City Strategic Partnership was established to initiate work on the strategic planning for the city and the strategy for neighbourhood renewal.

The City Council introduced and implemented a new constitution during 2001/2002 on the Leader and Cabinet model. The information in this Statement reflects this structure.

The Regeneration of the City Centre continued during the year with the completion of the Martineau Galleries, continued work on the New Bull Ring and the start to demolition and regeneration of the Masshouse site. A strategy for the regeneration of local centres was also agreed.

There continued to be difficult financial pressures in some services. This was particularly true for Social Services, reflecting the national pattern. Careful consideration of resource levels and active budget monitoring limited the impact of these pressures.

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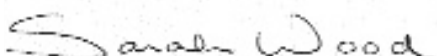
Looking Ahead

The Cabinet Statement for 2002/2003 sets out the City Council's corporate priorities and objectives for the medium to long-term. Three corporate priorities are identified:

- **Performance** : to raise the performance and quality of all the City Council's services and address areas of current under-performance. This commitment is reflected in the Public Service Agreement which has been signed with the Government. The Local Government White Paper, published at the end of 2001, also included proposals to provide the best performing councils with greater powers and financial flexibility. As a consequence of this the Audit Commission has developed the Comprehensive Performance Assessment regime and the City Council expects its first rating in November.
- **Flourishing Neighbourhoods** : the central message from the 2001 Highbury 3 summit on the future of the city is the need to tackle run-down and unpopular neighbourhoods through economic, community safety and environmental improvements. Funding from the Neighbourhood Renewal Fund will complement resources from the City Council and other partners in the City Strategic Partnership to address these issues.
- **Devolved Governance** :The declaration from the Constitutional Convention expressed the intent to drive forward a programme of devolved governance across the city. Local Constituency Conventions have been held and the City Council is developing a major project to consider the implementation of these principles.

The Government White Paper also included proposals to review the mechanisms for central support of councils' revenue expenditure and to change the control regime for capital financing. The City Council is working with CIPFA to "road-test" the Prudential Code for Capital Finance.

Best Value Reviews of the City Council's Asset Services – Money, People, Property, Information Technology and Access to Services – will be completed in 2002 and will provide plans to ensure the continuing improvement in efficiency and cost effectiveness.



Sarah Wood
Strategic Director of Resources

2. STATEMENT OF RESPONSIBILITIES

The City Council's Responsibilities

The City Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Chief Financial Officer's Responsibilities

The City Council's Chief Financial Officer is the Director of Resources. She is responsible for the preparation of the City Council's Statement of Accounts. In preparing the statement, she has:

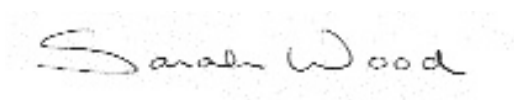
- selected suitable accounting policies and applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code of Practice on Local Authority Accounting.
- applied the accounting concept of a 'going concern' by assuming that the Authority's services will continue to operate for the foreseeable future.

The Chief Financial Officer has also:

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

Certification of Accounts

I certify that the Statement of Accounts presents fairly the position of Birmingham City Council at 31st March 2002 and its income and expenditure for the year ended 31st March 2002.



Sarah Wood
Strategic Director of Resources

3. ASSURANCE STATEMENT

Corporate Governance Assurance Statement

Birmingham City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically efficiently and effectively. In discharging this accountability members and senior officers are responsible for putting into place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

To this end at their meeting on 22nd July 2002, the Cabinet, approved and adopted a local code of corporate governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.

During the year, the Council has started to put into place improved management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically it has introduced new Constitutional arrangements, approved a Code of Conduct for Members, drafted Member/Officer Relations and Monitoring Officer Protocols, revised the Scheme of Delegation to Officers, and adopted a risk management strategy. The Chief Executive has been given responsibility for

1. overseeing the implementation and monitoring of the operation of the code
2. reviewing the operation of the code
3. reporting annually to the Cabinet on compliance with the code and any changes necessary to maintain and ensure its effectiveness in practice.

We propose over the coming year to take steps to further enhance our corporate governance arrangements and will review their implementation and operation as part of our next annual review.



Cllr. Albert Bore
Leader of the Council



Lin Homer
Chief Executive

4. ACCOUNTING POLICIES

The City Council's Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2000 and updated in 2001. The code has been approved as a Statement of Recommended Practice (SORP).

The following policies have been adopted in compiling the accounts:

Fixed Assets

a) Asset Categories

Fixed assets are categorised as follows:

Type	Examples
Operational	Council dwellings, other land and buildings, vehicles and equipment
Non operational	Investment property, surplus property
Infrastructure	Highways
Community Assets	Parks, museum exhibits

b) Recognition of Fixed Assets

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on the accruals basis.

c) Valuation bases

Operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use (Existing use value-EUV).

Non operational assets, including investment properties and assets that are surplus, are included in the balance sheet at open market value (OMV).

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate.

d) Revaluation Cycle

When an asset is included in the balance sheet at OMV or EUV, it is formally revalued at intervals of not more than five years, and the revised amount included in the balance sheet. The difference between the value and the amount at which that asset was included in the balance sheet immediately prior to the latest valuation is credited or debited to a Fixed Asset Restatement Reserve. The City Council has a rolling programme in place to revalue approximately 20% of its property assets each year. The entire housing portfolio was revalued in 2000/01 to meet the Government's requirements for Housing Resource Accounting.

e) Disposals

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserve, and accounted for on an accruals basis. The proportion reserved for the repayment of external loans is credited to a Capital Financing Reserve. Upon disposal, the net book value of the asset disposed of is written off against the Fixed Asset Restatement Reserve.

4. ACCOUNTING POLICIES

f) Depreciation

Council Dwellings – The Housing Revenue Account (HRA) has been charged with an amount of depreciation equivalent to the Major Repairs Allowance received from central government. This amount has been calculated as that required to maintain the housing stock in its current condition and central government allows this to be used as a proxy for depreciation.

Other Land and Buildings – In line with the requirements of FRS15 freehold buildings are depreciated over their estimated useful life. Freehold land is not depreciated. Leasehold property is depreciated over the life of the lease.

Vehicles, plant, furniture, and equipment – depreciation is applied on a straight-line basis over the useful life of the asset.

Infrastructure – infrastructure assets are depreciated on a straight-line basis over the following periods:

Type of expenditure	Depreciation period
Expenditure incurred prior to 1/4/1994	25 years
Major schemes expenditure incurred after 1/4/1994	40 years
Street furniture acquired after 1/4/1994	10 years
Other expenditure incurred after 1/4/1994	20 years

Community Assets – community assets are not depreciated.

Investment Properties – the depreciation provisions of FRS 15 do not apply to investment properties. These assets are, therefore, not depreciated.

g) Charges to Revenue

General fund service revenue accounts and central support services received a capital charge for all fixed assets used in the provision of the service. Such charges cover the annual provision for depreciation, plus an amount for capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet. The introduction of resource accounting in the HRA has meant that, in 2001-02, capital charges have been made in respect of housing stock for the first time. The notional interest rate is 6%. Interest payable, including interest payable under finance leases and provision for depreciation, are charged to an Asset Management Revenue Account. Capital charges for the use of fixed assets included in revenue accounts are credited to the Asset Management Revenue Account.

h) Impairment of Fixed Assets

In accordance with FRS 11 (Impairment of Fixed Assets), an impairment review was carried out as at 31/03/2002 to identify any assets with estimated remaining useful lives in excess of 50 years, for which current values had fallen below the carrying amount (the balance sheet value). For the handful of assets found to be “impaired”, values were adjusted appropriately.

4. ACCOUNTING POLICIES

i) Housing Stock Revaluation

"The entire housing portfolio was revalued in 2000/2001 to meet the Government's guidance on Housing Resource Accounting. The basis used was Existing Use Valuation (Social Housing). In accordance with the guidance, a sample of properties was chosen to be representative of each type of property and were valued as "beacons". The full valuation was obtained by extrapolating these beacon values across the whole housing stock. These beacon values will be reviewed to reflect movements in property market values: this took place in 2001/2 and will take place annually thereafter, again in line with the guidance. High rise flats and defective dwellings continued to be valued using a DCF method, in the absence of appropriate market evidence.

Private Finance Initiative (PFI)

The PFI scheme to replace a number of schools in the city is being treated as a finance lease, in accordance with accounting standards. Service payments are accounted for in the year in which the service to which they relate was provided. Availability payments are split between interest and principal elements. A deferred liability has been created, representing the total principal payable in respect of schools brought into commission before 31st March 2002. The amount of this liability is £28.8 million. The total liability in respect of all the schools in the scheme will amount to £37.2 million.

Payments in respect of the PFI scheme for public conveniences are accounted for in the revenue account on an accruals basis.

No material sums were incurred on PFI consultancy during 2001/2002. Any fees incurred have been accounted for in the revenue account of the relevant service department.

Income and expenditure

a) Accruals

The City Council accounts are kept on an accruals basis in accordance with the Accounting Code of Practice and objectives of financial reporting set out in FRS18.

Income and expenditure are accounted for in the year to which they relate by the creation of debtors and creditors. An exception to this rule is Economic Development Department rental income, which is credited in full on the date that demands are raised.

b) Support Services

In line with CIPFA guidance, the cost of corporate management is not charged to service committees. Where support services are allocated, the bases vary between staff time spent, number of employees, usage, areas occupied and in accordance with Service Level Agreements (see also item on BVACOP).

4. ACCOUNTING POLICIES

Government grants

Revenue grants are matched with the expenditure to which they relate. Grants and contributions relating to fixed assets are credited to a government grants deferred account and released to the asset management revenue account in line with depreciation of the asset. Where an asset is not depreciated, the grant or contribution is transferred to the capital financing reserve.

Investments

Investments in listed and unlisted companies, established for the promotion of local authority activities, and in marketable securities are shown in the balance sheet at cost or nominal value. One exception is the City Council's investment in Birmingham Airport Holdings Limited, which is shown at its 1997 value following the sale of part of the City Council's investment. Investment income is credited to the revenue account when received or receivable.

Leases

a) Finance leases

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability, with both charges being allocated and charged to revenue over the term of the lease. The liability to repay the principal outstanding is shown as a long-term liability in the balance sheet.

b) Operating leases

Rentals payable under operating leases are charged to the service revenue account making use of the asset on a straight-line basis over the term of the lease. The asset and future lease liability are not shown in the balance sheet.

Pension schemes

The City Council participates in two pension schemes, one for teachers and one for all other employees. Both schemes provide members with defined benefits relating to pay and service. The two schemes are as follows:

a) Teachers' Pension Scheme

Teachers may be members of the Teachers' Pension Scheme. This is a defined benefits scheme administered by Capita Teachers' Pensions on behalf of the Department for Education and Skills. The employers rate is set nationally by that department.

Disclosure note 3 to the Consolidated Revenue Account provides details of contributions.

b) Local Government Pension Scheme

Employees of the City Council, other than teachers, may be members of the Local Government Pension Scheme. This is a funded defined benefit scheme. The

4. ACCOUNTING POLICIES

appropriate Fund is the West Midlands Pension Fund which is administered by Wolverhampton City Council, from whom a copy of the annual report may be obtained. The fund is subject to an actuarial valuation every three years, the last one being 31st March 2001. At this time the fund's assets were valued at 95.5% of the value of the liabilities.

Prior to 1993/94, the Regulations required that contribution rates were determined so that the Fund met only 75% of the funded liabilities. This did not comply with SSAP24 (Accounting for Pension Costs) which essentially requires that the City Council's accounts reflect the cost of securing 100% of the cost of pension liabilities. Under the Regulations, the Pension Fund had until 31st March 1999 to increase employer's contributions to achieve 100% funding of pension liabilities. Contribution rates were increased by 1.40% for each of the six years which commenced with 1993-94 (with the exception of 1996-97 when the increase was 1.30%), ending on 31st March 1999.

Disclosure note 3 to the Consolidated Revenue account provides details of contributions.

Financial Reporting Standard 17 requires the recognition of the council's share of the fund's assets and liabilities in its accounts. The Chartered Institute of Public Finance and Accountancy has decided on a phased implementation of this standard in local authorities with full compliance being achieved in 2003-04. In 2001-02 additional disclosures are being made and these are also shown in Disclosure Note 3 to the Consolidated Revenue Account on Page 20.

Provisions

Provisions are made for any liabilities or losses which are likely to be incurred and are charged to the appropriate revenue account. When expenditure is incurred to which the provision relates, it is charged direct to the provision. Provision is made for doubtful debts, and known uncollectable debts are written off.

Reserves

Amounts that are set aside for purposes falling outside the definition of a provision, are considered to be reserves. The City Council has a number of financial reserves, most of which are earmarked for specific purposes. In line with the SORP, expenditure is charged to revenue and not directly to any reserve.

Details of reserves held at 31st March 2002 are shown in the notes supporting the Balance Sheet and the Statement of Total Movements in Reserves.

Stock and long term contracts

Stocks are included in the balance sheet at either historic or replacement cost. For trading activities, the amount recognised in the appropriate revenue accounts for contract work in progress is the payments received and receivable, less related costs.

The amount at which contract work in progress is included in the balance sheet is cost plus any attributable profit less any foreseeable losses.

4..ACCOUNTING POLICIES

Value Added Tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

Post Balance Sheet Events

Where a material post balance sheet event occurs, concerning conditions that did not apply at the balance sheet date, the nature of the event and its financial effect are disclosed in the accounts.

Deferred Charges

Deferred Charges represent capital expenditure that does not result in a tangible fixed asset, such as improvement grants. Expenditure of this nature is written off to the Revenue Account in the year it occurs, but does not affect the City Council's net operating expenditure.

Redemption of Debt

The City Council is required to set aside from revenue each year, a minimum amount for the redemption of debt. The Revenue Account is charged with the minimum revenue provision (MRP) which represents 4% of outstanding loans on General Fund assets and 2% on Housing Revenue Account assets.

Interest Charges

Interest on loans is charged to the asset management revenue account based on the amount which is due and payable within the financial year.

Group Accounts

The City Council has material interests in a number of subsidiary and associated companies. In accordance with FRS 2 (Accounting for Subsidiary Undertakings) consolidated financial statements have been prepared as an annex to the main accounts.

Best Value Accounting Code of Practice (BVACOP)

In 2000 the Chartered Institute of Public Finance and Accountancy published their Best Value Accounting Code of Practice (BVACOP). Substantial revisions to this Code were published in March 2001 and March 2002. BVACOP sets out "proper practice" with regard to consistent financial reporting below the level shown in this statement of accounts. The Code covers a definition of Total Cost and a revised Service Expenditure Analysis. The Total Cost part of the code also covers the treatment of partnerships, trading accounts, Corporate and Democratic Core and other overheads. The Consolidated Revenue Account and note 1 on trading activities have been prepared in accordance with BVACOP.

5. CONSOLIDATED REVENUE ACCOUNT

Year Ending 31st March 2002

2000-01		2001-02		
Net Expenditure £'000		Expenditure £'000	Net Income £'000	Expenditure £'000
15,936	Central Services to the Public	92,715	-77,787	14,928
3,617	Court & Probation Services	23,230	-19,238	3,992
185,744	Cultural, Environmental & Planning Services	328,553	-142,065	186,488
601,075	Education Services	800,297	-171,731	628,566
110,207	Highways, Roads & Transport	130,703	-14,407	116,296
34,021	Housing Services	572,402	-498,893	73,509
240,454	Social Services	340,406	-95,694	244,712
15,223	Corporate & Democratic Core	16,913	-134	16,779
14,531	Unapportionable Central Overheads	11,733	0	11,733
1,220,808	Cost of Services	2,316,952	-1,019,949	1,297,003
0	Parish Precept			28
-400	Surpluses/Deficits on Trading Undertakings			-760
-69,494	Surplus on Asset Management Revenue Account			-97,427
-9,825	Interest and investment income			-8,025
0	PFI Grant Income			-6,023
1,141,089	Net Operating Expenditure			1,184,796
Appropriations				
-915	Contributions to/(from) HRA Balances			2,300
	Contributions to/(from) Earmarked Reserves			
11,078	Schools Balances			3,504
-5,941	Other Reserves			- 5,116
-23,710	Appropriation to/(from) Capital Financing Reserve			-38,662
1,121,601	Amounts to be Met from Government Grants and Local Taxation			1,146,822
Sources of Finance				
-238,650	Council Tax			-248,154
-591,397	Revenue Support Grant			-620,836
-282,120	NNDR			-275,393
<u>9,434</u>	(Surplus) Deficit for Year			<u>2,439</u>
-31,293	General Balance Brought Forward			-21,859
9,434	(Surplus)/Deficit for Year			2,439
<u>-21,859</u>	General Balance Carried Forward			<u>-19,420</u>

ACCOUNTS

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

EXPLANATORY NOTES

I. TRADING SERVICES

Income and Expenditure on the Major Trading Activities is set out below:

2000-2001 Profit (Loss) £'000		2001-2002 Turnover £'000	Expenditure £'000	Profit (Loss) £'000
-1,505	Highways and Sewers	9,674	9,854	- 180
-1,402	Property Services	34,426	33,572	854
18	Legal Services	6,119	5,918	201
- 241	City Supplies Organisation	1,822	2,212	-390
462	Markets	5,641	5,993	- 352
- 6	Non-Schools Cleaning	3,503	3,482	21
0	Catering	1,745	1,719	26
- 505	Street Lighting	6,312	6,418	- 106
109	Transport Consultancy	6,669	6,479	190
- 15	Vehicle Maintenance	4,255	4,228	27
1,201	Education Catering	24,065	24,458	- 393
212	Education Staff Agency	8,369	8,067	302
45	Trade Refuse	6,433	5,818	615
511	Birmingham Design Services	15,094	14,748	346
39	Grounds Maintenance	5,087	5,019	68
-44	Education Cleaning	6,629	6,700	-71
1,523	Other Trading Activities	1,354	1,752	- 398
- 400		147,197	146,437	- 760

2. Minimum Revenue Provision

The Local Government and Housing Act 1989 requires the City Council to charge to the revenue account a provision for the redemption of debt calculated as follows:

2000-01 £m		2001-02 £m
20.6	Non-housing amount - 4% of credit ceiling	21.2
13.4	Housing amount - 2% of credit ceiling	13.5
34.0	Minimum Revenue Provision	34.7

Service revenue accounts are charged with depreciation on the fixed assets to which the loan debt relates. Where this depreciation is more or less than MRP, a corresponding appropriation is made from or to the Capital Financing Reserve.

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3. Transactions in the Asset Management Revenue Account

The Asset Management Revenue Account brings together the capital charges made to service committees under the capital accounting system and the real external interest charges paid by the City Council. The balance on the Asset Management Revenue Account is transferred to the Consolidated Revenue Account after the net cost of services has been determined, thus ensuring that capital charges have a neutral effect on the amounts required from council taxpayers.

The transactions on the asset management revenue account in 2001-02 are summarised below:

2000-01		2001-02	
£m	£m	£m	£m
Income			
	(217.8)	Capital charges	(248.7)
	0	Depreciation charge to HRA	(42.6)
	0.9	Discounts on premature repayment of debt	0.7
	(0.2)	Government grants - magistrates court	(0.2)
	(2.7)	Deferred Grant write down	(3.1)
	(219.8)		(293.9)
Expenditure			
44.2		Provision for depreciation	90.8
106.1		External interest charges	105.7
	150.3		196.5
	(69.5)	Balance to Consolidated Revenue Account	(97.4)

4. Income relating to prior years

Central Services income includes £1.8m in respect of prior years, of which £1.7m relates to the prior year effect of NNDR revaluations (£1.0m on schools and £0.7m on other properties).

5. Council Tax

Further details of this source of income are covered in the Collection Fund Statement and notes in Section 8.

DISCLOSURE NOTES

1. Publicity Expenditure

The Council is required by Section 5(1) of the Local Government Act 1986 to provide details of its spending on Publicity. During 2001/2002 £8.1m was spent including £0.4m in respect of the National Exhibition Centre (2000/2001 £1m).

2000-01		2001-02
£m		£m
1.3	Recruitment Advertising	2.3
1.0	Other Advertising	0.6
5.0	Promotions & Other Publicity	5.2
<u>7.3</u>	Total	<u>8.1</u>

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended by the Local Government and Housing Act 1989, permits the City Council to spend up to £3.80 for each resident for the benefit of the people if no other powers are available.

During 2001/2002 the Council incurred expenditure of £0.3m (2000/2001 £0.3m) against a limit of £3.8m

3. Pensions

i. Employees of the City Council, other than teachers, may be members of the Local Government Pension Scheme which is a funded defined benefits scheme. The appropriate Fund is the West Midlands Pension Fund which is administered by Wolverhampton City Council. The Fund is subject to an actuarial valuation every three years, the last one being 31 March 2001.

ii. Actuarial Assumptions

Under FRS17 the City Council is required to disclose the assets and liabilities relating to the pensions accounts for past and current employees. The following information has been supplied by the actuaries (Mercer Human Resource Consulting) -

Balance Sheet Items as at 31 March 2002

	£m
Market Value of Assets	1665.0
Liabilities	1834.9
Surplus/(Deficit)	(169.9)

This assumption is based on the following assumptions as at 31st March 2002

Financial Assumptions	
Rate of inflation	2.50%
Rate of increase in salaries	4.00%
Rate of increase in pensions	2.50%
Discount rate	6.00%
Expected rate of return on assets	
- Equities	8.00%
- Bonds	6.00%
- Other	6.50%
Split of assets between investment categories	
- Equities	83.7%
- Bonds	7.4%
- Other	8.9%

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Note :

Comparative (beginning of year) figures are not required for disclosures as at 31 March 2002

- iii. The City Council's employer's contribution for the year 2001/2002 was £47,750,284, representing 12.5% of members' aggregated pensionable pay.
- iv. The cost of awarding discretionary additional benefits and their associated inflation proofing is borne separately by the City Council. Expenditure in 2001/2002 was £5,183,593 (representing 1.35% of members' aggregated pensionable pay).
- v. The cost of awarding discretionary additional benefits relating to the year 2001/2002 capitalised over 20 years is £4,429,976. The cost of awarding discretionary additional benefits in earlier years for which payments are still being made capitalised over an 18 years period is £75,039,414.
- vi. It is estimated that the pension costs that would have been required to be provided for in the year in accordance with SORP 2000 to meet future pension liabilities on a systematic and rational basis over the period during which the local authority derives benefits from our employees' services are £53,297,694, representing 13.85% of members' aggregated pensionable pay.
- vii. In the Actuarial Valuation as at 31 March 1998, 94% of past service liabilities were funded and in the latest Actuarial Valuation as at 31 March 2001 this had risen to 95.5%. An employer's contribution rate has been set for the City Council of 12.50% for the three years from 1 April 2002 to 31 March 2005. The employer's rate includes an assumption regarding the number of potential early retirements over that three-year period. If the actual level of early retirements exceeds those provided for in the Valuation, it may be necessary to review the employer's contribution rate, or otherwise make a lump sum contribution to the Pension Fund. For the years 1999/2000, 2000/2001 and 2001/2002, the City Council has managed its early retirements within the Actuarial guidelines.
- viii. The Building Services Division, which carried out repair work on the council's housing stock, ceased trading on 1st April 2001 and the service was transferred to two private sector providers. As a result of this employees of the BSD left the council's employment and the council is no longer liable to make contributions towards their retirement benefits.
- ix. For Teachers, the City Council paid an employer's contribution of £20.6m (7.4% of pensionable pay) in 2001/2002 to the Teachers' Pension Scheme. The teachers' pension scheme is administered by the Teachers Pensions Agency and is not the direct responsibility of the City Council. In addition, £5.5m was paid to retired teachers in respect of added years benefits and, in certain cases, the employer share of teacher pension benefits. These figures include pension increases, where appropriate.

ACCOUNTS

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. Leasing

During 2001-2002, the City Council paid £0.1m in finance lease rentals and £8.9m in operating lease rentals.

As at 31 March 2002, the City Council has a commitment to meet the following rental charges on both finance and operating leases:

	Finance leases £m	Operating leases £m
2002-03	0.1	6.9
2003-04	-	5.4
2004-05	-	4.3
2005 to 2010	-	3.4
Total	0.1	20.0

As at 31 March 2002 there was a liability of £0.4m (2001 : £0.8m) on the deferred liability account in respect of a premium on a lease from Morgan Grenfell for Number 1, Lancaster Circus. This sum is to be repaid in instalments to 2002/2003

(see consolidated balance sheet note 11).

5. Officers Emoluments and Members Allowances

The number of employees whose remuneration, including employee superannuation contributions, was £40,000 or more in bands of £10,000 were:

No. of Employees 2000-01	Remuneration Band	No. of Employees 2001-02
416	£40,000 - £49,999	603
95	£50,000 - £59,999	135
40	£60,000 - £69,999	55
9	£70,000 - £79,999	9
4	£80,000 - £89,999	4
5	£90,000 - £99,999	5
0	£100,000 - £109,999	2
0	£110,000 - £119,999	2
0	£140,000 - £149,999	1
1	£150,000 - £159,999	0

Allowances paid to members of the City Council in 2001-02 totalled £1.6m (2000-2001 £1.4m)

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

6. Related Party Transactions

During the financial year 2001-02 there were no material transactions between the City Council and its members and Chief Officers, other than the payment of salaries and members allowances. Details of these are disclosed in Note 5 above.

The City Council received a number of general and specific grants from central government totalling £1189.7 million. Precepts were paid to the West Midlands Police Authority and the West Midlands Fire & Civil Defence Authority amounting to £24.2 million. Payments to other local authorities and health authorities, excluding precepts, totalled £5.4 million. Receipts from other local authorities totalled £4.3 million. In addition, payments of Employers' Pension Contributions were made to Wolverhampton M.B.C. in respect of members of the Local Government Pension Scheme, and to the Teachers' Pensions Agency in respect of teachers. The amounts of these are detailed in disclosure note 3 above. The City Council also has interests in a number of companies, as detailed in the notes to the Balance Sheet. There were, however, no material transactions with these.

7. Building Control Account

The Local Authority Building Control regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non chargeable activities.

Department of Planning and Architecture Building Regulations Outturn 2001/2002

	Total Chargeable Activities £000	Total Non Chargeable Activities £000	Total £000
Expenditure	2,319	384	2,703
Income	(2332)	(39)	(2371)
Net (surplus)/deficit	(13)	345	332
Appropriation to reserve	12	0	12
Net (surplus)/deficit After appropriation	(1)	345	344

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

8. Pooled Funding

Gross Funding	Cash Contribution £
Birmingham Health Authority	400,000
Birmingham City Council	400,000
Total Funding	800,000
Expenditure	
Residential Placements	213,998
Rehabilitative Home Care	-
Total Expenditure	213,998
Net underspend/carried forward	586,002

The Council established a partnership agreement with Birmingham Health Authority using powers under section 31 of the Health Act 1999 to pool funds from the two organisations and create a single budget. The Performance Improvement Plan dated September 2001 identified two separate elements of spend to improve the delayed hospital discharges situation and established the principle of a pooled budget to fund them. An immediate placement of 42 individuals into residential or nursing homes was the first element and the pooled budget was to provide an average of 18 months funding. The second element involved the provision of 215 packages of home support. The packages were specifically for individuals who required intensive support on discharge from hospital and who, over twelve weeks, could be expected to receive a steadily reducing level of support until regaining independence. The tapering home support proposals met with initial market interest from suppliers but the level of assessed demand did not meet original expectations. Market interest was unsustainable at a lower predicted level.

The Strategic Health Authority and Birmingham Social Services are discussing proposals for the re-utilisation of the remaining pooled budget funds. Renewed market interest may indicate a return to the original proposals but the objectives of the fund will be reviewed in the context of current priorities.

7. HOUSING REVENUE ACCOUNT (HRA)

2000-01 £'000		2001-02 £'000
	Management & Maintenance	
65,993	Repairs Expenditure	60,135
1,341	Leasing	1,704
39,851	Housing General Management Expenditure	42,187
15,134	Expenses attributable to Estate Services	<u>14,746</u>
<u>122,319</u>	Total Management & Maintenance	118,772
3,465	Rents,Rates, Taxes and Other Charges	4,063
130,748	Rent Rebates	132,272
6,048	Provision for Bad and Doubtful Debts	4,402
48,889	Cost of Capital/Impairment/Def'd Chgs	82,860
0	Depreciation (dwellings)	42,626
198	Debt Management Expenses	192
<u>311,667</u>	Total Expenditure	<u>385,187</u>
	Rental Income	
198,240	Gross Debit – Dwellings	197,976
-5,955	Less Voids	-5,414
1,623	Shop Rents	1,758
3,516	Land & VP's	3,335
-791	Less Voids	<u>-803</u>
<u>196,633</u>	Total Rental Income	196,852
1,054	Charges for Services and Facilities	984
124,577	HRA Subsidy Receivable (inc MRA)	164,426
1,237	GF Contributions towards Expenditure	1,266
<u>323,501</u>	Total Income	<u>363,528</u>
<u>-11,834</u>	Net Cost of Services (surplus) deficit	21,659
0	Transfer to/(-from) AMRA	-36,562
612	Amortised Premiums & Discounts	461
-609	Investment Income/Mortgage Interest	-1,101
<u>-11,831</u>	Net Operating Expenditure	<u>-15,543</u>
	Appropriations	
12,154	HRA Set Aside to repay debt	12,343
592	Revenue Contribution to Capital	900
<u>915</u>	(Surplus) Deficit in the year	<u>-2,300</u>
	Housing Revenue Account Balance	
-5,670	(Surplus) Deficit at the beginning of the year	-4,755
915	(Surplus) Deficit for the year	-2,300
-4,755	(Surplus) Deficit at the end of the year	-7,055

7. HOUSING REVENUE ACCOUNT (HRA) - NOTES

Government has reviewed the financial framework for local authority housing and changes have been introduced from 1 April 2001. This new financial framework is referred to as the "A New Financial Framework for Local Authority Housing – Resource Accounting". The changes include a number of notes to the accounts (as set out in the Housing Revenue Account -Accounting Practices – Directions 2000) which provide more information about the income and expenditure in the accounts. These are detailed below.

1. Value of land, houses and property

The housing stock, land and other property within the HRA has been valued in line with the Guidance on stock valuation published in May 2000. The basis of the valuation is in accordance with the Royal Institute of Chartered Surveyors using the existing use value for social housing (EUV-SH).

Total balance sheet value of operational assets including shops and garages is;

	1 April 2001 £m	31 March 2002 £m
(i) dwellings	1,366	1,334
(ii) other land/buildings/garages	5	33
Total	<u>1,371</u>	<u>1,367</u>

The change reflects properties lost through sales, demolitions, acquisitions and revaluation of Beacon values. It also reflects depreciation. The movement in other land and buildings reflects reclassification of assets.

The balance sheet value of non-operational assets includes surplus vacant property awaiting demolition and development land. The only non operational assets valued were vacant properties awaiting demolition and these were assessed at a liability of £6m.

2. Value of dwellings on vacant possession

- (a) the vacant possession value of dwellings within the authority's HRA (valued in accordance with the Guidance) as at 1 April 2001 is £2,452m.
- (b) The difference between the above figure and the £1,381m in the balance sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the former DETR's stock valuation model.

7. HOUSING REVENUE ACCOUNT (HRA) - NOTES

3. Deferred charges

Deferred charges are a reflection of capital expenditure that does not result in an asset. There are no deferred charges in the financial year 2001/02.

4. Impairment charges

Impairment charges reflect a reduction in the value of fixed assets due to the economic environment or something has occurred to the assets. This could include a decline in demand, obsolescence and commitments to make significant changes to housing. No impairment charges have been identified in the 2001/02 accounts.

5. Major Repairs Reserve

The major repairs allowance was introduced from April 2001. This is a cash sum allocated per property according to type, age and size. The allowance is provided to maintain properties in their present condition of repair.

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

	£000's
(a) the balance on the Major Repairs Reserve on 1 April 2001	0
(b) the amount transferred to the Major Repairs Reserve during the year	(42,626)
(c) the charge to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the authority's HRA	38,834
(d) The balance on the Major Repairs Reserve on 31 March 2002	(3,792)

6. Housing Revenue Account Subsidy

This system was introduced in 1990-91 and amended in 2001/02. There are three components HRA Subsidy, Rent Rebate Subsidy and the Major Repairs Allowance. The HRA Subsidy element is based on stock management and maintenance allowances, capital financing costs and notional rent income. The Rent Rebates Subsidy offsets the rebates granted. It also includes adjustments for backdated and over paid benefit that are met by a cash grant of 1.7% of total rebates expenditure. The MRA is paid through HRA Subsidy regime and has been explained in note 5.

A breakdown of the amount of HRA subsidy payable to the authority for the financial year in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of Housing Revenue Account Subsidy for the year is;

	£000's
Rent Rebates Subsidy	133,462
HRA element	(11,662)
Major Repairs Allowance	<u>42,626</u>
Total	<u>164,426</u>

7. HOUSING REVENUE ACCOUNT (HRA) - NOTES

7. Capital expenditure on HRA assets

The total expenditure on a cash basis for HRA assets in 2001-02 was £66,653m. This was funded from the following sources;

	£000's
Borrowing	26,268
Major Repairs Reserve	38,834
Other	<u>1,551</u>
Total	<u>66,653</u>

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £45.3m, of which £34.0m is reserved for debt repayment at 75%. This excludes mortgage principal repayments from ex council houses of £0.8m.

8. Cost of capital charges

The cost of capital charges based on a 6% basis on the valuation are £82.86m. The capital finance charges calculated in accordance with Item 8 Debit (General Determination 2001-02) are £59.1m including interest and principal repayments at 2% of debt outstanding.

9. Depreciation charges

The total charge for depreciation for the land, houses and other property within the authority's HRA is £42.626m. The principle adopted by the authority is that depreciation is equal to the major repairs allowance which reflects the maintenance of properties in their present condition.

10. Rent arrears

Arrears of rent on housing dwellings at 31 March 2002 amounted to £12.7m (31 March 2001: £12.7m). Arrears of rent on other services and income amounted to £7.7m at 31 March 2002 (31 March 2001: £6.7m).

A provision for bad debts has been made to meet possible future write offs of rent outstanding. The provision was £13.9m at 31 March 2002 and has been calculated in accordance with government guidelines.

Arrears relating to former tenants are written out of the accounts at the year-end. The debts continue to be pursued by officers and income subsequently collected is credited to the Housing Revenue Account. The total former tenants' arrears written out in 2001-02 was £4.2m (2000-01 £3.6m).

8. COLLECTION FUND

2000-01 £'000	Note	£'000	2001-02 £'000
INCOME			
	2		
193,674		204,095	
69,521		71,771	
<u>1,928</u>		<u>0</u>	
265,123			275,866
248,543			271,083
213			128
<hr/>			
513,879			547,077
EXPENDITURE			
238,852		248,310	
8,088			8,465
<u>15,257</u>		<u>15,918</u>	
262,197			272,693
0			2,197
2,757			2,964
	3		
246,623		261,023	
1,920		1,895	
<u>0</u>		<u>8,165</u>	
248,543			271,083
(197)			(579)
<hr/>			
513,300			548,358
(579)			1,281
<hr/>			

ACCOUNTS

8. COLLECTION FUND - NOTES

1. General

These accounts represent the transactions of the Collection Fund

This is a statutory fund which the City Council administers on its own behalf and that of the West Midlands Police, and Fire and Civil Defence Authorities. It records major sources of funding and their distribution. As the City Council is the billing authority, the fund is consolidated with other accounts in the Consolidated Balance Sheet on page 33 of these accounts.

The accounts have been prepared on an accruals basis.

2. Contribution from council tax payers

The council's tax base at January 2001 (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	No. of properties	Ratio	Band D equivalent dwellings
A	129,099	6/9	86,066
B	100,730	7/9	78,346
C	59,533	8/9	52,918
D	26,680	1	26,680
E	15,013	11/9	18,349
F	6,975	13/9	10,075
G	4,919	15/9	8,198
H	674	2	1,348
TOTAL	343,623		281,980
Less: adjustment for collection rate			(5,640)
			276,340

3. Business ratepayers

Under the arrangements for uniform business rates, the council collects National Non-Domestic Rates (NNDR) for its area which are based on local rateable values multiplied by a uniform rate which is set by the Government (43.7p for 2001/2002). The total non-domestic rateable value at 31 March 2002 was £778.8m. The total amount, less certain reliefs and deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

8. COLLECTION FUND - NOTES

Details of the NNDR transactions during 2001/2002 are analysed as follows:

2000-01 £000		2001-02 £000
334,627	a) Contribution to the NNDR pool:Non-domestic rates	369,601
2,000 (90,004)	Less:transitional relief adjustments Less:allowances and adjustments	4,818 (105,230)
246,623	Net contribution to NNDR pool	269,189
266,623 (20,000)	Amount actually paid during the year Payment to/ (refund due from) pool	261,024 8,165
282,120	b) Redistribution from the NNDR pool: Net income to City Council	275,393

4. Precept Payments

The preceptors on the Collection Fund are the City Council, the West Midlands Fire and Civil Defence Authority and the West Midlands Police Authority.

5. Bad debts

Every effort is made to recover all amounts due from council/community tax and business ratepayers. However, where it has been proved impossible to recover unpaid charges, such amounts are written off to the Collection Fund Account. In 2001-2002, £3.1m in respect of unpaid NNDR and £3.0m of Council tax was written off.

ACCOUNTS

9. CONSOLIDATED BALANCE SHEET



9. CONSOLIDATED BALANCE SHEET

31st March 2001 £'000	Note to the accounts	31st March 2002 £'000	31st March 2002 £'000
Fixed Assets			
1,370,642	Operational assets } - council dwellings and other HRA properties)		1,367,085
1,315,063	- other land and buildings }		1,392,996
16,216	- vehicles, plant, furniture and equipment } 1, 2 & 3		19,320
316,770	Infrastructure assets }		327,548
19,065	Community assets }		22,972
318,101	Non-operational assets }		312,196
<u>3,355,857</u>			
			3,442,117
10,132	Premature debt repayment premiums 4		8,783
54,827	Long term investments 5		55,637
36,520	Long term debtors 6		36,007
<u>3,457,336</u>	Total long term assets		3,542,544
23,775	Current assets } - other investments 5		64,335
5,352	- stocks and work in progress 7		3,321
172,467	- debtors 8		177,465
			245,121
(99,265)	Current liabilities } - borrowings repayable within 12 months 9		(88,372)
(201,118)	- creditors 10		(288,086)
(48,464)	- cash overdrawn		(58,071)
			(434,529)
<u>3,310,083</u>	Total assets less current liabilities		3,353,136
(1,150,205)	Long term borrowing 9		(1,120,598)
(86,831)	Deferred liabilities 11		(111,399)
(63,032)	Deferred Government grants 12		(83,803)
(39,456)	Provisions 13		(33,100)
<u>1,970,559</u>	TOTAL ASSETS LESS LIABILITIES		2,004,236
1,255,143	Fixed asset restatement reserve 14		1,261,950
646,397	Capital financing reserve 15		672,570
	Useable Capital Receipts Reserve		3,792
41,826	Earmarked reserves 16		36,939
0	Housing Major Repairs Reserve 16		3,792
21,859	Balances - General fund }		19,420
4,755	- Housing Revenue Account }	17	7,054
579	- Collection fund }		(1,281)
<u>1,970,559</u>	NET EQUITY		2,004,236

9. CONSOLIDATED BALANCE SHEET - NOTES

1. Capital Expenditure and movement in fixed assets 2001-02

The City Council finances capital expenditure on a payments basis. However, the authority also needs to account for capital expenditure on an accruals basis, showing the amounts owing to contractors etc, for incorporation into the City Council's asset register and balance sheet. Accruals for 2001/02 are £2.5m.

The City Council's capital expenditure on an accruals basis, including amounts owing but not paid in 2001/02, analysed between types of asset, is summarised below. This also includes deferred charges.

Capital Expenditure	2001-02	Capital Financing	2001-02
Type of Asset	(£m)	Source	(£m)
Other Land & Buildings	31.2	Borrowing Approvals	72.3
Vehicles and equipment	7.4	Capital Receipts	28.0
Investment Properties	0.2	Capital Grants	71.3
Infrastructure	30.7	Contributions	12.8
Community Assets	5.2	Revenue	5.0
Council dwellings	69.7	Operational Leasing	5.4
Total Capital Expenditure re Fixed Assets	144.4	Total	194.8
Deferred Charges	47.5		
Operational Leasing	5.4		
Total Capital Expenditure (Accruals Basis)	197.3		
Accruals included within above	-2.5		
Total Capital Expenditure (Payments Basis)	194.8		

	Council Dwellings, and garages	Other Land and buildings	Vehicles, plant and equipment	Infrastructure Assets	Community Assets	Investment Properties	Total
	£m	£m	£m	£m	£m	£m	£m
Net book value at 01-Apr-01	1,370.6	1,315.0	16.3	316.8	19.0	318.1	3,355.8
Additions	0.8	27.6	7.1	30.5	4.0	0.3	70.3
Disposals	(54.3)	(18.0)				(2.6)	(74.9)
Revaluation and restatements	92.6	92.7				(3.6)	181.7
Depreciation for year	(42.6)	(24.3)	(4.1)	(19.8)			(90.8)
Book value at 31 March 2002	1,367.1	1,393.0	19.3	327.5	23.0	312.2	3,442.1

The value of operational assets includes £4.6m relating to I Lancaster Circus which is subject to a finance lease (see note 11). The value of schools covered by a PFI arrangement are also partially included (see Balance Sheet Note 27).

Operational Assets not previously owned by the City Council that now relate to the West Midlands Magistrates Courts committee (for which the City Council became the lead authority from 1st April 1999) are not included. The difference between expenditure on fixed assets and additions to the asset register relates to expenditure not deemed to have a material effect on asset values.

9. CONSOLIDATED BALANCE SHEET - NOTES

2. Land, buildings and other assets

31.03.01	Property Assets (major categories)	31.03.02
84,439	Council Dwellings	81,475
5,514	Investment properties	5,465
429	Schools and Nurseries *	486
52	Other educational establishments	59
-	Office and administrative premises	76
189	Social services properties *	139
40	Libraries	40
7	Museums and art galleries	7
23	Swimming pools, leisure centres, sports stadia	24
122	Public halls and community centres	83
339	Parks	131
-	Leisure gardens (allotment sites)	119
44	Depots and vehicle workshops	45
-	Public car parks	72
5	Markets	5
9	Cemeteries and crematoria	9
1,429	hectares of leisure gardens and smallholdings	289
2,477	kilometres of roads	2,480
	Council dwellings comprise the following types of properties:	
83,033	Freehold	80,100
970	Long Leasehold	974
436	Short Leasehold	401

* 50 properties (mainly Day Nurseries) were transferred from Social Services to Education during the year.

3. Fixed Asset Valuation

Operational (other than Housing) and Non-operational Assets:

Approximately one fifth of the Council's property assets are valued each year.

Peter Jones MRICS, Assistant Director and other similarly qualified staff in Birmingham Property Services, Economic Development Department, carried out all valuations, and valuation certificates were issued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The effective date of the current year's valuation is the 1st April 2001.

Properties regarded as operational were valued on the basis of Existing Use Value. Where no evidence of market value of suitable comparable property was available, and/or where the asset is of a specialist nature, the method of valuation was Depreciated Replacement Cost.

Non-operational properties have been valued on the basis of Open Market Value. Plant and machinery normally regarded as forming part of the "building" service installation have been included in the property valuation figure. Short lived operational assets such as vehicles have been included at historical cost less depreciation, as a proxy for current value.

9. CONSOLIDATED BALANCE SHEET - NOTES

Operational Assets (Housing):

The entire housing stock was revalued as at 1st April 2001 by Peter Jones MRICS, according to the former DETR 'Guidance on Stock Valuation for Resource Accounting' issued in 2001. The valuation was on the basis of Existing Use, Social Housing using sample "beacon properties" and a valuation certificate was issued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Not all properties were inspected by the Valuer. A desktop review of the beacon values was carried out effective 1.04.01 by Peter Jones MRICS in accordance with the former DETR guidance.

Infrastructure and Community Assets:

Infrastructure and community assets have been stated at the amount of outstanding debt as at 31st March 1994, with adjustments for subsequent capital expenditure and depreciation.

4. Premature Debt Repayment Premiums

	£m
Balance as at 31 March 2001	10.1
Net discounts/premiums on premature redemption of debt	(0.6)
Amounts charged to asset management revenue account	(0.7)
Balance as at 31 March 2002	8.8

The balance remaining represents net premiums paid on premature repayment of debt and will be charged to the asset management revenue account over the life of the replacement loan.

5. Investments

31.03.01 £m		31.03.02 £m
	Long Term investments:	
54.8	Unlisted investments intended to be held for the medium or long-term, at cost/valuation	55.6
	Short Term investments:	
23.8	Temporary money market deposits	64.3
<u>78.6</u>	Total investments	<u>119.9</u>

The Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC Limited stocks.

The City Council is setting aside sums to repay the principal on these loans. Part of these sums are now being invested by Dresdner RCM Global Investors on behalf of the City Council. This arrangement is reflected in the movement in unlisted investments above.

ACCOUNTS

9. CONSOLIDATED BALANCE SHEET - NOTES

6. Long Term Debtors

A summary of the main items included in long term debtors is given below:

31.03.01 £m		31.03.02 £m
15.0	University of Central England	14.3
3.1	Mortgages:- Former council house tenants	2.4
0.2	- Private borrower	0
1.1	- Housing associations	0
7.1	Birmingham Airport Holdings	7.1
3.0	Birmingham Technology Group	3.0
0	Birmingham Hippodrome	2.5
0	Birmingham Rep	0.3
2.9	Employee Loans	2.4
2.5	N.E.C. Developments Plc	2.5
0.7	Further Education Funding Council	0.6
0.6	Hyatt Regency Hotel	0.6
0.3	Other long term debtors	0.3
<u>36.5</u>	Total Long Term Debtors	<u>36.0</u>

7. Stocks

An analysis of stocks and stores is shown below:

31.03.01 £'000		31.03.02 £'000
723	National Exhibition Centre	827
1,405	City Supplies Organisation	0
701	Leisure Services	716
1,068	Building Services Division	0
548	Transportation	648
746	Other	869
<u>5,191</u>	Total Stocks	<u>3060</u>

8. Debtors

A summary of the main items included in debtors is given below:

31.03.01 £m		31.03.02 £m
	Sums due from:	
43.7	Council tax payers	47.9
2.5	Community Charge payers	2.3
20.5	Business ratepayers	19.7
19.5	Residential & commercial rents	30.5
44.2	Government departments	38.4
1.9	European Social Fund	1.8
3.1	European Regional Development Fund	3.1
96.0	Others	92.4
<u>231.4</u>		<u>236.1</u>
(59.0)	Provision for bad debts	(58.6)
<u>172.4</u>	Total Debtors	<u>177.5</u>

9. CONSOLIDATED BALANCE SHEET - NOTES

9. Council Borrowing

31.03.01 £m		31.03.02 £m
	Analysis by source:	
20.1	Stock	20.1
5.0	Bonds	5.0
1,145.4	Public Works Loan Board	1,105.1
0.4	European Investment Bank	0.0
19.6	Other Market Loans	39.6
59.0	Short Term loans	39.1
<u>1,249.5</u>	Total Borrowing	<u>1,208.9</u>

The balance sheet shows these borrowings as follows:

31.03.01 £m		31.03.02 £m
99.3	Borrowings repayable within 12 months	88.3
40	Between 1 & 2 years' time	15
25	Between 2 & 3 years' time	65
45	Between 3 & 4 years' time	41.9
51.9	Between 4 & 5 years' time	28.7
116.5	Between 5 & 10 years' time	110.5
149.7	Between 10 & 15 years' time	176.8
722.1	After more than 15 years	682.7
<u>1,150.20</u>	Long Term Borrowing	<u>1120.6</u>
<u>1,249.50</u>	Total Borrowings	<u>1,208.9</u>

10. Creditors

An analysis of creditors is shown below:

31.03.01 £m		31.03.02 £m
29.8	National Exhibition Centre	48.1
18	Amounts Owing to Govt. Depts	43.3
4	Amounts Owing to HM Customs & Excise	5.8
11.4	Education	22.0
11.3	Social Services	20.2
7.9	Housing	25.7
118.6	Other	123.0
<u>201</u>	Total Creditors	<u>288.1</u>

9. CONSOLIDATED BALANCE SHEET - NOTES

11. Deferred Liabilities

These consist of liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. A summary of the main items included in deferred liabilities is shown below:

31.03.01 £m		31.03.02 £m
79.2	Debt taken over from the former West Midlands County Council	78.3
3.2	Walsall Waste Disposal	3.2
0.8	Finance lease obligations on 1 Lancaster Circus	0.4
2.9	Schools PFI	28.8
0.7	Other	0.7
<u>86.8</u>	Total Deferred Liabilities	<u>111.4</u>

The City Council purchased a finance lease on 1 Lancaster Circus in 1987 under which it acquires the freehold by making annual payments. At 31 March 2002, payments of £0.4m remained outstanding (see note 4 to the consolidated revenue account).

12. Deferred Government Grants

This account holds the various Government capital grants and contributions from private developers. These will be written off to revenue over the life of the relevant assets in accordance with the depreciation schedule.

13. Provisions

	31.03.01 £m	Increase in year £m	Applied in year £m	31.03.02 £m
NEC Ltd Loan Repayment	38.4	0	7.1	31.3
Other	1.1	0.7	0	1.8
	<u>39.5</u>	<u>0.7</u>	<u>7.1</u>	<u>33.1</u>

The City Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC Ltd stocks and has set up a provision to repay this amount in the event that the guarantee is called upon (see also note 5 and 19). Currently the present investment strategy will not be sufficient to meet the full amount required in due course. Alternative financing options are being developed. At the present time the estimated shortfall (dependent on interest/investment returns) could be £46 million in 2016 when the loan stocks are due to be repaid. At current prices this amounts to around £21 million.

9. CONSOLIDATED BALANCE SHEET - NOTES

During 2001/02 the overall balance on the Sinking Fund set up for the repayment of the NEC Ltd loan stock was reduced by £7 million. This is in line with an agreed smoothing strategy and Investment proposal.

The operating performance of the NEC Group facilities varies due to the cyclical nature of events. The smoothing strategy involves the phasing of the contributions to the Sinking Fund provision dependent upon the operating performance of the NEC Group facilities. Overall the smoothing strategy does not have any impact on the value of the fund.

During 2001/02 part of the Sinking Fund was used to invest in the NEC Business. The sinking fund benefits from the Investment since it receives a return in excess of that available elsewhere.

Provision for bad debts is shown in the balance sheet as a deduction from either long term or current debtors (see notes 6 and 8 above).

14. Fixed Asset Restatement Reserve

The system of capital accounting introduced in 1994-95 required the establishment of the fixed asset restatement reserve. The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations, adjustments and disposals. The reserve will be written down each year by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations. Expenditure on fixed assets not resulting in a material change in asset values is also written off to this reserve.

The movements on the fixed asset restatement reserve in 2001-02 are shown below:

	£m
Balance at 1 April 2001	1255.1
Revaluation and restatement of fixed assets	181.7
Movement in deferred liability	(25.8)
Exp not resulting in a change in asset values	(74.1)
Disposal of fixed assets	(74.9)
Balance at 31 March 2002	<u>1262.0</u>

15. Capital Financing Reserve

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

ACCOUNTS

9. CONSOLIDATED BALANCE SHEET - NOTES

The movements on the Capital Financing Reserve are shown below:

	£m	£m
Opening Balance	646.4	
Capital Receipts Reserved		
Sales of Fixed Assets	35.6	
Mortgage Principal	0.5	
Sale of Shares	0.1	36.2
Financing of Capital Expenditure		
Use of Capital receipts	28.0	
Direct Revenue Financing	5.2	
Use of Major Repairs Reserve	38.8	72.0
Depreciation	-90.8	
Write Down of Deferred Grant	3.1	
Deferred Charges	-29.9	
Minimum Revenue Provision	34.7	-82.9
Other Items		0.9
		<u>672.6</u>

16. Earmarked Reserves

A summary of the main items included in earmarked reserves is given below:

	31.03.01	Movement in year	31.03.02
	£m	£m	£m
Sums set aside to finance capital expenditure	9.3	(5.6)	3.7
Housing Major Repairs Reserve	0	3.8	3.8
Reserve re Airport sale	1.6	(1.3)	0.3
Reserves for budgets delegated to schools	19.9	2.9	22.8
DLO/ DSO reserves	3.1	(0.7)	2.4
Other	7.9	(0.2)	7.7
	<u>41.8</u>	<u>(1.1)</u>	<u>40.7</u>

The movements on the "sums set aside to finance capital expenditure" reserve include a sum of £6.1m to meet costs relating to the preparation of the large scale Voluntary Transfer of housing. This sum is a reversal of previous revenue contributions made to this reserve.

The reserve in respect of budgets delegated to schools is a net figure underspent by schools at 31 March 2002 and is an earmarked reserve which must in totality be available for schools' use. These balances include £2.3m (2000/2001: £3.0m) relating to former Grant Maintained schools (see Note 26).

The net figure underspent by schools, before any temporary loans to the General Fund are taken into account, is made up of £37.0m underspent by schools and £3.6m overspent by schools.

Earmarked reserves are available to fund capital or revenue expenditure, following approval by the Cabinet. Expenditure is charged to the revenue or

9. CONSOLIDATED BALANCE SHEET - NOTES

capital account when it is incurred and is financed by an appropriation from the reserve to the Consolidated Revenue Account.

The Housing Major Repairs Reserve is a new reserve to which is credited the Major Repairs Allowance which may be applied to the financing of housing repair work. £42.6 million was received of which £38.8 million was used in the year.

17. Balances on revenue accounts and the Collection Fund

	31.03.01 £m	Movement in year £m	31.03.02 £m
General Fund	21.9	(2.5)	19.4
Housing Revenue Account	4.8	2.3	7.1
Collection Fund	0.6	(1.9)	(1.3)
	<u>27.3</u>	<u>(2.1)</u>	<u>25.2</u>

For 2002-03 the City Council has budgeted to use £7.8m from General Fund balances to support the City Council's revenue budget requirement.

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. The deficit on the fund must be recovered from the council tax in future years. It cannot be used to fund further General Fund spending. Amounts due to the precepting authorities are shown as a creditor in the balance sheet.

18. Provision for Credit Liabilities

These are amounts required by law to be set aside, mainly from charges made to the revenue account for the principal element of capital financing costs (minimum revenue provision), from the reserved element of receipts from the sale of assets. They are primarily used to repay debt and as a substitute for new borrowing. Each year the City Council uses all such monies collected so that no credit liabilities are carried forward at the year end.

2000-01 £m		2001-02 £m
0.0	Balance brought forward	0.0
34.0	Minimum revenue provision	34.7
31.6	Reserved capital receipts	36.2
1.4	Housing association grants	-
(67.0)	Use of provision	(70.9)
0.0	Balance carried forward	0.0

9. CONSOLIDATED BALANCE SHEET - NOTES

19. Contingent Liabilities

These relate to pending legal or contractual claims not included in the accounts and guarantees given by the City Council for repayment of loans taken out by certain associated companies (see also note 24). The City Council currently has the following contingent liabilities:

- i) The City Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC Ltd loan stocks raised for the construction of the International Convention Centre, the National Indoor Arena and Hall 10 at the National Exhibition Centre. At 31st March 2002 the amount of the loans guaranteed was £215M (2001:£215M). At 31st March 2002, the City Council had a provision of £31.3M (2001: £38.4M) in respect of the repayment of principal on loans raised for the construction of the International Convention Centre, National Indoor Arena and additional halls at the National Exhibition Centre (see note 13).
- ii) The City Council is guaranteeing a loan of £21.1M (2001: £21.6M) together with any outstanding interest and costs from Württembergische Hypothekenbank AG to NEC Ltd. This loan has been re-lent to Hyatt Regency Birmingham Limited (HRBL), whose principal activity is to operate the Conference Centre Hotel adjacent to the International Convention Centre. In accordance with future business strategy of HRBL's shareholders the Directors have decided to retain the services of a Consultant to assist in the future potential sale of the shares or net assets of HRBL to a third party.
- iii) The City Council is guaranteeing payment of the full amount on the principal of and interest accruing on the National Exhibition Centre (Developments) PLC loan stock raised in May 1997 for the construction of the four new halls at the National Exhibition Centre. The amount of the loan guaranteed is £73m (2001: £73M).
- iv) The City Council has agreed to guarantee up to a maximum of £13.5m of commercial loans made by Württembergische Hypothekenbank AG to Aston Science Park Limited, which is presently finishing Phase IX of the Aston Science Park. At 31 March 2002 the full amount of £13.5m (2001: £8.0m) had been drawn down against this facility. The loan facility is due for repayment over 6 years commencing in 2006.
- v) The City Council has agreed to provide the benefit of a guarantee for any shortfall in income below £1.8m per annum up to a maximum of £275,000 per annum to enable Millennium Point Property Ltd to meet its commitments on a £15m bank loan from Barclays Bank plc. The loan is required as part of the projects £113m funding. Millennium Point is a 100% owned subsidiary of Millennium Point Trust Ltd who are charged with procuring, designing, building, financing and operating Millennium Point.

9. CONSOLIDATED BALANCE SHEET - NOTES

- vi) The City Council's final Housing Benefit claim for 1999/2000 and 2000/2001 is still being considered by the Department of Work and Pensions. The DWP have requested further information on the matter of Rent Officer Referrals and this is being prepared. Depending on the outcome on this issue, there may be a clawback of Subsidy from the City Council. Any clawback would reduce the level of benefit income shown and also reduce the General Fund balance carried forward.

20. Commitments under Capital Contracts

The City Council has to plan its capital spending in advance of work proceeding. Thus, at 31 March 2002, a number of contracts had been entered into/commitments made under which payments will become due in future years as the work is carried out. Significant commitments (£1m or more) under capital contracts at that date were as follows:

Regeneration Schemes:	£m
Birmingham Outer Circle Radial Junction	10.0
Hagley Road Bus Showcase	6.5
Northfield Relief Road	13.2
Masshouse Circus	20.5
Leisure, Sports, Culture Schemes:	
Refurbishment of Bham Town Hall	16.0
Alexander Stadium Training Centre	3.0
Northfield Pool	2.5
Handsworth Library	1.5
Birchfield Library	1.5
Education & Lifelong Learning Schemes:	
Arden JI School	3.9

21. Advance Capital Payments

As at 31st March 2002, Satman Developments (Birmingham) Limited held £ 0.5m (2000/2001 £0.5m) of funds by way of advance payments to undertake building works on behalf of the City Council.

9. CONSOLIDATED BALANCE SHEET - NOTES

22 Insurance

The City Council maintains an Insurance Reserve to assist in managing claims falling against negotiated policy excesses accepted by the City Council. The policy excesses, which change from time to time, are for the major risks (2001/2002 policy year):

Fire:	£750,000 per claim
Terrorism:	£750,000 per claim
Employers Liability:	£350,000 per claim
Public Liability:	£40,000 per claim up to £3,500,000 in aggregate pa
Motor Vehicle:	£25,000 per claim up to £850,000 in aggregate pa

The balance on the reserve is £1.9m (2000/01: £0.8m) and it is included in the Other Earmarked Reserves (see Note 16).

Municipal Mutual Insurance Co Ltd (MMI) ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not fully know the full extent of its liability claims as it may take a number of years for them to arise. The City Council had part of its fire insurance and a number of contingency covers with MMI. Claims totalling £0.4m are currently outstanding.

MMI has continued to settle the council's claims in an orderly manner. However, to prevent the costs associated with an insolvent run off, the company has entered into a "scheme of arrangement" with its creditors. Should the "scheme" be implemented, the City Council and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1st October 1993. Claims settled since 1st October 1993 total £1.98m.

The City Council also acts on behalf of the West Midlands district councils in administering insurance claims arising from the former West Midlands County Council. Should the "scheme" be implemented, the City Council will also be called upon to reimburse a proportion, along with the other West Midlands district councils. Since 1st October 1993 claims settled total £0.68m (2000-01: £0.65m).

9. CONSOLIDATED BALANCE SHEET - NOTES

23. Trust Funds

The City Council administers a number of trust funds which have been established from donations and bequests made to it to meet a variety of objectives and purposes. The total monies held at 31st March 2002 were £7.0m (2001:£ 6.6m).

In addition, the City Council held £1.7m (2001:£ 1.5m) of Social Services Clients' Funds.

The trust funds and clients' funds do not represent assets of the City Council and have not been included in the Consolidated Balance Sheet.

Trust accounts have been prepared on an accruals basis in all cases where the funds exceed £100,000. Other accounts have been prepared on either a cash or accruals basis. Their purposes are summarised below and include the movements on investments.

Fund and Purpose	Fund Balance at 31/3/2001	Income £	Expenditure £	Fund Balance at 31/3/2002
Education				
Brampton History Prize at Moseley Grammar School	5,771	84	N/A	5,855
George Perrott Scholarship – Prizes, financial assistance and scholarships	5,830	86	N/A	5,916
R Chopping-Arthur Terry School – to assist pupils in Science	14,655	290	3,864	11,081
Kings Health and Moseley Institute – scholarship funds	18,855	580	649	18,786
Clara Martineau Trust – for children with special educational needs	2,806,724	92,999	233,319	2,666,404
Birmingham Bodenham Trust – for children with special educational needs*	550,881	56,046	112,750	494,177
Other (Funds with balances below £5,000)	26,881	1,023	983	26,921
Housing				
Charles Baker Trust – accommodation for elderly or handicapped	166,718	7,876	3,924	170,670
Girls Night Shelter – for women and girls in need or distress	66,663	185,776	271	252,168
Jones L.A. – for relief of unemployment in Birmingham	30,692	2,869	244	33,317
Alderson Disabled Ex-Servicemen's Homes – dwellings for ex-servicemen	235,735	35,528	10,687	260,576
Leisure				
Rupert Street Endowment – improving leisure facilities	Nil	500,209	N/A	500,209
Birmingham Public Libraries – maintenance of City libraries	15,501	426	N/A	15,927
The Elford Trust – to promote the education of children and their carers	280,336	69,122	143,208	206,250
Centre or the Child – to promote healthy recreation for Birmingham Citizens	169,198	7,354	124	176,428
Museum & Art Gallery Development Trust – enhancement of city museums*	235,644	14,826	21,033	229,437
Robins Allotment – provide for allotment improvements	38,885	2,123	5,060	35,948
Other (Funds with balances below £5,000)	3,305	202	202	3,305
General				
Jane Kate Gilbert – to pay pensions to residents of good character*	39,092	0	3,755	35,337
Holinsworth Fund – to further the work of voluntary hospitals	151,313	5,120	3,150	153,283
Sir Whitworth Wallis – Prizes/scholarships for students of Birmingham Art College	28,870	0	947	27,923
Lionel Aldridge Bequest – to reward employees under 21 for initiative/good work	10,269	69	N/A	10,338
The Lord Mayor's Centenary Trust SPD – sport grants for disabled residents	37,876	1,301	11,800	27,377
The Lord Mayor's Charity Appeal Mega Quiz	10,257	6,114	10,984	5,387
The Lord Mayor's Charity Appeal – for charitable purposes	136,986	48,419	61,614	123,791
W.J. Loxley Trust – to provide playing fields and open spaces in inner city wards	51,255	2,075	N/A	53,330
Other (Funds with balances below £5,000)	2,719	73	N/A	2,792
Social Services				
J.H.H Ferrer Bequest – to benefit poor persons living in the City	7,753	268	N/A	8,021
Horton and Straite Memorial Fund – to provide comforts in hostels for aged persons	52,947	1,728	N/A	54,675
Doris L. Finney Bequest – benefit for the Children's Home at St. Athan, Croft, Castle Vale	5,624	256	1,806	4,074
Francis Leonard Clarke Bequest – for children under 18 in need	14,758	711	N/A	15,469
Francis Lyn Bettridge Trust – for children under 18 in need	81,000	22,000	5,000	98,000
Highbury Charitable Bequest – to hold Highbury for benefit of Birmingham Citizens	74,881	N/A	19,539	55,342
John & Mabel Brewin Trust – to provide amenities and comforts for elderly persons	62,252	3,077	N/A	65,329
The Harriet Louisa Loxton Charity – for persons in need due to age, infirmity and other	1,083,320	52,185	24,858	1,110,647
Eve Brook Scholarship – to assist children, previously in care, in the performing arts	37,061	15,059	14,829	37,291
Other (Funds with balances below £5,000)	9,803	292	30	10,065
Total	6,570,310	1,136,166	694,630	7,011,846

* Funds indicated with an asterisk have a year end other than 31st March.

9. CONSOLIDATED BALANCE SHEET - NOTES

24. Associated and Subsidiary Companies

The City Council maintains involvement with a number of associated and subsidiary companies. The assets and liabilities of these companies are not included in the City Council's accounts. Note 19 also lists major contingent liabilities in relation to some of the following companies.

The major investments are in the following companies.

THE NATIONAL EXHIBITION CENTRE LIMITED

The City Council holds 5,000 £1 shares (50%) in the company, the purpose of which is to promote and operate the National Exhibition Centre, the International Convention Centre and the National Indoor Arena. At 31st March 2002, the City Council was guaranteeing loans of £236M (2001: £237M) to the company (see notes 19 (i) and 19 (ii)).

The Company did not make any profit or loss before or after tax during the year to 31st March 2002 (2001: £0). The Company's net assets at 31st March 2002 amounted to £11,000 (2001: £11,000). The National Exhibition Centre limited is a regulated influenced company under the Local Authorities (Companies) Order 1995 (S.I. 849). This means that a number of finance and propriety controls apply in relation to NEC Ltd activities.

In Agreements dated 17th March 1986 and 17th December 1987, as amended by an agreement dated 4th April 1996, Birmingham City Council has agreed to ensure that Finance will be available in such a way and of such amount as will make certain that the company will remain solvent within the meaning of Section 123 of the Insolvency Act 1986 (that is that it will be able to meet its debts as they fall due) during such time as all or any part of the loan stock referred to in note 19 of the financial statements, in issue at the date of the agreements, or any interest costs or expenses payable in respect thereof remain to be repaid or paid. During 2001/02, the City Council made reimbursements totalling £24.409M to NEC Ltd.

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC (DRAFT ACCOUNT FIGURES - AGM SEPTEMBER 2002)

The Company was set up to provide an additional 30,000 square metres of exhibition space in four new halls. The new building has been financed by a loan stock issue of £73million to the company which is guaranteed by the City Council. The City Council was allotted 450 of 1,000 ordinary shares of £1 each and 50,000 of 100,000 preference shares of £1 each in the company. The City Council has loan notes totalling £2.45 million in the company and has agreed to make available additional loans of £3.1 million should the company require further funds. The loss before and after tax for the year to 31st March 2002 amounted to £264,000 (2001: £264,000). The net liabilities at 31st March 2002 amounted to £850,000 (2001: 586,000)

There was no qualification to the audit opinions on the latest audit accounts of the above companies.

9. CONSOLIDATED BALANCE SHEET - NOTES

Birmingham Technology Group

The Birmingham Technology Group of companies aims to promote, encourage and secure the development of a science park in Birmingham. The City Council appoints seven out of the thirteen members of Birmingham Technology Limited, which has loans outstanding from the City Council as at 30 June 2001 of £2.96m (2000: £2.96m). The City Council holds 1,250 £1 ordinary shares (25%) in Birmingham Technology (Property) Limited and is guaranteeing £13.5m of commercial loans by the company. The City Council also has 500 £1 ordinary shares (9%) and £800,000 of preference shares in Birmingham Technology (Venture Capital) Limited.

The Groups figures for the year ending June 2001 and 2000 are as follows:

2000		2001
£m		£m
0.3	Profit/(loss) on Ordinary Activities before taxation	0.2
0.3	Profit/(loss) on Ordinary Activities before taxation	0.2
4.4	Net Assets	6.6

There was no qualification to the audit opinions on the latest audit accounts of the above companies.

Other associated and subsidiary companies include:

Aekta Project Limited, Afro Caribbean Resource Centre Ltd, Art Sites Birmingham Limited, Birmingham Academy Trading Ltd, Birmingham and Solihull Connexions Services Limited, Birmingham Bond Scheme Limited, Birmingham Business Support Centre Limited, Birmingham Carnival 2000 Limited, Birmingham Conservation Trust, Birmingham Conservation Trust (Trading) Ltd, Birmingham Core Skills, Development Partnership Limited, Birmingham Economic Development Partnership Limited, Birmingham Repertory Theatre Ltd, Birmingham Research and Development Limited, Birmingham Research Park Limited, Birmingham Venture Capital Limited, Birmingham Wheels (Enterprises) Limited, Birmingham Wheels Limited, BVSC Management Services Limited, BVSC Trading Limited, Careers and Education Business Partnership, Ex Cathedra Limited, Greenspring Training limited, Groundwork Birmingham Limited, Ikon Gallery Ltd, Local Leagues Enterprises Limited, Matchbox Enterprises Limited, Millennium Point Trust, National Exhibition Centre Finance PLC, Optima Community Association, Saint Pauls Community Project Limited, Satman Developments (Birmingham) Limited, Symphony Hall (Enterprises) Limited, The Academy of Youth Limited, The Birmingham Centre for Manufacturing limited, West Northfield Community Association Limited.

Copies of all company accounts can be obtained from Finance Department - Telephone 0121 303 3938.

9. CONSOLIDATED BALANCE SHEET - NOTES

25. Other Company Interests **Hyatt Regency Birmingham Limited**

The principal activity of this Company is to operate the Conference Centre Hotel adjacent to the International Convention Centre. The hotel became fully operational in July 1990. The City Council holds 1,765 of 10,000 £1 shares and loan notes totalling £0.6m. The National Exhibition Centre limited holds 4,935 ordinary shares and loan notes totalling £2.4m.

The City Council has also guaranteed borrowing by the National Exhibition Centre limited in respect of Hyatt Regency Birmingham Limited totalling £21.1M at 31 March 2002 (2001: £21.6M) (see note 19 (ii)).

The loss before and after tax for the year to 31 March 2002 amounted to £80,000 (2001 profit of £1,395,000) and the net liabilities at 31 March 2002 amounted to £13.2M (2001 £13.1M).

In accordance with future business strategy of the company's shareholders the directors have decided to retain the services of a consultant to assist in the future potential sale of the shares or net assets of the company to a third party.

BIRMINGHAM AIRPORT HOLDINGS LTD (BAH)

The main ordinary shareholders of BAH are the seven West Midland Districts. The Seven Districts together own 49% of BAH's 324 million ordinary shares of 1p each (Birmingham City Council owns 18.7% i.e. 60,535,200 shares).

In December 2001, the 24.125% shareholding in the Airport Company owned by Bridgepoint Capital Ltd was acquired by Macquarie Airports Group limited. 24.125% of BAH's ordinary shares are retained by Aer Rianta and the remaining 2.75% take the form of an Employee Share Trust. The Shareholders' Agreement provides for the Districts to cast their 49% vote at Company Main Board and General Meetings in one block. The vote of 75% 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 City Council owns £5,866,800) which are cumulative and redeemable.

The seven West Midland Districts also own all £18.5m subordinated loan stock. (The City Council owns £7,055,322) on which interest is payable at 8.72% fixed until March 2007 when the loan is either repaid or may be extended at the owner's option until 2012 at a variable interest rate.

The BAH Group accounts incorporate Birmingham International Airport Ltd, Euro-Hub (Birmingham) Ltd, Birmingham Airport Developments Ltd, First Castle Developments Ltd, and Birmingham Airport (Finance) PLC.

The principal activity of the group is the operation and management of Birmingham International Airport and the provision of facilities and services associated to those operations.

9. CONSOLIDATED BALANCE SHEET - NOTES

The group performance is as follows:

Year to 31st March 2001		Year to 31st March 2002
Restated *		
£M		£M
25.3	Net profit before tax	22.5
17.3	Net profit after tax	15.1
189.6	Net assets at 31st March	193.3
1.9	City Council dividend income	1.9

* The accounts for the year ended 31 March 2001 have been restated to reflect the adoption of Financial Reporting Standard 19 "Deferred Taxation"

26. Foundation Schools

The Schools standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation or Voluntary Aided Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1st April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by former Grant Maintained schools in the consolidated balance sheet. Fixed assets and long term liabilities remain invested in the Governing Bodies of schools and therefore values and amounts have not been consolidated. In the authority area there are 24 former Grant Maintained schools with an estimated fixed asset valuation of £156 million as at 31st March 2002. Four of these schools had long term loans outstanding as at 31st March 2002.

27. Private Finance Initiative Commitments

i) Schools PFI

On 15th February 2000 the City Council entered into a Private Finance Initiative (PFI) contract with Birmingham Schools Partnership Ltd (BSPL). The contract provides for 7 schools to be completely rebuilt and 3 schools to be partially rebuilt / partially refurbished, following which BSPL will provide the premises-related services for 30 years.

At 31st March 2002, 9 schools were complete and by 25th May 2002 all 10 schools were operational and the construction phase was complete. There is no work-in-progress recorded on the Council's balance sheet for partially constructed assets since the Council makes no payment to the PFI provider until the complete buildings are accepted. The balance sheet reflects the 9 new schools as the Council's assets because this contract was completed under regulations preceding FRS5.

Within the fees payable to BSPL there are separately identifiable charges for services e.g. cleaning, repair and maintenance etc which are subject to payment deductions for sub-standard service delivery. The remainder of the fee is linked to the accommodation being available and fit for use, and stringent payment deductions apply if any part of the school is unavailable during term-time.

9. CONSOLIDATED BALANCE SHEET - NOTES

The payments the Council will make under the contract are as follows:-

	Services £000s	Availability £000s	Total £000s
Within one year	2,484	4,544	7,028
Years 2-5	10,599	18,696	29,295
Years 6-10	14,809	24,593	39,402
Years 11-15	16,755	25,651	42,406
Years 16-20	18,956	26,849	45,805
Years 21-25	21,447	28,203	49,650
Years 26-30	24,478	29,098	53,576
Total	109,528	157,634	267,162

The forecast payments are based on an assumed annual inflation of 2.5% and 100% performance by BSPL . Payments under the contract may be materially different from the forecast, depending upon inflation out-turn and / or penalty deductions applied.

The City Council was awarded a PFI Credit of £50.6 million which is forecast to generate grants of £114.5million over the same period.

The value of assets recognised on the Balance Sheet is £39.86m net of depreciation of £0.23m.

ii) Public Conveniences PFI

The City Council entered into a 20 year contract in December 2000 with J C Decaux to supply and maintain public conveniences in suburban areas, replacing the Council's existing provision. The new conveniences are judged not to be the Authority's assets and will not appear on the Council's balance sheet. The existing premises will be removed from the balance sheet when they are demolished.

The authority pays a performance related annual fee per convenience for 22 locations. The contract is a Private Finance Initiative under the Capital Finance Regulations.

At 31st March 2002 there were 14 conveniences provided under the contract. A further 5 are forecast to be installed and operational by the end of 2002/03 and the last 3 in the following year. There are no payments made under the contract for facilities that are not operational.

9. CONSOLIDATED BALANCE SHEET - NOTES

The payments under the contract can vary according to availability and performance and are also linked to the Retail Price Index. Using 2.5% inflation and 100% assumed performance, the commitments under the contract are as follows:

	£000s
within 1 year	316
Years 2-5	1,803
Years 6-10	2,540
Years 11-15	2,874
Years 16-20	2,401

The total capital cost of the public conveniences is in the region of £2.5 million.

28. Possible Introduction of the Euro

The Government announced that it will consider the UK's formal entry into the European Single Currency (Euro) only when certain economic criteria have been met and a referendum has been held and voted in favour of entry. Expectations are that this referendum may be held in 2003. The Government expects Local Authorities to play a significant part in the changeover and is in the process of requesting Local Authorities to prepare contingency plans.

Birmingham City Council has a Euro Co-ordinator, the Strategic Director of Resources and Performance Review, and is developing a contingency plan. The Authority has arranged for in-payments to be received in Euro's although, at this time, the exchange rate risk remains with the payer. Arrangements are in place to make payments in Euros should the specific case arise. The costs of contingency planning, which are not expected to be significant, will be met from existing resources. These costs are currently being evaluated as part of the process of scoping work required to integrate a new currency.

The National Exhibition Centre Limited, acting on behalf of the City Council, has won the right to stage the International Textile Machinery Association's show at the National Exhibition Centre in 2003. As part of its undertakings for this major show, the NEC has agreed to receive payment from exhibitors in Euros. The Company and the City Council have developed a hedging strategy to deal with financial transactions for this event in order to reduce the risk that the sterling value of the income will fall.

ACCOUNTS

10. STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES			Total £m
	Fixed Asset Restatement Reserve £m	Capital Financing Reserve £m	Usable Capital Receipts £m	General Fund £m	Specific Reserves £m	HRA £m	
Balance as at 31.3.2001	-1255.1	-646.4	0	-21.9	-41.8	-4.8	-1970
Net (surplus)/ deficit for year				2.5	1.1	-2.3	1.3
Net unrealised loss from Revaluation of fixed assets	-181.7						- 181.7
Effects of disposals of Fixed assets:							
Cost or value of assets Disposed of	74.9						74.9
Proceeds of Disposals		- 36.2					-36.2
Financing of fixed assets		- 72.0					- 72.0
Other adjustments	99.9	82.0					181.9
Balance as at 31.3.2002	-1262.0	-672.6	-3.7	-19.4	-40.7	-7.1	-2005.5

See Balance Sheet Note 14

11. CASH FLOW STATEMENT

2000-2001			2001-2002	
£million	£million		£million	£million
		Revenue activities		
		Cash Outflows:		
932.2		Cash paid to and on behalf of employees	961.9	
703.8		Other operating cash payments	684.3	
130.2		Housing benefit paid out	132.9	
23.3		Precepts paid	24.4	
	1,789.5			1803.5
		Cash Inflows:		
(110.1)		Rents (after rebates)	(85.0)	
(193.9)		Council tax income	(209.5)	
(15.5)		National non-domestic rate receipts from national pool	(34.4)	
(248.5)		Non-domestic rate receipts	(273.7)	
(591.3)		Revenue support grant	(620.8)	
(191.3)		DSS grants for benefits	(197.3)	
(264.9)		Other government grants (note 4)	(311.4)	
(210.9)		Cash received for goods and services	(241.7)	
(74.6)		Other operating cash receipts	(100.5)	
	(1,901.0)			(2074.3)
	(111.5)	Revenue activities net cash flow (note 1)		(270.8)
		Returns on investments and Servicing of finance		
		Cash Outflows		
105.9		Interest paid	111.4	
0.1		Interest element of finance lease rental payments	0.1	
106.0			111.5	
		Cash Inflows		
(8.9)		Interest received	(6.9)	
	97.1			104.6
		Capital Activities		
		Cash Outflows		
115.0		Purchase of fixed assets	132.7	
9.4		Purchase of long term investments	0.8	
59.1		Other capital cash payments	61.2	
183.5			194.7	
		Cash Inflows		
(58.9)		Sale of fixed assets	(66.5)	
		Sale of long term investments		
(48.9)		Capital grants received (note 4)	(78.0)	
(107.8)			(144.5)	
	75.7			50.2
	61.3	Net cash outflow/(inflow) before financing		(116.0)
		Management of liquid Resources		
(3.6)		Net increase/(decrease) in short term deposits	40.6	
		Financing Cashflows		
15.2		Repayments of amounts borrowed	154.2	
0.4		Capital element of finance lease rental payments	1.2	
15.6				
		Cash Inflows		
(28.0)		New loans raised – long term	(70.3)	
(41.1)		New short term loans	0	125.7
	(57.1)			
(69.1)				
	4.2	Net (Increase)/decrease in cash (note 2)		9.7

ACCOUNTS

11. CASH FLOW STATEMENT - NOTES

1. Reconciliation of surplus on revenue accounts and the Collection Fund to revenue activities net cash flow

Balances on revenue accounts:

	2002 £m
Deficit on Revenue Account	2.4
Surplus on Housing Revenue Account	(2.3)
Deficit on Collection Fund	1.9
 Total	 2.0
 Add back:	
Appropriations to Reserves	(40.3)
Provisions set aside	1.4
 Items included under another classification:	
Interest paid	(105.5)
Interest received	6.9
Capital financing costs	(39.8)
 Adjustment for non-cash items	 (12.6)
 Items on an accruals basis:	
Movement in Stock	(2.1)
Movement in Debtors	(4.7)
Movement in Creditors	(76.1)
	 <u>(270.8)</u>

2. Reconciliation of net cash flow to movements in net debt

	LT Loans	Loans maturing in 12 months	Other LT Creds	Investmts	Cash O/D	Net Debt
31.03.2001	1,150,205	99,265	83,879	-23,775	48,464	1,358,038
31.03.2002	1,120,598	8,837	82,599	-64,335	58,071	1,285,305
Mvmt in Year	29,607	10,893	1,280	40,560	-9607	72,733

Made up movements in:	Cash	(9,607)
	Borrowing	40,500
	Investments	40,560
	Deferred Liabilities	<u>1,280</u>
		72,733

11. CASH FLOW STATEMENT - NOTES

3. Analysis of changes in net debt

	31.03.2001	Cash flow	31.03.2002
Cash overdrawn	48,464	9,607	58,071
Due Within One Year	99,265	-10,893	88,372
Due After One Year	1,150,205	-29,607	1,120,598
Investments	-23,775	-40,560	-64,335

4. Other Government grants

The categories of government grants shown in the cash flow statement are:

Housing Subsidy	133.5
Rent Allowances	122.5
Council Tax Benefit	69.5
European Social Fund	1.9
European Regional Development Fund	3.2
Single Regeneration Budget	10.3
Education Grants	99.9
Other	<u>68.2</u>
	509.3
Capital	
ERDF	6.1
SRB	4.3
Housing-Major Repairs	42.6
Magistrates Courts	1.2
Education Capital Grants	13.8
Other	<u>10.0</u>
	78.0

ACCOUNTS

12. GROUP FINANCIAL STATEMENTS-INTRODUCTION



12. GROUP FINANCIAL STATEMENTS-INTRODUCTION

The City Council has a 50% interest in the companies making up the National Exhibition Centre Ltd. Group. In addition, the council acts as guarantor of the company's borrowing and underwrites its operating losses. The group revenue account shows the council's share of NEC Ltd.'s operating loss of £1.164 million. The group balance sheet has been produced by consolidating the assets and liabilities of the City Council with those of the NEC Ltd. Group on a line by line basis. The major effect of this is an increase in long term borrowing from £1,347 million to £1,649 million and in fixed assets from £3,442 million to £3,732 million.

The accounts of the NEC Ltd. Group have been prepared in full accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the provisions of company law. The accounts of the City Council have been prepared in accordance with the Statement of Recommended Practice for local Authorities (SORP) produced by the Chartered Institute of Public Finance and Accountancy and endorsed by the Accounting Standards Board. Legislation relating to local authorities does not currently permit full compliance with UK GAAP. There are, therefore, a number of differences of accounting treatment between the Council and the NEC Ltd. Group. It is not, however, considered that these differences materially affect the accuracy of the consolidated accounts.

Further details on the Council's relationship to NEC Ltd. may be found in Notes 19, 24 and 25 to the Council's Balance sheet.

BIRMINGHAM CITY COUNCIL GROUP REVENUE ACCOUNT

Year Ended 31st March 2002

	£'000
Net Cost of Services	1,297,003
Parish Council Precept	28
Surpluses/Deficits on Trading Undertakings	-760
Surplus on Asset Management Revenue Account	-97,427
Interest and Investment Income	-8,025
PFI Grant Income	-6,023
Share of Deficits of Subsidiaries	582
	<hr/>
Net Operating Expenditure	1,185,378
Appropriations	-37,974
	<hr/>
	1,147,404
Government Grants	-620,836
Collection Fund	-523,547
	<hr/>
Deficit for Year	3,021
	<hr/> <hr/>

ACCOUNTS

12. GROUP FINANCIAL STATEMENTS-INTRODUCTION

Balance Sheet as at 31st March 2002

Fixed Assets	3,732,274
Long Term Debtors	44,776
Long Term Investments	<u>55,632</u>
Total Long Term Assets	3,832,682
Current Assets	302,245
Current Liabilities	-478,500
Total Assets Less Current Liabilities	<u>3,656,427</u>
Long Term Liabilities	-1,649,513
Minority Interests	<u>-824</u>
Total Assets Less Liabilities	<u><u>2,006,090</u></u>
Reserves	1,981,024
General Fund Balances	19,293
Other Balances	5,773
	<u><u>2,006,090</u></u>

Note 1: No group accounts were prepared in 2000-01. Therefore there are no prior year comparative figures.

Note 2: Had FRS17 (Pensions) been fully implemented in 2001/02, the revenue of the NEC Group would have fallen by £6 million.

Note 3: At 31 March 2002 amount owed by the Council to the NEC Group totalled £1.96 million and amount owed by the NEC Group to the Council totalled £1.43 million.

13. GLOSSARY OF TERMS

Accruals

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

Asset Management Revenue Account (AMRA)

An account maintained to record the costs of the Authority's Fixed Assets. It is credited with rentals charged to individual services for the use of those assets.

Balances

The total level of funds an authority has accumulated over the years, available to support revenue expenditure within the year.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services

Capital Expenditure

Expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains, the value of an existing fixed asset

Capital Financing Reserve

An account maintained to hold the transactions relating to the financing of capital expenditure.

Capital Receipt

Money received from the disposal of land and other assets, and from the repayment of grants and loans made by the City Council.

Collection Fund

A fund administered by the City Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

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.

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

An amount owed by the City Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Deferred Charges

Expenditure which may properly be incurred, but which does not result in an asset owned by the City Council. Examples of deferred charges are expenditure on items such as improvement grants.

13. GLOSSARY OF TERMS

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset.

Debtors

Sums of money owed to the City Council but not received at the end of the year.

Earmarked Reserve

A sum set aside for a specific purpose.

Emoluments

Payments received in cash and benefits for employment.

Fees and Charges

Income arising from the provision of services, e.g. the use of leisure facilities.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Fixed Assets

Tangible assets that yield benefits to the City Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Fixed Asset Restatement Reserve (FARR)

The account which reflects the amount by which the value of the City Council's assets have been revised following revaluation or disposal.

FRS

Financial Reporting Standard.

General Fund

The total services of the City Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government Grants and NNDR.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the City Council.

Government Grants Deferred Account

Grants and other external contributions towards capital expenditure are written off to the revenue account as the assets to which they relate are depreciated. The balance on this account represents grants not yet written off.

13. GLOSSARY OF TERMS

Housing Revenue Account (HRA)

A separate account detailing the expenditure and income arising from the provision of council housing.

HRA Subsidy

Grant paid by Central Government to support the provision of rented housing.

Infrastructure Assets

These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the City 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.

Investment Properties

Interest in land and/or buildings:

- i) in respect of which construction work and development have been completed and
- ii) is held for its investment potential, any rental income being negotiated at arms length

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Materiality

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)

A minimum amount, set by law, which the City Council must charge to the revenue account, for debt redemption or for the discharge of other credit liabilities.

National Non-Domestic Rates (NNDR)

Rates which are levied on business properties. The City Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

Net Book Value

The amount at which fixed assets are included in the balance sheet, ie. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Leases

Leases other than a finance lease.

13. GLOSSARY OF TERMS

Post Balance Sheet Events

Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

Precept

The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the City Council on their behalf.

Prior Year 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.

Private Finance Initiative (PFI)

A Government initiative which enables authorities to carry out capital projects through partnership with the private sector.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

Related Party

There is a detailed definition of related parties in FRS8. For the City Council's purposes, related parties are deemed to include:

- i) the elected Members of the City Council and their partners
- ii) the Chief Officers of the City Council and
- iii) the companies in which the City Council has an interest

Revenue Expenditure

Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

Revenue Support Grant (RSG)

A grant from Central Government towards the cost of providing services.

SSAP

Statement of Standard Accounting Practice

Standard Spending Assessment (SSA)

The Government's assessment of the amount of expenditure required for each authority to provide a standard level of service across the country.

14. AUDITORS' REPORT TO BIRMINGHAM COUNCIL

I have audited the statement of accounts on pages 17 to 60 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 16.

Respective Responsibilities of Chief Finance Officer and Auditors

As described on page 9 the Chief Finance Officer is responsible for the preparation of the statement of accounts. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

Basis of opinion

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant audit standards.

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion

In our opinion the statement of accounts presents fairly the financial position of Birmingham City Council at 31 March 2002 and its income and expenditure for the year then ended.

Certificate

We have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature

Anson Riqq

Date

23 December 2002