



## Statement of Accounts 2011/12

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## Foreword to the Accounts

### Background

This foreword identifies the significant aspects of the Council's financial performance, year-end financial position and cash flows.

These accounts set out the financial results of Council activities for the year ended 31 March 2012 and have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) which is based on International Financial Reporting Standards (IFRS).

### A Summary of the Council's Financial Performance for the Financial Year 2011/12

The Council's revenue and capital budget is allocated between Portfolio Holders who make up the Executive Cabinet and Committees of the Council. Spending against these budgets is carefully monitored throughout the year and reported monthly to Cabinet. The end of year Outturn was reported to Cabinet on 30 July 2012. The table below gives a summary of revenue expenditure against budget by portfolio and committee.

Portfolio/Committee	Revenue	Revenue	Revenue
	Revised Budget	Outturn	Variance
	£m	£m	£m
Leader	24.9	24.9	-
Deputy Leader	94.0	96.3	2.3
Adults and Communities	274.7	274.7	-
Children, Young People and Families	263.8	265.3	1.5
Equalities and Human Resources	6.9	5.0	(1.9)
Housing	57.3	56.9	(0.4)
Leisure, Sport and Culture	46.3	45.9	(0.4)
Local Services and Community Safety	6.4	4.0	(2.4)
Transportation, Env't and Regeneration	116.1	117.2	1.1
Finance	60.2	60.0	(0.2)
Trusts and Charities	0.1	0.1	-
Council Business Management	9.8	9.8	-
Planning Committee	3.9	3.9	-
Licensing Committee	0.4	0.4	-
Public Protection Committee	12.0	11.2	(0.8)
Constituencies	102.5	106.8	4.3
<b>Sub-total - Portfolios and Committees</b>	<b>1,079.3</b>	<b>1,082.4</b>	<b>3.1</b>
Contingencies	(3.7)	-	3.7
Capital Financing and Other Adjustments	(49.7)	(54.1)	(4.4)
<b>Sub-total - Corporate Accounts</b>	<b>(53.4)</b>	<b>(54.1)</b>	<b>(0.7)</b>
<b>Total</b>	<b>1,025.9</b>	<b>1,028.3</b>	<b>2.4</b>
Funded by:			
Council Tax and Formula Grant	(1,023.4)	(1,023.4)	-
<b>(Increase)/Decrease in General Fund balances</b>	<b>2.5</b>	<b>4.9</b>	<b>2.4</b>

A reconciliation between the above outturn figures and the Comprehensive Income and Expenditure Statement is given in Note 30.

Portfolios and committees underspent by a total of £10.6m in 2011/12, including an underspending of £2.1m on earmarked Policy Contingency allocations. Following appropriations to earmarked reserves of £13.7m, the portfolio/committee net overspend was £3.1m. This was composed of the £2.1m Policy Contingency underspend (added to corporate General Fund balances) and net overspends of £5.2m (carried forward within portfolio/committee balances).

A net underspending of £0.7m on corporate accounts has been added to the General Fund Working Balances in addition to the budgeted sums.

### **Council Reserves and Balances**

The General Fund reserve at year end was £30.7m (2010/11: £34.0m and 2009/10: £12.7m). The total usable reserves at 31 March 2012 were £490.9m (31 March 2011: £424.4m and 31 March 2010 £388.6m). The principal changes in 2011/12 were an increase of £24.9m in school balances and an additional £19.9m in general earmarked reserves (including receipts in advance). The usable reserves also include Earmarked Reserves, the Housing Revenue Account and Major Repairs Reserve balances, capital receipts and unapplied capital grants. These resources are available to support future revenue and capital spending in line with statutory regulations.

Other reserves on the Balance Sheet are unusable and hold unrealised gains and losses (revaluation reserves and available for sale revaluation reserve) or are adjustment accounts which reflect timing differences between the accounting requirements of the Code and Standards and the statutory basis on which income and expenditure is recognised in the Council's General Fund and HRA. The total of these reserves at 31 March 2012 were (£706.8m) (2010/11: £651.4m and 2009/10: £1,412.4m). The main reason for the in year decrease was as a result of the impact of Pension Fund Liabilities, the impact of the payment made to the Department for Communities and Local Government in respect of the HRA self financing settlement and the sums set aside for equal pay claims.

Taking the Usable and Unusable Reserves together the Balance Sheet net equity, assets and liabilities total at 31 March 2012 were a net liability of (£215.9m) (2010/11: net assets of £1,075.8m).

The total long term assets have a net book value at 31 March 2012 of £5,548.8m (2010/11: £5,661.8m). Included within this figure are the Council's Property, Plant and Equipment that have a net book value of £4,870.2m (2010/11: £4,961.0m).

### **Capital Expenditure**

Total reported expenditure on capital schemes in 2011/12 was £1,004.4m (2010/11: £664.0m), compared to the revised capital budget of £1,211.6m (2010/11: £653.8m). The underspending reported of £207.2m is mainly as a result of delays (£144.1m) in expenditure on a number of capital schemes. Details of this slippage are given in the Council's Capital Outturn report for 2011/12. It should be noted that no Council resources were lost as a result of the slippage as the resources and planned expenditure will be "rolled forward" into future years.

Portfolio/Committee	Capital	Capital	Capital
	Revised Budget	Outturn	Variance
	£m	£m	£m
Leader	7.9	6.6	(1.3)
Deputy Leader	87.3	39.2	(48.1)
Adults and Communities	12.2	3.5	(8.7)
Children, Young People and Families	255.1	189.6	(65.5)
Equalities and Human Resources	0.3	0.2	(0.1)
Finance	155.8	145.7	(10.1)
Housing HRA	433.8	407.5	(26.3)
Housing General Fund	12.6	9.0	(3.6)
Leisure, Sport and Culture	116.3	94.0	(22.3)
Local Services and Community Safety	0.2	0.3	0.1
Transportation, Env't and Regeneration	123.2	108.6	(14.6)
Public Protection Committee	0.6	0.2	(0.4)
Unallocated	6.3	-	(6.3)
<b>Total</b>	<b>1,211.6</b>	<b>1,004.4</b>	<b>(207.2)</b>

In addition to the above capital expenditure, the Council also incurred £2.1m in relation to Building Schools for the Future and £72.7m in relation to the Highways Management and Maintenance PFI scheme, giving a total capital expenditure for the year of £1,079.2m.

#### Material Assets Acquired

During the year, work was completed on the new office development at Woodcock Street, Harborne Swimming Pool and on the works at the Alexander Stadium. Work was also progressed on a number of major capital projects including the New Street Station (Gateway) redevelopment, The Library of Birmingham, Selly Oak Relief Road, Building Schools for the Future projects and new Council Housing through the Birmingham Municipal Housing Trust.

#### Financing

The financing arrangements in respect of the 2011/12 capital expenditure are summarised below:

Financing method	£m
Borrowing	661.1
Grants and Contributions	330.2
Usable Capital Receipts	12.8
Revenue/Capital Fund	0.3
<b>Total financing</b>	<b>1,004.4</b>

#### Borrowing

The Council's authorised limit for external debt in 2011/12 was £3,777m. The maximum external debt during the year amounted to £3,272m.

The Council maintained a significant short term debt portfolio during the year, taking advantage of very low short term interest rates. However, £60m of long term Public Works Loans Board (PWLB) loans were taken, and a further £336m of long term PWLB loans were taken in March to fund the HRA Finance Reform payment to the Government. The Council's borrowing strategy for the year recognised a limited requirement for new long term borrowing and the environment of low short term interest rates; considered the restructuring of fixed rate loans if rates changed; and was flexible if circumstances changed within volatile markets. No loans were prematurely repaid during the year.

Full details regarding financing of capital expenditure and the acquisition and disposal of fixed assets are given in Notes 12 to 14 to the Council's Financial Statements.

Other resources available to fund capital expenditure include: Capital Receipts, Section 106 balances, Grants and Contributions, and Revenue balances.

## **Future Revenue and Capital Expenditure Plans**

The Government is addressing the deficit in the public finances by reducing levels of public expenditure. The Spending Review 2010 published in October 2010 set out a clear medium-term view of the resources within which Local Authorities need to plan and manage their services. There will continue to be reductions in both revenue and capital resources, and the Council faces a major challenge in re-shaping its services within the resources that will be available.

### **Revenue**

The net revenue budget for 2012/13 totals £979.7m, having been planned in the context of the significant reductions in public expenditure announced in the Government's Spending Review 2010 in order to address the deficit in the public finances.

The Spending Review made it clear that Government support for Local Government was expected to fall by around 22% in cash terms by 2014/15. The pre-Budget Report in 2011 and Budget in 2012 set out plans for further reductions by 2016/17, which the City Council has estimated will be 12% lower than 2014/15 levels. The Council has based its forecast resource on these assumptions.

After reductions in Government resources of £35.4m, and also in order to provide funding to meet budget pressures, savings totalling £100.8m are required in 2012/13. Significant further net savings will be required by 2016/17. A key focus of business planning has been the achievement of the Council's priority outcomes through the adoption of a core set of corporate principles to inform service and organisational redesign where appropriate.

### **Capital**

The Council's key priorities are also addressed through the three-year capital programme, totalling £1,064m in the Business Plan 2012+. The Council continues to pursue major initiatives, taking advantage of the availability of external and Council resources, such as the re-modelling of New Street Station and Pallasades Shopping Centre, the provision of additional primary school places and the construction of the new Library of Birmingham. Improvements in the Council's asset base are being achieved through the re-provision of services as a part of Business Transformation and Organisational Re-design, through investment in repair and maintenance and by entering into major contractual arrangements, such as the Highways Maintenance PFI scheme. The Council is also developing plans for the regeneration of the city by working with partners, including the LEP and other land owners.

Full details of the 2012/13 Revenue and Capital Budgets can be found within the Financial Plan 2012+ approved by Council on 28 February 2012, via [www.birmingham.gov.uk](http://www.birmingham.gov.uk)

## **Other Matters**

### **Collection Fund**

The in-year deficit for 2011/12 on the Collection Fund is £1.0m (2010/11 deficit: £4.6m), and the year end carry forward deficit is £0.9m.

### **Pension Liability**

There is currently a net pension liability that is reviewed periodically by the West Midlands Metropolitan Authorities Pension Fund Actuary. The Council's share of the shortfall is £1,732.9m at 31 March 2012. Whilst the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not unique to Birmingham City Council; this is in common with the national position for pension funds.
- The West Midlands Pension Fund is regularly reviewed and additional contributions have been initiated to address the problem over a period of years.

Details of the pension liability and assets can be found in Notes 41 and 42 to the Financial Statements.

## Provisions

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. A provision of £673.8m has been made on the Balance Sheet for future potential liabilities.

## The Main Financial Statements

**Movement in Reserves Statement (MIRS)** – this statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (that is, those that can be applied to fund revenue or capital expenditure or reduce local taxation) and other reserves, see balance sheet note below. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

**The Comprehensive Income and Expenditure Statement (CIES)** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**Balance Sheet** – the Balance Sheet shows the value of the assets and liabilities recognised by the Council (including the Housing Revenue Account and the Collection Fund) at 31 March 2012. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves which is detailed in the MIRS section above. The second category of reserves is those the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

**Cash Flow Statement** – this statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. The net increase in cash and cash equivalents for the year was £7.1m (2010/11: £11.8m).

## Supplementary Statements

**Housing Revenue Account (HRA)** – records the financial position of the Council’s statutory obligation to account separately for the costs of its housing provision. The expenditure and income in the HRA has been consolidated into the Council’s Comprehensive Income and Expenditure Statement. The deficit for the year on the HRA is £326.6m (2010 deficit: 640.2m). However, after taking into account adjustments between accounting basis and funding basis under statute of £331.2m surplus (2010/11 surplus: £643.2m) and the brought forward amount, the HRA surplus balance at 31 March 2012 is £9.2m (2010/11: £4.6m).

**Collection Fund** – is an agent’s statement that reflects the statutory obligation to show the transactions of the Council as Billing Authority in relation to Non-Domestic Rates and Council Tax. The Collection Fund shows the transactions of the Billing Authority in relation to the collection from taxpayers and distribution to the Council and precepting authorities (New Frankley in Birmingham Parish Council, West Midlands Fire and Rescue Authority, West Midlands Police Authority).



The total net income from Council Tax payers in 2011/12 amounted to £277.4m (2010/11: £279.1m)

In addition, the Collection Fund also collects income from business ratepayers in Birmingham, which is then passed to the Government after deducting collection costs. The total net income from business ratepayers in 2011/12 amounted to £367.0m (2010/11: £362.1m).

### **Group Accounts**

These statements consolidate the Council's accounts with those of:

- National Exhibition Centre Limited Group (which includes NEC Finance Plc)
- National Exhibition Centre (Developments) Plc
- Birmingham Technology Limited
- Performances Birmingham Limited
- Birmingham Airport Holdings Ltd
- Service Birmingham Limited

### **Statement of Accounting Policies**

This statement, which appears as Note 1 to the main financial statements, summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by IFRS. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **Changes in Accounting Policies**

In 2011/12 Councils are required, for the first time, to include the value of those assets considered to be heritage assets within its main financial statements. Heritage assets are those assets, which are held for historical, artistic, scientific, technological, geophysical or environmental qualities and maintained principally for their contribution to knowledge and culture. Heritage assets are required to be recognised at their historic cost or current valuation if available. In applying the new accounting policy, the assets identified as Heritage Assets had primarily been classified previously as Community Assets. Further information on Heritage Assets is included in Note 15 to these Financial Statements.

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**Annual Good Governance Statement 2011/12****1 Scope of responsibility**

- 1.1 Birmingham City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Birmingham City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness
- 1.2 In discharging this overall responsibility, Birmingham City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Birmingham City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available as part of the Council's Constitution on the web-site. This statement explains how Birmingham City Council has complied with the code and addressed the key roles and principles in the CIPFA/SOLACE code. It also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

**2 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Birmingham City Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Birmingham City Council for the year ended 31 March 2012 and up to the date of approval of the Statement of Accounts.

**3 The governance framework**

The key elements of the systems and processes that comprise the authority's governance arrangements include the following arrangements:

The Council's purpose and vision for Birmingham

- 3.1 The Council, working with strategic partners and local communities has established a Sustainable Community Strategy and a Business Plan setting out its objectives within the overall vision of “a global city with a local heart.” This aims to ensure that all Birmingham residents:

**Enjoy a high quality of life** – benefiting from good housing and renowned cultural and leisure opportunities. This is the overarching aim supported by

- **Succeed economically** – benefiting from education, training, jobs and investment
- **Stay safe** – living in clean, green and safe communities
- **Be healthy** – enjoying long and healthy lives
- **Make a contribution** – valuing one another and playing an active part in the community.

We have had strong public, third sector, and business engagement in developing our Sustainable Community Strategy which drives our Business Plan, Local Area Agreement and commissioning. Working with partners through Be Birmingham, the Local Strategic Partnership, the Council monitors, and reports publicly through an Annual Report on progress so residents can see how issues that matter to them are being tackled.

- 3.2 The Council Business Plan 2012+ sets out the Council's priorities in terms of the Council's contribution to these strategic outcomes. The Plan is available on the Council's web-site and copies are circulated to stakeholders and held in libraries and neighbourhood offices. The Council Plan measures explain how the Council will deliver the priorities and the commitments made in the Council Plan. They focus on corporate priorities and reflect the Council's determination to prioritise the areas of greatest importance for the people of Birmingham. Information on performance across the remaining National Indicators is also included. Outcome based planning continued in 2011/12 and there was a focus on embedding this approach in all service areas. The Council Plan measures are formally agreed by Cabinet following extensive discussion with Members and stakeholders. Regular monitoring and quarterly reporting against these plans ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.3 The Council Plan includes detailed Measures in which achievement of the authority's objectives and the quality of key services is monitored. The Measures explain how the Council will deliver the priorities and the commitments made in the Council Plan. The Measures are also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service. Regular monitoring and quarterly reporting against the Measures ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.4 Birmingham City Council ensures the economical, effective, and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. Achievement of value for money is central to the Council Plan and Long Term Financial Strategy.

Roles of Members and Officers

- 3.5 The City Council's Constitution is codified into one document which is available on the intranet and external web pages. The Constitution sets out the respective roles and responsibilities of the executive and other Members and Officers and how these are put into practice. The Constitution is reviewed annually by the Director of Legal and Democratic Services and any amendments are agreed at the Annual General Meeting. A revised and updated Constitution has been agreed for 2012/13. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee. Birmingham City Council facilitates policy and decision-making via a Cabinet Structure with specific Cabinet Member Portfolios. With effect from 22nd May 2012, the Executive arrangements were revised from a service based structure to a thematic structure.
- 3.6 During 2011/12, Specialist Cabinet Committees existed for Property, Procurement, Private Finance Initiative, Climate Change and Sustainability, Academies, and Achieving Excellence with Communities. These matters have now been subsumed within the Cabinet. The Council also devolved certain executive responsibilities to Constituency Committees. Regulatory Committees existed for Appointments, Development Control, Education Awards (Review). Licensing, Personnel Appeals, Public Protection, and Standards matters.
- 3.7 The Constitutional changes with effect from 22nd May 2012 extended the remit of Districts and created 10 Executive Members for Local Services. Regulatory and other committees cover Planning, Licensing and Public Protection, Employment and Human Resources, Standards and Trusts and Charities.
- 3.8 The Council Business Management Committee agrees the management of City Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters. The Constitution sets out the terms of reference for each of these Members and Committees and includes a schedule of matters reserved for decision by Full Council.
- 3.9 The Council had, during the 2011/12 financial year, a Cabinet Member with specific responsibility for Finance. From May 2012, this role is within the remit of the Deputy Leader. The Council's Audit Committee provides independent assurance to the Council on financial management, risk management and control, and the effectiveness of the arrangements the Council has for these matters. The role of the Audit Committee includes active involvement in review of financial systems and procedures, close liaison with the Audit Commission and responsibility for the approval of the annual accounts.
- 3.10 The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.
- 3.11 The Council's Constitution sets out the responsibilities of both Members and senior managers. In particular the Council has identified the four statutory posts as follows:-
- |                                     |   |
|-------------------------------------|---|
| • Head of Paid Service              | - Chief Executive   |
| • Chief Financial Officer           | - Director of Finance                                     |
| • Monitoring Officer                | - Director of Legal & Democratic Services                 |
| • Director of Children's & Families | - Strategic Director of Children, Young People & Families |

Protocols determining the roles of these officers and their relationship with Members and other Officers are set out. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Directors. The Council has a Remuneration Panel which is chaired by an independent person.

- 3.12 Birmingham City Council has an established Partnership Toolkit setting out the governance and internal control arrangements which must be in place when the City Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets. A programme of review against these requirements is led by Overview and Scrutiny. A Corporate Third Sector Team was established in Corporate Resources Directorate in September 2009.

Values and standards of conduct and behaviour

- 3.13 The Constitution includes a Code of Conduct for Members and a Code of Conduct for Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received. The Council has developed a comprehensive programme for embedding the values of the organisation; Belief, Excellence, Success and Trust (BEST). All Council employees participate through work groups in developing actions based on these values which assist in ensuring effective service delivery and the development of the whole organisation.

Scrutiny and Risk Management

- 3.14 The Overview & Scrutiny Committees cover all Cabinet Member portfolios and a Governance, Resources and Member Development Overview and Scrutiny Committee provides an overarching and co-ordinating role for the O&S committees. All Executive decisions can be called in for Scrutiny to ensure that the decisions are soundly based and consistent with Council policy. The Council's Audit Committee provides independent assurance to the Council on financial management, risk management and control, and the effectiveness of the arrangements the Council has for these matters. The Council has a procedure for handling complaints, compliments, and comments Your Views which monitors formal contact with members of the public. Complaints are actively tracked through the process and independently reviewed. The information is regularly reported to Corporate Management Team and Members.
- 3.15 The City Council ensures compliance with established policies, procedures, laws, and regulations – including risk management. Governance issues concerning executive reports were updated and improved as from January 2012. All reports to Cabinet and Cabinet Members are required to include governance information relating to six areas: Council Policy, Member consultation, compliance with legislation, resourcing and policy compliance, and Public Sector Equalities Duty. Reports are required to be passed to finance and legal officers to ensure that proper professional advice is provided where necessary.
- 3.16 The City Council has had a risk management strategy since July 2002, and this is regularly updated. Leadership is provided to the risk management process by the Director of Legal and Democratic Services (& Monitoring Officer) who is the Officer Corporate Governance Champion and the Deputy Leader who is designated as the Member's Corporate Governance Champion.
- 3.17 The City Council has approached embedding of risk management in accordance with best practice guidance as a "top down" process, with a Corporate Risk Register supported by Directorate and Divisional risk registers. Birmingham Audit continues to give presentations, provide training, facilitate workshops and provide guidance through the publication of a risk management toolkit which has been produced to give managers at all levels a better understanding of how to implement risk management in their area of responsibility and to have some understanding of the process up and down the City Council. The toolkit provides a step by step approach to implementing Risk Management using the Council's methodology. The high level risk management methodology has been reviewed to provide more focus to Member and senior officer management of risk. The Council's Whistle-blowing Policy was introduced in the late 1990s and is well publicised throughout the workforce.

- 3.18 Legal requirements and Council policy, together with guidance on their implementation, are set out in detail in the Policies, Standards, Procedures and Guidance database held on the Council's intranet for financial, Information Communications Technology and business procedures and People Solutions for Human Resources policies and procedures. Directorates maintain detailed delegations and guidance on specific legislative requirements which affect their service delivery. The City Council has a strong Internal Audit function (Birmingham Audit) and well-established protocols for working with External Audit. The Audit Commission through their responsibilities under the Code of Audit Practice also reviews compliance with policies, procedures, laws and regulations within their remit.

#### Capacity and Capability

- 3.19 The Council has a comprehensive corporate induction programme in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. Tailored induction is also developed for new staff and Members.
- 3.20 There is a dedicated area of the intranet for Member issues and a newsletter, City Councillor, is produced and circulated by Democratic Services, by e-mail. This gives detail of legislation, training opportunities and other issues of importance to Members. Regular monthly "market places" and briefing sessions are held to keep Councillors up-to-date with Council Services or services provided by Partner Organisations. Group Offices encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative but this role will now be pursued also by the Governance, Resources and Member Development Overview and Scrutiny Committee. All training is prioritised to assist councillors in planning workloads, etc.
- 3.21 A Personal Development and Review Process for all staff ensures that individuals' targets are aligned with those of the organisation and enables a consistent means of assessing and rewarding performance. It also provides a way of developing tailored training and development programmes for staff and managing the Council's system of competence based pay progression.

#### Engagement with local people and other stakeholders

- 3.22 The Council engages in a wide range of consultation and engagement activities to inform service delivery and decision making. These are summarised in an annual statement and on-line consultation database. The Council Business Plan 2012+ was informed by widespread consultation and research. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council. The Customer First programme and Communications Review aim to ensure that clear channels of communication are in place with service users, citizens and stakeholders. The Council holds meetings in public wherever possible. As part of Excellence in People Management new arrangements for consultation with staff and representative groups were introduced. Directorates have extensive programmes of consultation and engagement activity for specific services.

## **4 Review of effectiveness**

Birmingham City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates:

- 4.1 The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local code of governance. The Council's review process uses the Key Roles and Core Principles included in this guidance and this Statement sets how the Council meets these roles and principles in its control and governance arrangements.
- 4.2 The Council has a well developed methodology for annual governance review which is reviewed and updated each year. This requires each Directorate and Service area to produce an Assurance Statement to the Chief Executive highlighting significant governance issues to be brought to his attention and the control procedures and mechanisms the Directorates have in place.
- 4.3 The Council's review of the effectiveness of the system of internal control is informed by:
- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;
  - the work undertaken by Birmingham Audit during the year;
  - the work undertaken by the external auditor reported in their annual audit and inspection letter;
  - Other work undertaken by independent inspection bodies.
- 4.4 The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The internal audit provision is managed, independently and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 4.5 The Birmingham Audit plan is prioritised by a combination of the key internal controls, assessment, and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Strategic Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the City Council and the Service Area. These are submitted to Members, Strategic Directors and service managers as appropriate.
- 4.6 From the work undertaken by Birmingham Audit in 2011/12 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: "I am able to provide reasonable assurance." In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts. As in any large organisation, Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Strategic Director or Senior Manager during the year. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to EMCB. The more significant of these are set out in section 5 below.
- 4.7 The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews management progress against issues raised in the Annual Good Governance Statement and in implementing recommendations made in significant, high risk audit reports.

- 4.8 The Council's Finance and Performance Overview and Scrutiny Sub-Committee received reports on key control issues throughout 2011/12 including risk management, budgetary monitoring, efficiency, and business transformation. With effect from May 2012, this falls within the remit of the Resources, Governance and Member Development Scrutiny Committee.
- 4.9 The Council Plan and performance is monitored on a quarterly basis both by the Executive and Overview and Scrutiny Committees. Directorate, Divisional, and Service unit business plans contain a variety of performance indicators and targets, which are regularly reviewed. The Corporate Management Team have established four Sub-Groups which focus on managing and developing different aspects of the Council's operations.
- 4.10 The Council's BEST programme is designed to focus each work team and individual on the values of Belief, Excellence, Success, and Trust. Further developments to the programme were made during 2009/2010. Staff develop improvement goals which focus teams throughout the organisation on improving service delivery. Incentives are provided to teams through BEST awards. The Council has also developed the Chamberlain Awards programme which rewards excellence in service delivery and work.
- 4.11 The Council's Standards Committee meets regularly and is updated on National and Local issues. Special Training Sessions were held in October and November 2007 for all Members on the Revised Code of Member Conduct. Arrangements have also been put in place for the operation of the Local Assessment regime - which became operative from 8th May 2008 - with the introduction of three Standards Sub-Committees. The Standards Committee composition has also been increased to comply with the new legislative requirements.
- 4.12 The Director of Legal and Democratic Services confirms that there are no whistleblowing complaints in the corporate register which need to be flagged up as a serious corporate concern that requires addressing during the coming year.

## 5 Significant governance issues

- 5.1 The matters shown in this section have either been identified as having a significant or high likelihood in the Corporate Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	Safeguarding remains a priority. The possibility of changes to organisational structures, as a consequence of changing national policy, may distract partners from the immediate requirements to improve the safeguarding of children and young people. This would include changes to NHS structures, GP commissioning, public health, police and local authority functions and resources, the role of schools and their relationship with the wider children's services system.	Considerable turbulence continues to prevail across partner agencies - most notably NHS; the Birmingham Safeguarding Children Board is adopting an increasingly robust stance towards partnership engagement with the safeguarding agenda. Continuing efforts are being made to improve partnership working with schools. The Council has developed an Organisational Development Plan in response to the Improvement Notice issued in December 2011 and Ofsted inspection in September 2012. Work is continuing to establish the Co-operative trust which should improve partnership working.



2	<p>The Council faces reducing Government grants, reducing capital receipts and lower income from services. This poses challenges to the financial resilience of the Council. In this context, the Council's Business Plan sets medium- to long-term strategies for business changes and the management and development of its services, and a specific plan over a period of up to 10 years. By focusing on the long-term, the Council is able to ensure that sustainable plans are put in place, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.</p>	<p>Achievement against the budget targets and delivery of efficiencies is closely monitored by "Star Chamber" and this is regularly reported to Cabinet and Scrutiny.</p> <p>Directorates continue to monitor their financial and activity performance including the delivery of efficiency savings on a regular basis.</p> <p>The Business Plan is constantly updated as new information becomes available and the impact of decisions can be assessed.</p>
3	<p>In terms of equal pay, the Rated as Equivalent (RAE) claims have in the main been concluded. Equal Value claims remain under regular review by the Equal Pay Team which is made up of HR and Legal Services.</p>	<p>The City Council remains vigilant in relation to equal pay risks by undertaking equal pay audits, ensuring terms and conditions are applied consistently, and reviewing employment contracts/status as appropriate. Officers are working within an agreed framework for the settlement of claims, subject to resources.</p>
4	<p>The current challenging financial environment has required significant reviews of organisational structures and delivery models that have included workforce reductions, transfers of staff to Companies and Trusts, and compulsory redundancies.</p> <p>These organisational changes have the potential to impact on the morale of the workforce, negatively affected employee relations and increased the potential for industrial action.</p>	<p>The Council has put in place a package of measures to support employees and managers going through change processes. It is also having a continuing dialogue with the relevant trades unions and is striving to maintain positive employee relations. Measures include:</p> <ul style="list-style-type: none"> <li>• Increase support for managers designing and implementing the organisational change.</li> <li>• Continued programme of formal consultation and informal discussions with trades union representatives. Both local representatives and regional as appropriate.</li> <li>• Introduction of the Living Wage</li> <li>• Business Continuity plans in place in the event of industrial action.</li> <li>• Process for engaging with the trades unions in the event of industrial action to seek to agree exemptions in respect of life and limb services.</li> </ul> <p>The single largest new arrangement introduced is Acivico, a Wholly Owned Company under which various Special Purpose Vehicles can be established. A Board oversees the establishment and operation of Acivico.</p>
5	<p>Transition of Public Health into Local Authorities This requires the Council to work in partnership with the NHS to accurately identify current expenditure on public health programmes, agreeing how the service will continue during and after transition, making arrangements for the transfer of NHS staff and establishing the processes for accountability and sign off.</p>	<p>The Chief Executive chairs a Public Health Transition Board, which has been in place since January 2012. Key risk areas of staffing, finance and contracts are well known and actively managed by the subject experts from the council and health partners reporting into the board. A detailed transition plan was completed in accordance with Department of Health requirements, and is regarded as a national exemplar.</p>

6	<p>Emerging new freedoms for local authorities including Local Enterprise Partnerships and Enterprise Zones.</p> <p>One of the major benefits of the EZ designation is the ability for the LEP to retain all uplift in business rates in the Zone from April 2013. How the uplift in business rates is utilised will be principally determined by The LEP as the lead body for the EZ. BCC will have a key role as the lead authority for the EZ and through the Investment Plan (June 2012) has identified a range of projects that will utilise the uplift in business rates to help unlock EZ development sites. Where capital expenditure is to be financed from borrowing Birmingham City Council will be the accountable body.</p> <p>The EZ will also benefit from rates relief of up to £55k per annum for five year period for those businesses entering the zone on eligible sites between 1st April 2012 and 1st April 2015. The cost of this incentive will be covered by Government however the City Council will have responsibility on behalf of the LEP to manage and administer this.</p>	<p>To deliver coordinated governance over the initial Investment Plan period, and in future years, a series of key roles have been identified. These are established in the Governance and project delivery section of the Investment Plan. Projects will follow BCC governance processes, being managed and monitored through a Project Delivery Board, with regular reporting to the LEP Board by the LEP Champion.</p> <p>BCC's Cabinet will be required to underwrite the initial investment plan programme i.e. take responsibility for the receipt and correct usage of EZ funding streams. Prior to borrowing individual projects will be approved by Cabinet or under the relevant delegated authority, depending on value. Cabinet will be informed of any risks or financial implications in managing EZ funding.</p> <p>To ensure that the financial management of the zone is robust, and that projected expenditure including borrowing and establishment costs is affordable, a series of financial principles have been developed and are covered in Financial Strategy section of the Investment Plan.</p>
7	<p>The Council is currently benchmarked as an 'achieving' authority within the Equality Framework for Local Government. However, the authority faces continued challenges in ensuring that EA (Equality Analysis) are undertaken and completed; and they are integrated into the business planning process.</p>	<p>The Council has established a monitoring process to track EA's in directorates submitted to the Corporate Governance Group. In addition, the progress of EA's will be integrated into the corporate and directorate business planning process. At a strategic level all directorate business plans are screened for equality compliance using the corporate impact assessment process.</p>
8	<p>The Council has a potential risk in relation to judicial reviews in relation to the proposed changes in the 2012/13 Business Plan, including their equalities implications.</p>	<p>Any necessary changes to the Council's service delivery, consequential from such judicial reviews, will be managed through the Business Planning processes set out above.</p>
9	<p>The implementation of IFRS for the 2010/11 Accounts presented a challenge and introduced significant delays to the achievement of an unqualified opinion. The District Auditor issued a Section 11 notice requiring improvements to which the Council responded in March 2012.</p> <p>Fixed Assets have been a major factor since the 2008/09 accounts. The development of a robust fixed asset register is key to producing unqualified accounts.</p>	<p>A refreshed management team has been put in place and a Change Partner appointed.</p> <p>An improvement plan has been developed and is reported regularly to Audit Committee. This is a three year plan to address process and systems issues.</p> <p>A date for handing the draft accounts to the auditor has been agreed, allowing for changes in process to take effect. It is recognised that further improvement is required, particularly in meeting the statutory timescale for the production of the Financial Statements.</p>

5.2 These matters are monitored through the Corporate Risk Register, Corporate Management Team and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement. We are satisfied that these steps will address any need for improvements and we will monitor their implementation and operation as part of our next annual review.

Signed .....

Stephen Hughes  
Chief Executive  
(and Head of Paid Service)

Signed .....

Councillor Albert Bore  
Leader of the Council

Signed .....

Jon Warlow  
Director of Finance  
(and Section 151 Officer)

Signed .....

David Tatlow  
Director of Legal and Democratic Services  
(and Monitoring Officer)

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## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Birmingham City Council this is the Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing the statement, the Director of Finance has:

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

The Director of Finance 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 a true and fair view of the financial position of Birmingham City Council at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

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**Jon Warlow, Director of Finance**  
**22 March 2013**

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and Dwellings Rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account (HRA) £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m
<b>Balance at 1 April 2010</b>	12.7	142.1	1.6	-	50.1	-	182.1	<b>388.6</b>	1,412.4	<b>1,801.0</b>
<b>Movement in Reserves during 2010/11 (Restated)</b>										
Surplus/(Deficit) on provision of services	(234.0)		(640.2)					<b>(874.2)</b>		<b>(874.2)</b>
Other Comprehensive Income and Expenditure									149.0	<b>149.0</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(234.0)</b>	<b>-</b>	<b>(640.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(874.2)</b>	149.0	<b>(725.2)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	239.7		643.2		(10.1)	1.0	36.2	<b>910.0</b>	(910.0)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>5.7</b>	<b>-</b>	<b>3.0</b>	<b>-</b>	<b>(10.1)</b>	<b>1.0</b>	<b>36.2</b>	<b>35.8</b>	(761.0)	<b>(725.2)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	15.6	(15.6)	-	-				-	-	-
<b>Increase/(Decrease) in 2010/11</b>	<b>21.3</b>	<b>(15.6)</b>	<b>3.0</b>	<b>-</b>	<b>(10.1)</b>	<b>1.0</b>	<b>36.2</b>	<b>35.8</b>	(761.0)	<b>(725.2)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>34.0</b>	<b>126.5</b>	<b>4.6</b>	<b>-</b>	<b>40.0</b>	<b>1.0</b>	<b>218.3</b>	<b>424.4</b>	<b>651.4</b>	<b>1,075.8</b>
<b>Balance at 1 April 2011</b>	34.0	126.5	4.6		40.0	1.0	218.3	<b>424.4</b>	651.4	<b>1,075.8</b>
<b>Movement in Reserves during 2011/12</b>										
Surplus/(Deficit) on provision of services	(849.3)		(326.6)					<b>(1,175.9)</b>		<b>(1,175.9)</b>
Other Comprehensive Income and Expenditure									(115.8)	<b>(115.8)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(849.3)</b>	<b>-</b>	<b>(326.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,175.9)</b>	(115.8)	<b>(1,291.7)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	899.7		331.2		4.9	14.0	(7.4)	<b>1,242.4</b>	(1,242.4)	
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>50.4</b>	<b>-</b>	<b>4.6</b>	<b>-</b>	<b>4.9</b>	<b>14.0</b>	<b>(7.4)</b>	<b>66.5</b>	(1,358.2)	<b>(1,291.7)</b>
Transfers to/(From) Earmarked Reserves (Note 8)	(53.7)	53.7								
<b>Increase/(Decrease) in 2011/12</b>	<b>(3.3)</b>	<b>53.7</b>	<b>4.6</b>	<b>-</b>	<b>4.9</b>	<b>14.0</b>	<b>(7.4)</b>	<b>66.5</b>	(1,358.2)	<b>(1,291.7)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>30.7</b>	<b>180.2</b>	<b>9.2</b>	<b>-</b>	<b>44.9</b>	<b>15.0</b>	<b>210.9</b>	<b>490.9</b>	<b>(706.8)</b>	<b>(215.9)</b>

## Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11 (Restated)			2011/12				
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure	
£m	£m	£m		£m	£m	£m	
125.5	(110.8)	14.7	Central services to the public	5	125.9	(120.4)	5.5
232.4	(66.6)	165.8	Cultural Services	5	233.9	(55.5)	178.4
136.4	(28.1)	108.3	Environmental and Regulatory Services		118.1	(27.4)	90.7
50.4	(83.8)	(33.4)	Planning Services		62.4	(104.2)	(41.8)
1,810.8	(1,251.4)	559.4	Education and children's services	5	1,920.9	(1,265.5)	655.4
222.3	(30.4)	191.9	Highways and transport services		202.7	(34.6)	168.1
841.3	(234.2)	607.1	Local authority housing (HRA) - other		216.7	(258.0)	(41.3)
-	-	-	Local authority housing (HRA) – settlement payment to Government for HRA self-financing	5	336.1	-	336.1
630.3	(517.9)	112.4	Other Housing services	5	667.4	(536.9)	130.5
425.9	(98.9)	327.0	Adult social care	5	496.4	(117.7)	378.7
57.1	(1.4)	55.7	Corporate and democratic core		160.9	(51.4)	109.5
156.3	(174.4)	(18.1)	(Surplus)/Deficit on trading operations	31	105.1	(107.9)	(2.8)
(250.5)	3.7	(246.8)	Non distributed costs		31.8		31.8
<b>4,438.2</b>	<b>(2,594.2)</b>	<b>1,844.0</b>	Cost Of Services		<b>4,678.3</b>	<b>(2,679.5)</b>	<b>1,998.8</b>
235.3	-	235.3	Other Operating Expenditure	9	269.1	-	269.1
204.5	(15.9)	188.6	Financing and Investment Income and Expenditure	10	192.7	(24.1)	168.6
-	(1,393.7)	(1,393.7)	Taxation and Non-Specific Grant Income	11		(1,260.6)	(1,260.6)
		<b>874.2</b>	(Surplus)/Deficit on Provision of Services				<b>1,175.9</b>
		55.4	(Surplus)/Deficit on revaluation of non current assets	26			(199.4)
		(137.1)	Impairment losses/(reversals) on non current assets charged to the Revaluation Reserve	26			34.4
		(67.3)	Actuarial (Gains)/Losses on pension assets/liabilities				280.8
		<b>(149.0)</b>	Other Comprehensive (Income) and Expenditure				<b>115.8</b>
		<b>725.2</b>	Total Comprehensive (Income) and Expenditure				<b>1,291.7</b>

**Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, that is those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2010 (Restated)	31 March 2011 (Restated)		Note	31 March 2012
£m	£m			£m
5,596.5	4,961.0	Property, Plant and Equipment	12	4,870.2
239.7	242.9	Heritage Assets	12,15	243.1
18.8	66.9	Intangible Assets	13	60.9
-	-	Assets Held for Sale	22	-
320.0	308.6	Long Term Investments	16	289.5
76.7	82.4	Long Term Debtors	18	85.1
<b>6,251.7</b>	<b>5,661.8</b>	<b>Total Long Term Assets</b>		<b>5,548.8</b>
89.8	184.1	Short Term Investments	16	300.4
12.4	3.7	Assets Held for Sale	22	7.9
2.3	1.4	Inventories	19	1.3
298.3	266.0	Short Term Debtors	20	269.9
65.1	50.1	Cash and Cash Equivalents	21	54.0
<b>467.9</b>	<b>505.3</b>	<b>Total Current Assets</b>		<b>633.5</b>
(63.7)	(36.9)	Cash and Cash Equivalents	21	(33.7)
(177.9)	(405.5)	Short Term Borrowing	16	(467.7)
(350.3)	(328.6)	Short Term Creditors	23	(462.7)
(177.2)	(303.5)	Provisions	24	(248.3)
<b>(769.1)</b>	<b>(1,074.6)</b>	<b>Total Current Liabilities</b>		<b>(1,212.4)</b>
-	-	Long Term Creditors	16	-
(7.0)	(10.1)	Provisions	24	(448.9)
(2,261.3)	(2,257.6)	Long Term Borrowing	16	(2,617.6)
(222.0)	(342.9)	Other Long Term Liabilities	16	(386.4)
(1,659.3)	(1,406.0)	Net liability on defined benefit pension scheme	42	(1,732.9)
<b>(4,149.6)</b>	<b>(4,016.6)</b>	<b>Total Long Term Liabilities</b>		<b>(5,185.8)</b>
<b>1,801.0</b>	<b>1,075.8</b>	<b>Net Assets/(Liabilities)</b>		<b>(215.9)</b>
388.6	424.4	Usable Reserves	25	490.9
1,412.4	651.4	Unusable Reserves	26	(706.8)
<b>1,801.0</b>	<b>1,075.8</b>	<b>Total Reserves</b>		<b>(215.9)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

2010/11 (Restated) £m		Note	2011/12 £m
(874.2)	Net Surplus/(Deficit) on the provision of services		(1,175.9)
1,280.4	Adjustments to net Surplus/Deficit on the provision of services for non cash movements		1,326.8
(18.4)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities		(1.2)
<b>387.8</b>	Net cash flows from Operating Activities	27	<b>149.7</b>
(582.4)	Investing Activities	28	(507.6)
206.4	Financing Activities	29	365.0
<b>11.8</b>	Net increase/(decrease) in cash and cash equivalents		<b>7.1</b>
1.4	Cash and cash equivalents at the beginning of the reporting period		13.2
<b>13.2</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	21	<b>20.3</b>



**Note 1****Accounting Policies****i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

**ii. Accruals of Income and Expenditure**

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

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

The Council has adopted a de-minimis level for manual accruals of £5,000. Debtors and Creditors below this level are not included in the accounting statements. This is intended to improve the efficiency of the final accounts process in order that earlier closedown deadlines can be achieved.

**iii. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Any deposits with financial institutions repayable without penalty on notice of more than 24 hours are considered to be investments, not cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

**iv. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

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

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

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

**vi. Charges to revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. An adjustment is, therefore, made through Note 7 and the Movement in Reserves Statement to remove depreciation, amortisation and revaluation and impairment losses from the General Fund and HRA and replace them by the statutory contribution from the General Fund or HRA Balance to the Capital Adjustment Account.

**vii. Employee Benefits***Benefits Payable During Employment*

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

*Termination Benefits*

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Cost line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers.

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

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

*Post Employment Benefits*

Employees of the Council are members of two separate pension schemes:

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' Pension Scheme mean liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the West Midlands Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on AA rated corporate bond yields.
- The assets of West Midlands Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect related to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liability or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the West Midlands Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### Discretionary Benefits

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

### **viii. Events After the Reporting Period**

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

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

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

### **ix. Financial Instruments**

#### *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments to the instrument over the life of the instrument to the amount at which it was originally organised.

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

However, the Birmingham City Council 2030 bonds, issued in exchange for NEC loan stock in 2005, are carried at a higher amortised cost than the outstanding principal, and interest is charged at a lower effective rate of interest than the rate payable to bondholders.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from and added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

### *Financial Assets*

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### *Loans and Receivables*

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

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lowered amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

### *Available-for-Sale Assets*

Available-for-sale assets are typically recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. The Council has a small number of investments in assets, but a fair value cannot be measured reliably for the assets. Instead, the instrument is carried at cost (less any impairment losses).

*Instruments Entered Into Before 1 April 2006*

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

**x. Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution are more likely than not to be satisfied in the future.

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

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

**xi. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The Council is engaged in a major Business Transformation programme and has determined that, in accordance with *International Accounting Standard 38, Intangible Assets* aspects of the expenditure on this programme creates intangible assets.

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive and Expenditure Statement.

Where expenditure on intangible assets qualified as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The Council's policy is to capitalise costs that are related to the acquisition of intangible assets.

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

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

**xiii. Inventories and Long Term Contracts**

Inventories are included on the balance sheet at the latest price. This valuation method does not comply with 'IAS 2 Inventories' which requires stocks to be valued at the lower of cost or net realisable value. However the effect of this is not considered material to the accounts. 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.



**xiv. Jointly Controlled Operations and Jointly Controlled Assets**

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

**xv. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

*The Council as Lessee*

**Finance Leases**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge.

Property, Plant and Equipment assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

*The Council as Lessor*Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, an amount representing the Council's net investment in the lease is recognised in the Balance Sheet. Any gain or loss is recognised in the Comprehensive Income and Expenditure Statement. The gain or loss credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to impact the General Fund Balance. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- finance income.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**xvi. Overheads and Support Services**

The costs of overheads and support services are charged to those activities that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

**xvii. Property, Plant and Equipment**

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

### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it is probable the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Significant aspects of the Council's Business Transformation Programme relate to the acquisition of Property, Plant and Equipment. Those elements relating to the direct costs of Property, Plant and Equipment are taken to the Balance Sheet.

### *Measurement*

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council capitalises borrowing costs incurred whilst material assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

From 1 April 2010 all additions and all material assets revalued (over £5m) are accounted for on a component basis. As components are added, any component being replaced is derecognised. On derecognising components where the component is within a non separated component bundle, the depreciation is apportioned on a straight line basis and derecognised accordingly.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. The Council has not reviewed the deeds of all of its land and property to determine the categorisation of these assets.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- Where cleared land has been designated for social housing use that land is valued using the basis of existing use value for social housing
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are measured separately.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance
- where there is insufficient balance, the carrying amount of the asset is written down firstly against the Revaluation Reserve and the remaining amount against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### *Impairment*

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

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance
- where there is insufficient balance, the carrying amount of the asset is written down firstly against the Revaluation Reserve and the remaining amount against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

#### *Depreciation*

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

Depreciation is calculated on the following bases:

- dwellings and other buildings and components therein – straight-line allocation over the useful life of the property or component as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over their useful lives

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

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings – the HRA has been charged with depreciation in relation to the components of Housing stock. In totality this depreciation is equivalent to the Major Repairs Allowance received from central Government.

Buildings - up to 50 years

Vehicles, Plant, Furniture and Equipment – 5 years to 40 years

Infrastructure – 10 years to 40 years

#### *Disposals and Non-Current Assets Held for Sale*

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

As assets are no longer used by a Directorate, these assets are offered to another Directorate for use. Those assets which are surplus are made available for sale and will be classified as Assets Held for Sale. The Council has no surplus assets in the meaning of The Code.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet and the gain or loss on disposal is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Gains and losses on disposal of assets is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (for 2011/12, 75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

**xviii. Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

- fair value of the services procured during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance costs are expensed in the year incurred - interest is charged on the outstanding balance sheet liability (equivalent to the implicit interest rate for each contract) and debited to the financing and investment income and expenditure line in the CIES
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

**xix. Investment Properties**

Whilst discharging its role the Council works to ensure that the stewardship of all property assets is such that they are managed in a way that is economic, efficient and effective. The Council does not have a policy for holding property, (land or building, or part of a building, or both), which at inception or subsequently was acquired or constructed specifically with the sole purpose of generating rental income or capital appreciation or both. As a result the Council holds no property assets that fall to be classified under the Code and International Financial Reporting Standards as 'Investment Properties'.

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

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

#### Provision for Back Pay Arising from Equal Pay Claims

The Council charges liabilities for equal pay settlements to the Consolidated Income and Expenditure Statement (CIES) when these are covered by capitalisation directions or provisions created in previous financial years. To the extent that quantifiable liabilities exceed this, further provision is debited to the CIES and statutory arrangements (Capital Regulation 30A) allow these increases in provision to be reversed back to an Equal Pay Back Pay Account. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

#### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 43 to the accounts.

### **xxi. Reserves**

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

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

Contributions from Developers, paid under section 106 of the Town and Country Planning Acts 1990 are recognised in year and any unused balance transferred to earmarked reserves on the basis that the conditions of the contribution will be met.

### **xxii. Revenue Expenditure Funded from Capital under Statute**

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

**xxiii. Value Added Tax (VAT)**

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

**xxiv. Business Improvement District**

In accordance with the provisions of the Business Improvement District (BID) Regulations 2004 a ballot of local businesses within nine areas, namely Broad Street, the city centre's principal retail area, Erdington Town Centre and King's Heath Town Centre, Colmore, Acocks Green, Sutton Coldfield, Northfield and Southside has resulted in the creation of nine distinct Business Improvement Districts. Business ratepayers in these areas pay a levy in addition to the National Non-Domestic Rate to fund a range of specified additional services which are provided by specific companies set up for the purpose.

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

**xxv. Council Tax**

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

- In its capacity as a billing authority the Council acts as an agent, collecting and distributing Council Tax on behalf of the major preceptors (West Midlands Fire and Rescue Authority and West Midlands Police Authority) and itself.
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus the Council's share of any surplus on the Collection Fund for the previous year or less the Council's share of any deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012.

The Council Tax income included in the Income and Expenditure Account is the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the Council belongs proportionately to itself and the major preceptors. There will therefore be a debtor/creditor position between the Council and the major preceptors since the cash paid to the latter in the year will not be equal to their share of the total cash collected. If the net cash paid to the major preceptors in the year is more than their proportionate share of the cash collected the Council will recognise a debit adjustment for the amount overpaid. Conversely, if the cash paid to the major preceptors in the year is less than their proportionate share of the amount collected then the Council will recognise a credit adjustment for the amount underpaid.

The Council's Cash Flow Statement includes in 'Revenue Activities' cash flows only its own share of the Council Tax collected during the year, and the amount included for precepts paid excludes amounts paid to the major preceptors. The difference between the major preceptors' share of the cash collected and that paid to them as precepts and settlement of the previous year's surplus or deficit on the Collection Fund, is included as a net increase/decrease in other liquid resources.



**xxvi National Non-Domestic Rates (NNDR)**

The Council collects NNDR on an agency basis on behalf of the Government. The cost of collection allowance is the Council's income and appears in the Income and Expenditure Account. NNDR debtor and creditor balances and impairment allowances for doubtful debts are not assets and liabilities of the Council and therefore do not appear in the Council's Balance Sheet.

Cash collected from NNDR taxpayers, net of the cost of collection allowance, belongs to the Government, and any amounts yet to be paid to the government at the Balance Sheet date appears on the Balance Sheet as a creditor. Similarly, if payments to the Government exceed the cash collected then the excess appears in the Balance Sheet as a debtor.

NNDR collected by the Council is not a revenue activity of the Council and does not therefore appear in the Council's Cash Flow Statement, except for that part retained as the cost of collection allowance. Similarly cash paid to the Government in respect of NNDR does not appear in the Cash Flow Statement. However, costs added to NNDR in respect of recovery action are treated as the Council's income.

**xxvii Heritage Assets**

The 2011/12 CIPFA Code of Practice on Local Authority Accounting requires the adoption of Financial Reporting Standard (FRS) 30 Heritage Assets. This has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which has been adopted by the Council in the 2011/12 Accounting Statement.

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

The standard requires that a new class of asset, Heritage Assets, is disclosed separately. Where the Council has information on the cost or value of a heritage asset the Council has included that value in its 2011/12 balance sheet, where it exceeds a value of £10,000. In some cases reliable valuation information is not available due to a lack of comparable market data and the diverse nature of individual items. Where this information is not available and the historical cost information cannot be obtained the asset has been excluded from the balance sheet. Valuations may be made by any method that is appropriate. There is no requirement for valuations to be carried out or certified by external valuers nor is there any prescribed minimum period between valuations. However where heritage assets are valued at their current value that value has to be reviewed with sufficient frequency to ensure the valuation is up to date. Valuations for insurance purposes have been supplied by experts within the relevant service areas who have many years experience in their chosen fields.

For the purposes of the accounts, the Council has grouped its Heritage Assets into five main areas, which are accounted for as follows:

**1. Museums' Collections**

This category includes fine collections of art, historical and scientific artefacts and silverware located within the Birmingham Museum and Arts Gallery and community museums. Valuations for insurance purposes as at 1 April 2011 have been used to provide a value for these assets in the Council's balance sheet. Valuations were carried out by suitably qualified and experienced staff from within the service, and regard is given to similar items that appear for sale and auction, as necessary.

## 2. Historic buildings

Historic buildings that have been reclassified as heritage assets are included on the Balance Sheet at their current value, namely Soho House, Aston Hall and Blakesley Hall. The Council owns or holds on trust in excess of 150 listed and historically interesting buildings, which are actively used in the delivery of Council services. These include a number of cemetery chapels, schools and community and leisure facilities. Because of their operational nature they have not been reclassified as heritage assets but remain categorised as other land and buildings or community assets within Property, Plant, and Equipment, and valued in the same way as other assets of these types.

## 3. Public Art

The Council owns a significant number of public art works including statues, sculpture and fountains. Where costs and / or values are available those have been used, and includes the Victoria Square fountain and the King Edward VII Statue. However, for the vast majority of public art such reliable information is not available, due to the diverse and specialist nature of the assets and the lack of comparable market values, and will therefore not be reported on the Balance Sheet.

## 4. Libraries and Archive Collections

Valuations for insurance purposes have been used to provide a value for these assets in the Council's balance sheet. This has been provided by suitable qualified senior managers within the service area who has many years experience of managing early printed books. Consideration is given to similar items that come up for auction and sale, as necessary.

## 5. Civic regalia and plate

Valuations for insurance purposes have been used to provide a value for these assets.

## Heritage Assets not Reported in the Balance Sheet

In addition to the exclusions mentioned above the Council is also custodian of a number of scheduled monuments. These include a number of moated sites, burial mounds and archaeological remains situated within some of the Council's parkland, together with the remains of a 13th Century manor house in Weoley Castle. There is no insurance valuation available and the Council does not consider that reliable information can be obtained at a cost which is commensurate with the benefits to users of the financial statements, due to the diverse nature of the assets and the lack of comparable market values. Consequently the Council does not recognise these assets on the balance sheet.

The Council is custodian of 8,000 acres of park and open spaces, which include 2 sites of special scientific interest and 7 local nature reserves. These open spaces are available for the public to enjoy and, because of their operational nature, are not deemed to be heritage assets, remaining as community assets within property, plant and equipment on the balance sheet as necessary.

The Council considers that its heritage assets will have indeterminate lives and a high residual value; and therefore does not consider it appropriate to charge depreciation on the assets. The carrying value of heritage assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's relevant policies, as are disposals of heritage assets (see xvii in this note on Accounting Policies).

With the introduction of this new accounting policy, the Council has reclassified a number of Heritage Assets that have previously been held as Community Assets within Property, Plant and Equipment. In addition the Council has also recognised Heritage Assets that had not previously been recorded in the Council's Balance Sheet. The effects on the 2009/10 and 2010/11 balance sheets are shown in Note 45 (prior year adjustments), with further detailed financial information on Heritage Assets shown in Note 15 of the 2011/12 Statement of Accounts.

**Note 2****Accounting Standards That Have Been Issued but Have Not Yet Been Adopted****IMPACT OF THE ADOPTION OF THE NEW STANDARD ON THE 2011/12 FINANCIAL STATEMENTS**

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, *IFRS 7 - Financial Instruments: Disclosures* (issued October 2010). The new standard is intended to allow users of the financial statements to improve their understanding of transfer transactions of financial assets, including the possible effect of risks that may remain with the entity that transferred the assets. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until April 2012.

Full adoption of the standard will be required for the 2012/13 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2011/12) financial statements. As such, the Council has estimated that it is unlikely that the IFRS7 accounting standard will have a material impact on its financial statements.

**Note 3****Critical Judgements in Applying Accounting Policies**

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

Fixed assets - replacement components

On recognition of a replacement component, where the historic cost of the component is not readily determinable, management has estimated the historic cost of the old component by indexing the value of the new replacement component using the Government published RPI figures. A pro rata portion of both the depreciation and any applicable Revaluation Reserve is also derecognised.

Leases - classification

Leases are categorised between operating and finance lease according to management judgement, beginning with a rebuttable presumption that all land leases over 110 years are classified as finance leases and all building leases over 50 years are classified as finance leases.

Cash and Cash Equivalents

Cash and Cash Equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Any deposits with financial institutions repayable without penalty on notice of more than 24 hours are considered to be investments, not cash equivalents.

Overheads and Support Services

The costs of overheads and support services are charged to those activities that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received using appropriate allocation bases as determined by the Authority, with the exception of:

- Corporate and Democratic Core
- Non Distributed Costs

### Surplus properties

As assets are no longer used by a Directorate, these assets are offered to another Directorate for use. Those assets which are surplus are made available for sale and will be classified as Assets Held for Sale. The Authority has no surplus assets in the meaning of The Code.

### Investment properties

Whilst discharging its role the Authority works to ensure that the stewardship of all property assets is such that they are managed in a way that is economic, efficient and effective. The Authority does not have a policy for holding property (land or building, or part of a building, or both), which at inception or subsequently was acquired or constructed specifically with the sole purpose of generating rental income or capital appreciation or both. As a result the Authority holds no property assets that fall to be classified under International Financial Reporting Standards as 'Investment Properties'.

### Schools

The following types of School buildings have been included in the Council's Balance Sheet as Concession Agreements as the Council has adjudged that it has control over these assets: Foundation Schools, Voluntary Controlled Schools, Voluntary Aided Schools. The Council has not included the land value as it does not consider that it has control over these assets. The Council has not included Academy Schools on the Balance Sheet. For those schools that are proposing to transfer to Academy Status, the Council does not impair those assets prior to transfer as the establishment will continue to be used to deliver services.

### Highways PFI

The Authority entered into a contract for the management and maintenance of highways on 7 June 2010. The Council has taken the view that the PFI capital expenditure replaces the current value of the infrastructure assets on the Council's Balance Sheet and has derecognised the existing assets in line with the recognition of new assets.

### Equal Pay Provision

The Authority has made provision for future potential claims under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003. The amount of this provision is based on the best available information from Legal, Financial and Human Resources.

### Housing Stock Valuation

The entire housing stock was valued as at 1 April 2011 according to the Department of Communities and Local Government 'Stock Valuation for Resource Accounting - Guidance for Valuers 2010'. The valuation was on the basis of Existing Use Value for Social Housing using sample "Beacon Properties" and a Valuation Certificate was issued in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

### Business Transformation programme

The Council is engaged in a major programme to introduce new processes, systems and ways of working across most areas of the Council's operations. The investment in these programmes will provide long term economic benefits and improved service potential and the Council has taken the view that aspects of this expenditure creates Intangible Assets which have been reflected on the Council's Balance Sheet.

## **Note 4**

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

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Property plant and equipment (PPE) valuations	Non-Housing Revenue Account (HRA) 5 year rolling revaluation. Valued at existing use.  HRA full revaluation every 5 years following Department guidance. Valued at existing use value – social housing.	Management review of reasonableness and compliance with accounting requirements.	Internal valuer	Non-HRA has some uncertainty due to market fluctuations.  HRA is based on Department of Communities and Local Government (DCLG) guidance, therefore follows standards approach.	No
Heritage Asset Valuations (Museum and Art Gallery Collections, Archives)	Insurance valuations have been used for Museum and Art Gallery Collections.	Management review of reasonableness and compliance with accounting requirements.	Insurance Valuations assessed by internal officers	The insurance valuation is a reasonable proxy.	Heritage Assets now need to be shown on the Balance Sheet. This is a new requirement for 2011/12.
Estimated remaining useful lives of PPE	Based on valuer's advice within policy set by Council.	Management review of reasonableness and compliance with accounting requirements.	Internal valuer	Low level of uncertainty due to availability historical information on lives.	No
Depreciation	Non-HRA assets based on valuer's advice on asset lives within policy set by Council for PPE. Other assets have lives set in accordance with accounting policy.  For HRA dwellings MRA is used as a proxy, subject to review as part of desk top valuation.	Management review of reasonableness and compliance with accounting requirements.	Internal valuer	Low level of uncertainty due to availability historical information on lives.  For dwellings Major Repairs Allowance (MRA) is used as a proxy.	No
Amortisation	Amortisation is mainly used for intangible assets, which are software licences and transformation investment.	Not required	No - Intangible Assets are not revalued	Major software licences and transformation activities are capitalised and amortised to the relevant service revenue account over a period of five years and are not material.	None

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Impairments	<p>In general a review is undertaken to identify any land or buildings where the current value had fallen below the carrying amount due to obsolescence, physical damage or general economic conditions. Some of this information will come from the Directorate returns.</p> <p>The valuer's rolling programme will also identify impairments.</p>	Global impairments are identified by the Capital Committee (headed by the Senior valuer). Other specific impairments are identified by valuers and reported by Directorates.	Internal valuer	Some uncertainty as based on judgement relating to obsolescence and changes in economic conditions.	No
Non-current assets held for sale	Assets held for sale are carried at market value.	Disposals are identified by reference to the IPMS system (which logs all property movements). This is reconciled to cash receipts.	Internal valuers to assess market value.	Some uncertainty with assets held for sale and not disposed due to market fluctuations.	No
Overhead allocation	Allocation based on appropriate data including headcount and net expenditure. Internal trading in some areas on the bases of schedule of rates or other agreed basis.	Management review of reasonableness and compliance with accounting requirements.	Data is supplied by an appropriate professional service area e.g. Human Resources, property services etc.	The allocation bases are only proxies for the value derived by each service. The level of distortion is deemed not material.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Measurement of financial instrument fair values	<p>Fair value of investments assessed by using the present value of future cashflows discounted at market rates.</p> <p>For service concessions the fair value is based on financial models provided by external consultants.</p>	Management review of reasonableness and compliance with accounting requirements.	<p>External expert provided the financial models for service concessions.</p> <p>Treasury management advisers are used as appropriate.</p>	Uncertainty is high due to complexity of underlying assumptions. For longer term investments there is increased uncertainty about future market rates.	No
Bad Debt Provision	<p>Housing bad debt provision is based on a weeks in arrears methodology.</p> <p>Collection Fund is based on stage of recovery, the older the debt the higher the percentage provided for.</p> <p>General Bad Debt is based on the age profile. The older the debt the higher the percentage provided for.</p>	Links directly to age of debts. Control is based on reasonableness compared to profile.	No	There is some uncertainty as older debt provided for may be recovered. This does not have a significant impact on the accounts.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Provisions for liabilities	Material provisions, including Equal Pay are based on legal advice on outcomes.	Regular review of best available information by human resources, legal and finance senior management.	Internal legal advisor and Counsel's opinion for potential Equal Pay liability.	Uncertainty is high due to the complexity of underlying assumptions. The provision is estimated using the best available information from Legal, Financial and Human Resources. However, the ultimate amount payable and timing of the payments depend on a number of underlying variables including, any future court judgements, the final number of claims the Council receives, the actual settlement amount in respect of the claims and any costs payable in respect of taxation.	No
Accruals	Accruals that are not actual amounts based on system information are estimated from contract, volume, and other service data.	Review by finance staff as part of final accounts process.	No	There is a low level of estimation uncertainty relating to accruals.	No



Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Finance lease liabilities	Recognised at the fair value of the leased property or if less the present value of the minimum lease payments.	Leased property is recorded on the Council's property management system and there is an ongoing programme of physical verification of leased properties to confirm the accuracy of this record.	Internal valuer	<p>There is a high level of estimation uncertainty as leased properties have been identified where there is no lease documentation available. There is also uncertainty about the inherent interest rate for leases and an overall assumption based on international accounting guidance has been made.</p> <p>Fair values of leases at inception are almost exclusively calculated by Discounting Cash Flows using an interest rate which is RPI +3.5% in the year the lease was granted, with an upper limit of 15% and a floor of 5%.</p>	No
Other finance lease estimates	<p>Contingent rent is estimated at RPI adjustment to rents with indexation clauses for both lessee and lessor arrangements.</p> <p>Estimates in the values of some properties on the fixed asset register are based on the inception value of the lease indexed according to the general RPI.</p> <p>An estimate is used to split leases and assets previously treated as investment properties into land and buildings. A 30:70 respective split is applied.</p>	Leases are checked within the Corporate Finance team for accuracy during accounts closedown to ensure estimates are consistent and appropriate.	No	There is a reasonably high level of uncertainty due to the volume, materiality and complexity of lease arrangements.	None.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Long term obligations under, for example, PFI schemes	For service concessions the fair value is based on financial models provided by external consultants.	Management review of reasonableness and compliance with accounting requirements.	An external expert provided the financial models for service concessions.	Uncertainty is high due to complexity of underlying assumptions.	No
Employment Benefits: -Compensated absences accrual  -Termination benefits -Post-employment benefits	Leave accrual comes from the payroll system. Flexi – leave estimated on the basis of available staffing information.  Termination and post - employment benefits are based on individual calculations for each employee affected.	Management review of reasonableness and compliance with accounting requirements.	No	Low level of uncertainty except for flexi-leave accrual. This is not a material amount.	No
Defined benefit pension amounts and disclosures	The estimates for the Local Government Pension Scheme have been based on the latest full valuation and transaction information from 2010/11.	All major transfers of staff are identified and reported to the Actuary. Management review the information supplied for reasonableness.	Actuary	High level of uncertainty in underlying assumptions, hence use of expert.	No
Contingent Assets and Liabilities	Questionnaire to Directorates and review of minutes to identify any potential items for inclusion.  Legal Service provides information on specific cases above £0.5m, which are assessed for inclusion.	Management reviews the information supplied for reasonableness.	Legal officer	There is some uncertainty due to the risk of omitting contingent assets and liabilities.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
National Non Domestic Rates (NNDR) payment to/from Government	<p>NNDR payment is calculated in accordance with the applicable regulations for calculating the contribution to be made to the National Pool. The regulations require an accruals basis to be used and for the provision for bad debts to be taken into account.</p> <p>The Balancing Payment To/From the NNDR pool (that is, the accrual) is an actual figure, which is the difference between the final figure in the NNDR3 Government return and the provisional contribution to the pool based on the NNDR1 or NNDR2 return. The final NNDR3 figure includes an estimate of the movement in doubtful debt provision. This is calculated based on a set percentage of arrears deemed not collectable at each collection enforcement level. Percentages are reviewed on an annual basis.</p>	<p>NNDR accrual based on actual figures from the RBIS system. All NNDR contribution returns are reviewed by senior management before submission. Bad Debt Provision calculations are reviewed by senior management and the BDP percentages are reviewed annually.</p>	No	There is a low level of estimation uncertainty	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Council Tax surplus/deficit	The year-end surplus or deficit on the Collection Fund estimates were made on 15 January. This uses the period 9 monitoring information adjusted for any expected movements in figures based on business knowledge. Forecast increase/decrease in the provision for doubtful debts, again based on business knowledge, is also included.	All Collection Fund monitoring working papers, estimates of the adjustments and provision for doubtful debts are verified and reviewed by management to ensure accuracy and reasonableness. Bad Debt Provision percentages are reviewed annually.	No	There is a low level of estimation uncertainty	No

**Note 5****Material Items of Income and Expense**

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received legal claims relating to back pay in relation to this entitlement and, following a Court of Appeal judgement, may be subject to further claims from former employees. A provision of £673.8m has been made on the Balance Sheet for future potential liabilities. The Council seeks to resolve such claims on an on-going basis.

2011/12 was the final year of the Housing Revenue Account Subsidy system. Housing Revenue Account Self Financing took effect from 1 April 2012. The main principle behind HRA self financing is that if landlords implement guideline rent increases, have average levels of management and maintenance costs and manage their borrowing costs well, they should have sufficient resources to cover their capital investment needs when calculated over a 30-year period.

As a consequence of the HRA Self-Financing Settlement, the Council was required to make a payment of £336.1m to the Department for Communities and Local Government on 28 March 2012. This transaction has no impact on the net surplus on the Housing Revenue Account and has no impact on rents or council tax as it is also included in the adjustments between accounting basis and funding basis under statute. Taking advantage of the special lower interest rate for new loans available for this purpose, the Council used Public Works Loans Board (PWL) loans to finance the settlement payment.

The borrowing during 2011/12 has been recognised on the Council's Balance Sheet, and the payment to the Secretary of State has been shown in the Comprehensive Income & Expenditure Account. For further information, please refer to publicly available documents *The Localism Act* and *The Housing Revenue Account and Self-Financing Determinations*.

Other income and expense transactions were not individually considered to be material. Details of the Council's revenue outturn reports are available on the Council's website, [www.birmingham.gov.uk/democracy](http://www.birmingham.gov.uk/democracy).

**Note 6****Events After the Reporting Period**

The Statement of Accounts was authorised for issue by the Director of Finance on 19 March 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council faces reducing Government grants, reducing capital receipts and lower income from services. This poses challenges to the financial resilience of the Council. In this context, the Council's Business Plan sets out medium to long-term strategies for business changes and the management and development of its services. The Council is addressing some of its financial pressures by considering alternative delivery mechanisms. Two companies came into effect on 1st April 2012: a new charitable company to manage the Council's museums (Birmingham Museums Ltd) and a wholly owned company (Acivico) to deliver a range of services to the City Council and other public sector bodies. Over 200 staff transferred under TUPE arrangements.

In May 2012, the Council agreed the constitutional changes necessary to extend the Council's approach to localisation through the creation of a Local Services Directorate and a Development and Culture Directorate and the realignment of other Council Directorate functions. The cost of delivering structural change are to be contained within the current resource envelope and future efficiency savings will contribute to the existing financial targets, future savings requirements or support policy priorities.

Academy Schools are not accounted for within the Council's financial statements. Where a school transfers to Academy status, it is deemed to be disposed of within the financial statements for nil consideration. In 2012/13, 48 schools, with assets with a net book value of £238.0m, are proposing to transfer to Academy Status.

The Council is continuing to face reductions in Government resources and a need to provide funding to meet budget pressures through to 2016/17. A key focus of business planning has been the achievement of the Council's priority outcomes through the adoption of a core set of corporate principles to inform service and organisational redesign where appropriate. The Council is planning to meet its anticipated expenditure reductions through a number of activities, including seeking voluntary redundancies from staff in 2012/13 and 2013/14.

From 1 April 2013 Birmingham City Council will have responsibility for improving health and for commissioning appropriate public health services. The transfer of public health staff and pre-existing contractual arrangements for public health services from the Primary Care Trusts will be made through mandatory transfer schemes under Section 300 Health and Social Care Act 2012. In 2013/14 the Council will receive £78m funding for these services from the Department of Health. The Council has worked closely with transferring staff, health partners and service providers to ensure that all assets and liabilities are identified and risks appropriately mitigated through the statutory processes.

There were no other post balance sheet events.

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**Note 7****Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

**General Fund Balance**

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

**Housing Revenue Account Balance**

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

**Major Repairs Reserve**

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

2011/12	Usable reserves					
	General Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Movement in Unusable Reserves £m
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited / (credited) to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:</u>						
Depreciation charges for Property, Plant and Equipment	169.1	41.4	-	-	-	(210.5)
Amortisation of intangible assets	20.9	-	-	-	-	(20.9)
Revaluation gains on Property, Plant and Equipment and intangible assets	-	-	-	-	-	-
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	229.0	-	-	-	-	(229.0)
Movements in the market value of Investment Properties	-	-	-	-	-	-
Capital grants and contributions applied	(224.5)	-	-	-	-	224.5
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	322.4	336.1	-	-	-	(658.5)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	225.3	5.3	-	-	-	(230.6)
<u>Insertion of items not debited / (credited) to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(127.8)	-	-	-	-	127.8
Capital expenditure charged against the General Fund and HRA balances	-	(0.3)	-	-	-	0.3
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(86.9)	-	-	-	86.9	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(94.3)	94.3
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15.5)	(11.6)	27.1	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(13.9)	-	-	13.9
Application of capital receipts to repay debt	-	-	(1.6)	-	-	1.6
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	6.7	-	(6.7)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-



2011/12	Usable reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	£m
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):</b>						
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	0.8	-	-	-	-	(0.8)
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	(41.4)	-	41.4	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(27.4)	-	27.4
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs (mainly relating to NEC debt) charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	9.2	-	-	-	-	(9.2)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	145.7	1.7	-	-	-	(147.4)
Employer's pensions contributions and direct payments to retirees payable in the year	(101.3)	-	-	-	-	101.3
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	0.9	-	-	-	-	(0.9)
<b>Adjustment involving the Equal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	332.3	-	-	-	-	(332.3)
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6.6)	-	-	-	-	6.6
<b>Total Adjustments</b>	<b>899.7</b>	<b>331.2</b>	<b>4.9</b>	<b>14.0</b>	<b>(7.4)</b>	<b>(1,242.4)</b>

2010/11	Usable reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	£m
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited / (credited) to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:</u>						
Depreciation charges for Property, Plant and Equipment	181.1	40.9	-	-	-	(222.0)
Amortisation of intangible assets	7.1	-	-	-	-	(7.1)
Revaluation gains on Property, Plant and Equipment and intangible assets	-	-	-	-	-	-
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	144.4	625.5	-	-	-	(769.9)
Movements in the market value of Investment Properties	-	-	-	-	-	-
Capital grants and contributions applied	(228.9)	-	-	-	-	228.9
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	124.3	-	-	-	-	(124.3)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	193.2	6.7	-	-	-	(199.9)
<u>Insertion of items not debited / (credited) to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	(107.8)	-	-	-	-	107.8
Capital expenditure charged against the General Fund and HRA balances	-	(5.3)	-	-	-	5.3
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(36.2)	-	-	-	36.2	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16.4)	(10.8)	27.2	-	-	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(28.6)	-	-	28.6
Application of capital receipts to repay debt	-	-	(3.0)	-	-	3.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	7.6	-	(7.6)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	1.9	-	-	(1.9)

2010/11	Usable reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	£m
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):</b>						
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	5.8	-	-	-	-	(5.8)
<b>Adjustment involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	(15.9)	-	15.9	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(14.9)	-	14.9
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs (mainly relating to NEC debt) charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11.4	-	-	-	-	(11.4)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(73.9)	2.2	-	-	-	71.7
Employer's pensions contributions and direct payments to retirees payable in the year	(114.3)	-	-	-	-	114.3
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	4.1	-	-	-	-	(4.1)
<b>Adjustment involving the Equal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	127.8	-	-	-	-	(127.8)
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	10.4	-	-	-	-	(10.4)
<b>Total Adjustments</b>	<b>239.7</b>	<b>643.3</b>	<b>(10.1)</b>	<b>1.0</b>	<b>36.2</b>	<b>(910.1)</b>

**Note 8****Transfers To/(From) Earmarked Reserves**

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£m	£m	£m	£m	£m	£m	£m
<b>General Fund</b>							
Sums set aside to finance capital expenditure	0.5	0	6.7	7.2	(3.7)	0.1	3.6
Reserves for budgets delegated to schools (a)	64.6	(9.5)	0	55.1	(1.3)	25.7	79.5
Treasury management and business continuity	10.9	(7.0)	0	3.9		0.8	4.7
Area Based Grant	31.4	(31.4)	0	0			0
Insurance reserve (b)	10.0	(0.4)	0	9.6	(2.5)	4.0	11.1
Other (c)	24.7	(9.8)	35.8	50.7	(33.1)	63.7	81.3
<b>Total</b>	<b>142.1</b>	<b>(58.1)</b>	<b>42.5</b>	<b>126.5</b>	<b>(40.6)</b>	<b>94.3</b>	<b>180.2</b>

Earmarked reserves are available to fund capital or revenue expenditure, following approval by the Cabinet. Expenditure is charged to the revenue or capital account when it is incurred and is financed by an appropriation from the reserve to the General Fund.

- (a) The reserve in respect of budgets delegated to schools is a net figure held by schools and is an earmarked reserve that must be fully available for schools' use.
- (b) The Council maintains an Insurance Reserve to assist in managing claims falling due against negotiated policy excesses. The policy excesses, which change from time to time, are for the major risks (2011/12 policy year):
- |                       |  |
|-----------------------|--|
| Fire and terrorism:   | £2m per claim                                  |
| Employer's liability: | £0.5m per claim                                |
| Public liability:     | £0.15m per claim                               |
| Motor vehicle:        | £0.15m per claim up to £1.5m in aggregate p.a. |

Municipal Mutual Insurance Co Ltd (MMI), through which the Council had part of its fire insurance and a number of contingency covers, ceased writing new insurance business in 1992, and is currently using its available resources to meet outstanding claims. MMI is reassessing the extent of its liability claims following a decision of the Supreme Court in March 2012. However the company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the company has entered into a Scheme of Arrangement with its creditors. The scheme has been implemented, and the Council and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1 October 1993. Claims settled since 1 October 1993 total £2.42m.

The Council also acts on behalf of the West Midlands District Councils in administering insurance claims arising from the former West Midlands County Council. As the scheme has been implemented, the Council will also be called upon to reimburse a proportion, along with the other West Midlands District Councils. Since 1 October 1993 claims settled total £0.82m.

- (c) The major items within the Other reserves total of £81.3m are:
- Highways Maintenance PFI Reserve - £44.8m
  - Adults and Communities S.256 - £8.5m
  - Children's DSG - £5.8m
- Directorates also hold specific reserves for future expenditure and as a result of grants received not utilised within year.

**Note 9****Other Operating Expenditure**

Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure statement comprises the following:

2010/11		2011/12
<b>£m</b>		<b>£m</b>
0.1	Parish Council precepts	0.1
54.6	Levy: Passenger Transport Authority	58.5
0.3	Levy: Environment Agency	0.3
7.6	Payments to the Government Housing Capital Receipts Pool	6.7
172.7	(Gains)/Losses on the disposal of non current assets	203.5
<b>235.3</b>	<b>Total</b>	<b>269.1</b>

**Note 10****Financing and Investment Income and Expenditure**

Financing and Investment Income and Expenditure disclosed in the Comprehensive Income and Expenditure statement comprises the following:

2010/11				2011/12		
Gross expenditure	Income	Net		Gross expenditure	Income	Net
<b>£m</b>	<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>
142.3		142.3	Interest payable and similar charges	149.4		149.4
62.2		62.2	Pensions interest cost and expected return on pensions assets	43.3		43.3
	(15.9)	(15.9)	Interest receivable and similar income		(24.1)	(24.1)
<b>204.5</b>	<b>(15.9)</b>	<b>188.6</b>	<b>Total</b>	<b>192.7</b>	<b>(24.1)</b>	<b>168.6</b>

**Note 11****Taxation and Non Specific Grant Income**

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

2010/11		2011/12
<b>£m</b>		<b>£m</b>
(332.7)	Council tax income	(332.3)
(592.1)	Non domestic rates	(528.0)
1.4	Council's share of Collection Fund (Surplus)/Deficit	0.9
(276.3)	Non-ring fenced government grants	(228.3)
(194.0)	Capital grants and contributions	(172.9)
<b>(1,393.7)</b>	<b>Total</b>	<b>(1,260.6)</b>

Further information on government grants received is provided in note 37.

## Note 12

### Property, Plant and Equipment

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

#### Movements on Balances: 2011/12

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Heritage assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant, Equipment and Heritage Assets £m	PFI / Service Concession assets Included in Property, Plant, Equipment and Heritage Assets £m
<b>Cost or Valuation</b>										
At 1 April 2011	1,646.9	2,798.3	165.8	703.0	69.6	242.9	-	288.6	5,915.1	726.5
Additions	71.4	105.7	10.0	80.3	2.1	0.1		154.0	423.6	100.7
Assets reclassified between categories	-	67.4	2.8	41.2	0.1	0.1	-	(111.6)	-	
Assets reclassified (to)/from Held for Sale		(9.7)							(9.7)	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	113.4							113.4	0.2
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(70.1)	(257.7)							(327.8)	
Derecognition - Disposals	(5.2)	(183.7)	(3.6)						(192.5)	(91.8)
Derecognition - of components	(0.9)	(6.9)		(140.1)					(147.9)	
<b>At 31 March 2012</b>	<b>1,642.1</b>	<b>2,626.8</b>	<b>175.0</b>	<b>684.4</b>	<b>71.8</b>	<b>243.1</b>	<b>-</b>	<b>331.0</b>	<b>5,774.2</b>	<b>735.6</b>
<b>Accumulated Depreciation and Impairment</b>										
At 1 April 2011	(138.9)	(192.2)	(36.6)	(343.5)	-	-	-	-	(711.2)	(51.9)
Depreciation charge	(41.4)	(60.0)	(19.4)	(89.7)					(210.5)	(26.7)
Depreciation written out to the Revaluation Reserve	40.9	45.7							86.6	9.2
Depreciation written out to the Surplus/Deficit on the Provision of Services									-	
Impairment (losses)/reversals recognised in the Revaluation Reserve	(26.7)	(7.7)							(34.4)	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the	70.1	28.7							98.8	
Derecognition - Disposals		20.5	1.6						22.1	12.8
Derecognition - of components		1.0		86.7					87.7	
<b>At 31 March 2012</b>	<b>(96.0)</b>	<b>(164.0)</b>	<b>(54.4)</b>	<b>(346.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(660.9)</b>	<b>(56.6)</b>
<b>Net Book Value</b>										
<b>At 31 March 2012</b>	<b>1,546.1</b>	<b>2,462.8</b>	<b>120.6</b>	<b>337.9</b>	<b>71.8</b>	<b>243.1</b>	<b>-</b>	<b>331.0</b>	<b>5,113.3</b>	<b>679.0</b>
<b>At 31 March 2011</b>	<b>1,508.0</b>	<b>2,606.1</b>	<b>129.2</b>	<b>359.5</b>	<b>69.6</b>	<b>242.9</b>	<b>-</b>	<b>288.6</b>	<b>5,203.9</b>	<b>674.6</b>

Movements on Balances: 2010/11  
Restated for Heritage Assets

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Heritage assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant, Equipment and Heritage Assets £m	PFI / Service Concession assets Included in Property, Plant, Equipment and Heritage Assets £m
<b>Cost or Valuation</b>										
At 1 April 2010	2,244.8	2,869.7	143.8	839.4	66.5	239.7	-	207.6	6,611.5	598.1
Additions	105.9	113.6	19.8	105.9	3.4	3.2	-	120.7	472.5	163.4
Assets reclassified between categories	-	26.1	2.4	10.0	1.2	-	-	(39.7)	-	-
Assets reclassified (to)/from Held for Sale	-	(4.0)	-	-	-	-	-	-	(4.0)	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(170.3)	47.0	-	-	-	-	-	-	(123.3)	(4.8)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(526.9)	(160.4)	-	-	-	-	-	-	(687.3)	(15.9)
Derecognition - Disposals	(6.6)	(68.9)	(0.2)	-	(1.5)	-	-	-	(77.2)	(14.3)
Derecognition - of components	-	(24.8)	-	(252.3)	-	-	-	-	(277.1)	-
<b>At 31 March 2011</b>	<b>1,646.9</b>	<b>2,798.3</b>	<b>165.8</b>	<b>703.0</b>	<b>69.6</b>	<b>242.9</b>	<b>-</b>	<b>288.6</b>	<b>5,915.1</b>	<b>726.5</b>
<b>Accumulated Depreciation and Impairment</b>										
At 1 April 2010	(163.6)	(187.8)	(19.4)	(404.5)	-	-	-	-	(775.3)	(41.7)
Depreciation charge	(40.9)	(77.1)	(17.2)	(86.8)	-	-	-	-	(222.0)	(26.4)
Depreciation written out to the Revaluation Reserve	40.7	27.2	-	-	-	-	-	-	67.9	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	12.7	-	-	-	-	-	-	12.7	1.8
Impairment (losses)/reversals recognised in the Revaluation Reserve	122.9	14.2	-	-	-	-	-	-	137.1	4.7
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(98.0)	3.3	-	-	-	-	-	-	(94.7)	3.6
Derecognition - Disposals	-	11.2	-	-	-	-	-	-	11.2	6.1
Derecognition - of components	-	4.1	-	147.8	-	-	-	-	151.9	-
<b>At 31 March 2011</b>	<b>(138.9)</b>	<b>(192.2)</b>	<b>(36.6)</b>	<b>(343.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(711.2)</b>	<b>(51.9)</b>
<b>Net Book Value</b>										
<b>At 31 March 2011</b>	<b>1,508.0</b>	<b>2,606.1</b>	<b>129.2</b>	<b>359.5</b>	<b>69.6</b>	<b>242.9</b>	<b>-</b>	<b>288.6</b>	<b>5,203.9</b>	<b>674.6</b>
<b>At 31 March 2010</b>	<b>2,081.2</b>	<b>2,681.9</b>	<b>124.4</b>	<b>434.9</b>	<b>66.5</b>	<b>239.7</b>	<b>-</b>	<b>207.6</b>	<b>5,836.2</b>	<b>556.4</b>

**Revaluations****Operational (other than Housing):**

Approximately one fifth of the Council's property assets are valued each year. Peter Jones, Fellow of the Royal Institution of Chartered Surveyors (FRICS), Assistant Director and other similarly qualified staff in Birmingham Property Services, Resources Directorate, carried out the valuations, and a Valuation Certificate was issued in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The effective date of the current year's valuation is 1 April 2011. Properties regarded as operational were valued on the basis of Existing Use Value. Where the asset is of a specialist nature, the method of valuation was Depreciated Replacement Cost. During the annual revaluation exercise material assets are componentised in line with the accounting policy. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

**Housing:**

The entire housing stock was valued as at 1 April 2011 by Peter Jones FRICS, and similarly qualified staff in Birmingham Property Services, according to the Department of Communities and Local Government 'Stock Valuation for Resource Accounting - Guidance for Valuers 2010'. The valuation was on the basis of Existing Use Value for Social Housing using sample "Beacon Properties" and a Valuation Certificate was issued in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

**Infrastructure and Community Assets:**

Infrastructure assets have been stated at the amount of outstanding debt as at 31 March 1994, when a new system of capital accounting was introduced, with adjustments for subsequent capital expenditure and depreciation. Community assets are valued at historic cost.

**Impairment:**

An impairment of £54.6m was made to the carrying value of HRA dwellings to reflect the fact that this expenditure did not add equivalent value. See also Note H4.

**Depreciation:**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings – the HRA has been charged with depreciation in relation to the components of Housing stock. In totality this depreciation is equivalent to the Major Repairs Allowance received from Central Government.

Buildings - up to 50 years

Vehicles, Plant, Furniture and Equipment – 5 years to 40 years

Infrastructure – 10 years to 40 years



**Capital commitments**

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant, Furniture and Equipment in 2012/13 and future years budgeted to cost £1,242.7m. Similar commitments at 31 March 2011 were £1,356.4m. The major commitments are:

	£m
PFI lifecycle costs	884.8
Birmingham Gateway New St Station	114.9
Library of Birmingham	93.8
Building Schools for the Future Programme	67.0
Additional Primary Places Programme	40.4
Primary Schools Capital Programme	11.0
Telehealthcare	8.4
Microsoft Exchange Programme	3.2
Selly Oak New Rd	2.0
Cardigan Street Redevelopment	3.4
Newtown BMHT Development	3.8
Museum - History Gallery	2.2
Eastside Park Development	3.3
Customer First Programme	1.9
Golden Square Development	1.6
Kings Norton Cemetery	1.0

**Capitalisation of borrowing costs**

The Council has adopted an accounting policy of capitalising borrowing costs in relation to qualifying assets. In 2011/12 the amount of borrowing costs capitalised during the period was £7.0m with an average interest rate of 3.8%. In 2010/11 £4.2m was capitalised at an average rate of 5.6%.

For 2011/12, interest capitalised by scheme was as follows:

	£m
Library of Birmingham	2.8
Woodcock Street	1.5
New Street Station	2.7

## Note 13

### Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant, Furniture and Equipment. The intangible assets include intangible assets related to the Council's Business Transformation programme.

Intangible assets are accounted for on the basis of cost and amortised on a straight-line basis over a five year period, which is deemed to be the period that intangible assets are expected to be of use to the Council.

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

	2010/11			2011/12		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£m	£m	£m	£m	£m	£m
Balance at start of year:						
Gross carrying amounts	-	27.1	27.1	-	82.3	82.3
Accumulated amortisation	-	(8.3)	(8.3)	-	(15.4)	(15.4)
Net carrying amount at start of year	-	18.8	18.8	-	66.9	66.9
Additions:						
Internal development	-	54.2	54.2	-	14.9	14.9
Purchases	-	1.0	1.0	-	-	-
Amortisation for the period	-	(7.1)	(7.1)	-	(20.9)	(20.9)
Net carrying amount at end of year	-	<b>66.9</b>	<b>66.9</b>	-	<b>60.9</b>	<b>60.9</b>
Comprising:						
Gross carrying amounts	-	82.3	82.3	-	97.2	97.2
Accumulated amortisation	-	(15.4)	(15.4)	-	(36.3)	(36.3)
	-	<b>66.9</b>	<b>66.9</b>	-	<b>60.9</b>	<b>60.9</b>

**Note 14****Capital Expenditure and Capital Financing**

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

Capital expenditure			Capital financing		
Type of asset	2010/11	2011/12	Source	2010/11	2011/12
	£m	£m		£m	£m
Council dwellings	105.9	71.4	Borrowing	10.8	-
Other land and buildings	139.7	173.1	Prudential borrowing	375.6	737.8
Vehicles and equipment	22.2	12.8	Capital receipts	28.6	12.8
Infrastructure	115.9	121.5	Grants and contributions	244.7	346.7
Community assets	4.6	2.2	Revenue	5.3	0.3
Investment properties	-	-			
Heritage assets	3.2	0.2			
Assets under construction	81.0	42.4			
Intangible assets	55.2	14.9			
<b>Total capital expenditure on fixed assets</b>	<b>527.7</b>	<b>438.5</b>			
Gross revenue expenditure funded from capital under statute	124.3	193.4			
HRA Capitalisation Directive	-	336.1			
Equal Pay Directive	-	124.6			
Long Term Loans	12.8	5.0			
Acquisition of share capital	0.2	-			
<b>Total expenditure</b>	<b>665.0</b>	<b>1,097.6</b>	<b>Total</b>	<b>665.0</b>	<b>1,097.6</b>

The Capital Financing Requirement at the 31st March 2012 is £3,906.5m (31st March 2011 £3,294.2m)

**Note 15****Heritage Assets**

For 2011/12 the Council has been required to change its accounting policy for Heritage Assets and recognise them at historic cost or current valuation if available. Heritage Assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. In applying the new accounting policy, those assets now recorded as Heritage Assets, which were included in previous years accounts, were classified as Community Assets. However, the majority of the assets now included as Heritage Assets were not included in prior years Financial Statements. The carrying value of Heritage Assets previously held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 was £10.7m. The effect of the change in accounting policy in 2011/12 has been that Heritage Assets are now recognised at 1 April 2010 at £239.7m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £229.0m.

**Reconciliation of the Carrying Value of Heritage Assets Held By the Council:**

	Museum collections	Historic buildings	Public Art	Libraries and Archive collections	Civic Regalia and Plate	Total Assets
	£m	£m	£m	£m	£m	£m
<b>01 April 2010</b>						
- At Cost		10.7				10.7
- At Valuation	211.7			15.5	1.8	229.0
Additions & Recognitions	2.8	0.1	0.3			3.2
<b>31 March 2011</b>	<b>214.5</b>	<b>10.8</b>	<b>0.3</b>	<b>15.5</b>	<b>1.8</b>	<b>242.9</b>
- At Cost	2.1	10.8	0.3			13.2
- At Valuation	212.4			15.5	1.8	229.7
<b>31 March 2011</b>	<b>214.5</b>	<b>10.8</b>	<b>0.3</b>	<b>15.5</b>	<b>1.8</b>	<b>242.9</b>
<b>01 April 2011</b>						
- At Cost	2.1	10.8	0.3	0.0	0.0	13.2
- At Valuation	212.4	0.0	0.0	15.5	1.8	229.7
Additions		0.1	0.1			0.2
<b>31 March 2012</b>	<b>214.5</b>	<b>10.9</b>	<b>0.4</b>	<b>15.5</b>	<b>1.8</b>	<b>243.1</b>
- At Cost	2.1	10.9	0.4			13.4
- At Valuation	212.4			15.5	1.8	229.7
<b>31 March 2012</b>	<b>214.5</b>	<b>10.9</b>	<b>0.4</b>	<b>15.5</b>	<b>1.8</b>	<b>243.1</b>

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

**Museum collections**

The Council holds collections of artworks, ceramics, jewellery and items of archaeological and scientific significance. The vast majority of the Museums Loan collection is held within the Birmingham Museum and Art Gallery, which holds one of the finest collections of art, history and science in the UK and the best collection of Pre-Raphaelite works in the world. The collection itself includes a number of highly valued items including works of art in Oil by the 19th Century artist Ford Madox Brown, together with substantial works by Burne-Jones, Holman Hunt, Bellini and Canaletto amongst others. There have been some significant additions to the collections, in particular the Staffordshire Hoard, purchased in 2010/11 jointly with Stoke City Council, the largest hoard of Anglo-Saxon gold and silver metalwork yet found. There are significant exhibits and artwork comprising the Permanent Collection on display in community museums, for example Aston Hall and Soho House, together with items held in storage at the Museums Collection Centre. In addition there is a collection of Boulton silverware, a set of 24 pieces in silver jointly owned by the Council and the Birmingham Assay Office.

**Historic buildings and the Historic Environment**

The Council either owns or holds on trust in excess of 150 listed buildings and structures, with Grade I and Grade II properties being the most significant. These include Aston Hall, a Grade I listed Jacobean manor house completed in 1635, Blakesley Hall, an Elizabethan timber house built by a local merchant in 1590 and Soho House, home of Birmingham industrialist and entrepreneur Matthew Boulton, all of which are included as Heritage Assets. The majority of historic buildings are used in an operational capacity and include the Council House, the Birmingham Museum and Art Gallery, Victoria Law Courts and a number of schools and community facilities. As such they have not been included under the category of Heritage Assets.

**Public Art**

The Council owns over 80 pieces of public art, including statues, sculpture and fountains, some of which are listed structures. Reliable cost or valuation is not available for these items, due to the lack of comparable market data, the need for specialist information being required and the diverse and unique nature of the structures themselves. However cost information is currently available for Victoria Square Fountain and King Edward VII Statue, and has been included.

**Libraries and Archive collections**

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

**Civic Regalia and Plate**

The Council owns 233 items of civic regalia and plate, kept either on display, in storage or used on ceremonial and other formal occasions. There is a large variety of items within the collection, the main ones being the City of Birmingham and the Sutton Coldfield Mayoral chains and the respective Maces. The City of Birmingham Mace was cast in silver, in the late 19th century by Elkington and Co.

**Additions**

Additions in 2010/11 comprised:

- £1.6m for The Staffordshire Hoard, as the Council's share of the overall cost jointly purchased with Stoke City Council.
- £0.4m for the purchase of various photographic and art works, being the Council's cost of the purchase jointly funded with the New Art Gallery Walsall
- £0.1m for the purchase of 5 items of silver related to Castle Bromwich Church
- £0.1m additional costs at Aston Hall
- £0.3m costs associated with Victoria Square fountain.
- £0.6m donation of the oil painting The Proscribed Royalist, a 17th century artwork by Millais
- £0.1m donation of various items of silver, artwork, prints and a print cabinet.

**Heritage asset policy**

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

With heritage assets like museums and archives, access is a core function as they are publicly owned collections housed within public buildings. These are interpreted through permanent displays of historic material, temporary exhibitions and events, publications, catalogues and digital and web-based resources. In addition the Museums Collection Centre schedules occasional open days, allowing public access to some of the Museums stored historical artefacts. For the wider historic environment, guided tours, printed leaflets and publications, heritage trails and interpretive panels are effective in enabling intellectual access.

**5-year financial summary of heritage asset transactions**

	2007/08	2008/09	2009/10	2010/11	2011/12
	£m	£m	£m	£m	£m
<b>Purchases</b>					
Museum collections	0.1	0.1		2.1	
Historic buildings		6.8	1.2	0.1	0.1
Public Art				0.3	0.1
<b>Donations</b>					
Museum collections	0.1	0.1		0.7	
<b>Total additions</b>	<b>0.2</b>	<b>7.0</b>	<b>1.2</b>	<b>3.2</b>	<b>0.2</b>

## Note 16

### Financial Instruments

#### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2011 £m	31 March 2012 £m	31 March 2011 £m	31 March 2012 £m
<b>Investments</b>				
Loans and receivables	273.7	261.6	184.1	300.4
Unquoted equity investment at cost	8.4	1.4	-	
<b>Total</b>	<b>282.1</b>	<b>263.0</b>	<b>184.1</b>	<b>300.4</b>
<i>Investments that are not financial instruments</i>	26.5	26.5	-	
<b>Total investments</b>	<b>308.6</b>	<b>289.5</b>	<b>184.1</b>	<b>300.4</b>
<b>Debtors</b>				
Loans and receivables	48.7	54.0	2.1	3.0
Financial assets carried at contract amounts	-		139.6	135.4
<b>Total</b>	<b>48.7</b>	<b>54.0</b>	<b>141.7</b>	<b>138.4</b>
<i>Debtors that are not financial instruments</i>	33.7	31.1	124.3	131.5
<b>Total debtors</b>	<b>82.4</b>	<b>85.1</b>	<b>266.0</b>	<b>269.9</b>
<b>Cash</b>				
Loans and receivables			50.1	54.0
<b>Total cash: asset</b>			<b>50.1</b>	<b>54.0</b>
Financial liabilities at amortised cost			(36.9)	(33.7)
<b>Total cash: liability</b>			<b>(36.9)</b>	<b>(33.7)</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(2,257.6)	(2,617.6)	(405.5)	(467.7)
<b>Total borrowings</b>	<b>(2,257.6)</b>	<b>(2,617.6)</b>	<b>(405.5)</b>	<b>(467.7)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(264.1)	(314.3)		
<b>Total</b>	<b>(264.1)</b>	<b>(314.3)</b>		
<i>Other long term liabilities.</i>	(78.8)	(72.1)		
<b>Total long term liabilities</b>	<b>(342.9)</b>	<b>(386.4)</b>		
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	(137.2)	(227.9)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(137.2)</b>	<b>(227.9)</b>
<i>Creditors that are not financial instruments</i>	-	-	(191.4)	(234.8)
<b>Total creditors</b>	<b>-</b>	<b>-</b>	<b>(328.6)</b>	<b>(462.7)</b>

Income, Expenses, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are shown in the following table:

	Financial liabilities		Financial assets							
	Measured at amortised cost		Loans and receivables		Available for sale		Fair value through profit and loss		Total	Total
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Interest expense	142.3	149.4			-				142.3	149.4
Losses on derecognition	0.1		-		-	1.5	-		0.1	1.5
Loss on recognition.	3.7		-		-		-		3.7	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>146.1</b>	<b>149.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>-</b>	<b>146.1</b>	<b>150.9</b>
Interest income			(15.9)	(24.1)					(15.9)	(24.1)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>-</b>	<b>(15.9)</b>	<b>(24.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15.9)</b>	<b>(24.1)</b>
<b>Net gain / (loss) for the year</b>	<b>146.1</b>	<b>149.4</b>	<b>(15.9)</b>	<b>(24.1)</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>-</b>	<b>130.2</b>	<b>126.8</b>

The fair values are calculated as follows:

	31 March 2011		31 March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Financial liabilities	(3,180.2)	(3,446.0)	(3,733.3)	(3,912.3)
Long-term creditors	0.0	0.0	0.0	0.0

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2011		31 March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Loans and receivables	510.0	510.0	619.0	619.0
Long-term debtors	48.7	43.6	54.0	47.9

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest below current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.



**Note 17****Nature and Extent of Risks Arising from Financial Instruments**

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

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

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

- a. by formally adopting the requirements of the Code of Practice
- b. by approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing, its maximum exposure to fixed and variable rates, and the maturity structure of its debt
- c. by approving an investment strategy for the forthcoming year in setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

Credit risk

The Council makes investments for treasury management purposes when the Council has temporarily surplus cash due to positive cashflow or borrowing activity. These investments are subject to credit rating and diversification safeguards as follows:

<b>Investments:</b>	<b>Lending limit</b>	<b>FITCH viability and support rating</b>	<b>FITCH short term rating</b>
Banks and Building Societies	£25m	aa-,2	F1+
Banks and Building Societies	£20m	a-,2	F1+
Banks and Building Societies	£15m	a-,2	F1
Money Market Funds	£40m		Highest possible rating from Fitch, Moody's or S&P
Local Authorities	£25m	N/A	N/A
UK Government	None	N/A	N/A

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

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

**Liquidity risk**

The Council has ready access to loans from the Public Works Loans Board (PWLB) in accordance with the PWLB circulars currently in force, and there is no significant risk that it will be unable to raise finance to meet its commitments. The maturity analysis of financial liabilities is as follows:

31 March 2011		31 March 2012
£m		£m
(771.1)	Less than 1 year	(964.1)
(35.3)	Between 1 and 2 years	(60.5)
(173.1)	Between 2 and 5 years	(268.6)
(1,055.4)	Between 5 and 20 years	(1,094.3)
(790.0)	Between 20 and 40 years	(933.9)
(546.7)	Over 40 years	(646.7)
<b>(3,371.6)</b>		<b>(3,968.1)</b>

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

**Market risk***Interest rate risk*

The Council is exposed to significant risk in relation to interest rate movements on its borrowing and investments. These risks are managed in accordance with the Council's Treasury Management Strategy, including the setting and monitoring of risk limits on the level of variable rate instruments and on the amount of borrowing maturing in future years.

Sensitivity to 1% increase in interest rates as at 31 March 2012:

Increase in interest payable on variable rate borrowings	4.0
Increase in interest receivable on variable rate investments	(1.4)
Increase in government grant receivable for financing costs	
Impact on Surplus or Deficit on the Provision of Services	<u>2.6</u>
Share of overall impact debited to the HRA	<u>0.2</u>
Decrease in fair value of fixed rate investment assets	<u>(3.0)</u>
Impact on Other Comprehensive Income and Expenditure	<u>(3.0)</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	295.8

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

In 2005, the Council acquired NEC(Finance) Plc loan stock and £200.1m remains to be repaid to the City Council. The loan stock is secured on an equal amount of NEC Ltd loan stock, which is itself guaranteed by the Council.

Under the terms of the leases of land by the Council to NEC Ltd, the Council has the right to terminate the leases in the event of the cancellation of the NEC loan stock

Payments to the holders of the NEC (Finance) plc loan stock are guaranteed by the Council, and the purchase of the loan stock in 2005 was part of the risk management strategy which ensured that the Council was no longer exposed to calls on its guarantee to meet future interest payments or the maturity payment in 2016. Accordingly, taking into account the guarantee and the Council's financial relationships with the NEC group companies, there is no credit, liquidity or market risk associated with the Council's holding of this loan stock.

*Price risk*

The Council's holdings of shares are summarised in Note 38; these are all unquoted shares held primarily to support service objectives rather than as financial investments. The financial value of these shares will vary according to general market conditions and the particular circumstances of the share issuers. Active prices for these investments are not available.

*Foreign exchange risk*

The Council has no material direct foreign currency exposures in its financial instruments.

**Note 18****Long-Term Debtors**

The table below shows amounts owed to the Council at the end of the year that are due within more than 12 months. These balances have been split by type of organisation.

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
35.6	43.9	Trade debtors	48.1
1.7	1.6	Employee loans	1.4
0.4	0.4	Mortgages: former Council House tenants	0.4
39.0	36.5	Other debtors	35.2
<b>76.7</b>	<b>82.4</b>	<b>Total</b>	<b>85.1</b>

**Note 19****Inventories**

The table below shows the value of goods owned by the Council which have not been used by the end of the financial year:

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance outstanding at start of year</b>	2.3	1.4	0	0	0	0	2.3	1.4
Purchases	17.5	19.9	0.3	0.3	0	0	17.8	20.2
Recognised as an expense in the year	(18.4)	(20.0)	(0.3)	(0.3)	0	0	(18.7)	(20.3)
<b>Balance outstanding at year-end</b>	<b>1.4</b>	<b>1.3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.4</b>	<b>1.3</b>

**Note 20****Short-Term Debtors**

The table below shows amounts owed to the Council at the end of the year that are due within 12 months. These balances have been split by type of organisation.

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
115.1	97.7	Central government bodies	98.9
7.3	5.8	Other local authorities	9.2
7.3	1.2	NHS bodies	1.1
14.3	8.6	Public corporations and trading funds	9.7
154.3	152.7	Other entities and individuals	151.0
<b>298.3</b>	<b>266.0</b>	<b>Total</b>	<b>269.9</b>

**Note 21****Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
1.7	1.3	Cash held by the Council	1.6
(0.3)	11.9	Bank current accounts	18.7
<b>1.4</b>	<b>13.2</b>	<b>Total</b>	<b>20.3</b>

**Note 22****Assets Held for Sale**

The following table shows the value of assets whose carrying amount will be recovered principally through a sale transaction rather than through its continuing use:

	Current		Non-Current	
	2010/11	2011/12	2010/11	2011/12
	£m	£m	£m	£m
<b>Balance outstanding at start of year</b>	12.4	3.7	-	-
Assets newly classified as held for sale:				
Property, plant and equipment	3.7	7.9	-	-
Assets sold	(12.4)	(3.7)	-	-
<b>Balance outstanding at year end</b>	<b>3.7</b>	<b>7.9</b>	<b>-</b>	<b>-</b>

**Note 23****Short Term Creditors**

The table below shows amounts owed by the Council at the end of the year, split by type of organisation.

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
(151.0)	(50.9)	Central government bodies	(192.5)
(9.5)	(9.7)	Other local authorities	(10.0)
(2.1)	(4.1)	NHS bodies	(0.9)
(59.0)	(20.0)	Public corporations and trading funds	(21.6)
(128.7)	(243.9)	Other entities and individuals	(237.7)
<b>(350.3)</b>	<b>(328.6)</b>	<b>Total</b>	<b>(462.7)</b>

The increase in the balance of creditors related to Central Government bodies reflects the payments to the Council in respect of the Regional Growth Fund and Growing Places that will be managed in future years on behalf of the Birmingham and Solihull Local Enterprise Partnership.

**Note 24****Provisions**

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

	Current					Non-current			
	NEC Limited Loan Debt	Equal Pay	Carbon Reduction Commitment	Other Provisions	Total	NEC Limited Loan Debt	Equal Pay	Other Provisions	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2011</b>	<b>0.3</b>	<b>291.8</b>	<b>-</b>	<b>11.4</b>	<b>303.5</b>	<b>3.9</b>	<b>-</b>	<b>6.2</b>	<b>10.1</b>
Additional provisions made in 2011/12		17.8	1.8	0.1	<b>19.7</b>		439.1	1.1	<b>440.2</b>
Amounts used in 2011/12	(0.2)	(74.9)		(1.2)	<b>(76.3)</b>				-
Transfer between current and non-current provision	0.2			1.2	<b>1.4</b>	(0.2)		(1.2)	<b>(1.4)</b>
<b>Balance at 31 March 2012</b>	<b>0.3</b>	<b>234.7</b>	<b>1.8</b>	<b>11.5</b>	<b>248.3</b>	<b>3.7</b>	<b>439.1</b>	<b>6.1</b>	<b>448.9</b>
<b>Balance at 1 April 2010</b>	0.3	165.1	-	11.8	177.2	3.8	-	3.2	7.0

#### The National Exhibition Centre Limited Loan Debt

On 21 May 1997, The National Exhibition Centre Developments PLC issued £73m guaranteed unsecured loan stock 2027. The loan stock is guaranteed by Birmingham City Council. The Council received a guarantee fee of £7.932m in 1997 and this is being amortised over the life of the guarantee (1997 to 2027).

#### Equal Pay

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received legal claims relating to back pay in relation to this entitlement and, following a Court of Appeal judgement, may be subject to further claims from former employees. The Council seeks to resolve such claims on an on-going basis.

#### The Carbon Reduction Commitment

In 2012/13 the Council will have to purchase allowances as a result of mandatory participation in the Government's Carbon Reduction Commitment Energy Efficiency scheme (CRCEES). The quantity of allowances that will be purchased is dependent on the amount of energy used in properties that the Council occupies during 2011/12. In line with the recommended treatment by CIPFA a provision for this cost has been made in the 2011/12 accounts based on the energy used in 2010/11.

### **Note 25**

#### **Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

**Note 26****Unusable Reserves**

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

1 April 2010 (Restated) £m	31 March 2011 (Restated) £m		31 March 2012 £m
365.9	421.7	Revaluation Reserve	560.0
2,719.7	1,801.0	Capital Adjustment Account	959.3
(31.4)	(32.9)	Financial Instruments Adjustment Account	(33.4)
(1,659.3)	(1,406.0)	Pensions Reserve	(1,732.9)
39.2	31.5	Deferred Capital Receipts Reserve	30.7
4.2	0.1	Collection Fund Adjustment Account	(0.8)
-	(127.8)	Equal Pay Back Pay Account	(460.1)
(25.9)	(36.2)	Accumulated Absences Account	(29.6)
<b>1,412.4</b>	<b>651.4</b>	<b>Total Unusable Reserves</b>	<b>(706.8)</b>

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant, Furniture and Equipment, and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 (Restated) £m	2010/11 (Restated) £m		2011/12 £m
<b>338.4</b>	<b>365.9</b>	<b>Balance at 1 April</b>	<b>421.7</b>
255.6	67.9	Upward revaluation of assets	199.4
0	(123.3)	Downward revaluation of assets	0
(122.9)	137.1	Impairment (losses)/reversals not charged to the Surplus/(Deficit) on the Provision of Services	(34.4)
<b>132.7</b>	<b>81.7</b>	<b>Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services</b>	<b>165.0</b>
(105.2)	(10.4)	Difference between fair value depreciation and historical cost depreciation	(11.6)
0	(15.5)	Accumulated gains on assets sold or scrapped	(15.1)
(105.2)	(25.9)	Amount written off to the Capital Adjustment Account	(26.7)
<b>365.9</b>	<b>421.7</b>	<b>Balance at 31 March</b>	<b>560.0</b>



Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 (Restated) £m	2010/11 (Restated) £m		2011/12 £m
3,052.4	2,719.7	<b>Balance at 1 April</b>	<b>1,801.0</b>
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):	
(309.7)	(304.6)	Charges for depreciation and impairment of non current assets	(111.7)
(39.9)	(687.3)	Revaluation losses on Property, Plant and Equipment	(327.8)
(5.1)	(7.1)	Amortisation and impairment of intangible assets	(20.9)
(221.8)	(124.3)	Revenue expenditure funded from capital under statute	(658.5)
(44.0)	(199.9)	Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(230.6)
(620.5)	(1,323.2)		(1,349.5)
105.2	25.9	Adjusting amounts written out of the Revaluation Reserve	26.7
(515.3)	(1,297.3)	Net written out amount of the cost of non-current assets consumed in the year	(1,322.8)
		Capital financing applied in the year:	
38.1	28.6	Use of the Capital Receipts Reserve to finance new capital expenditure	13.9
65.7	14.9	Use of the Major Repairs Reserve to finance new capital expenditure	27.4
	228.9	Capital grants and contributions credited to the CIES that have been applied to capital financing	224.5
-	-	Application of grants to capital financing from the Capital Grants Unapplied Account	94.3
-	3.0	Application of capital receipts to repay debt	1.6
89.5	107.8	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	127.8
0.1	5.3	Capital expenditure charged against the General Fund and HRA balances	0.3
193.4	388.5		489.8
(10.8)	(9.9)	Amortisation of Investments debited to the CIES	(8.7)
<b>2,719.7</b>	<b>1,801.0</b>	<b>Balance at 31 March</b>	<b>959.3</b>

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses this account to manage premia paid and discounts received on the early redemption of loans and the recognised losses on loans advanced at less than a commercial interest rate. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, these values are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. For premia and discounts, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 45 years.

2010/11		2011/12
£m		£m
<b>(31.4)</b>	<b>Balance at 1 April</b>	<b>(32.9)</b>
(3.8)	Premia incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(2.6)
2.3	Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	2.1
(1.5)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(0.5)
<b>(32.9)</b>	<b>Balance at 31 March</b>	<b>(33.4)</b>

Pensions Reserve

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

2010/11		2011/12
£m		£m
<b>(1,659.3)</b>	<b>Balance at 1 April</b>	<b>(1,406.0)</b>
67.3	Actuarial gains/(losses) on pensions assets and liabilities	(280.8)
71.7	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(147.4)
114.3	Employer's pensions contributions and direct payments to retirees payable in the year	101.3
<b>(1,406.0)</b>	<b>Balance at 31 March</b>	<b>(1,732.9)</b>

Deferred Capital Receipts

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

2010/11		2011/12
£m		£m
<b>39.2</b>	<b>Balance at 1 April</b>	<b>31.5</b>
(5.8)	Transfer of deferred sale proceeds credited to the General Fund under capital finance regulations	(0.8)
(1.9)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>31.5</b>	<b>Balance at 31 March</b>	<b>30.7</b>

Collection Fund Adjustment Account

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

2010/11		2011/12
£m		£m
<b>4.2</b>	<b>Balance at 1 April</b>	<b>0.1</b>
(4.1)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(0.9)
<b>0.1</b>	<b>Balance at 31 March</b>	<b>(0.8)</b>



**Note 27****Cash Flow Statement - Operating Activities**

The cash flows from operating activities include the following items:

2010/11		2011/12
£m		£m
(15.9)	Interest received	(24.1)
142.3	Interest paid	149.4
(0.4)	Dividends received	(2.2)

**Note 28****Cash Flow Statement - Investing Activities**

The cash flows from investing activities include the following items:

2010/11		2011/12
£m		£m
(526.7)	Purchase of property, plant and equipment, investment property and intangible assets	(437.5)
(2,635.4)	Purchase of short-term and long-term investments	(4,028.4)
27.2	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	27.1
2,552.5	Proceeds from short-term and long-term investments	3,931.2
<b>(582.4)</b>	<b>Net cash flows from investing activities</b>	<b>(507.6)</b>

**Note 29****Cash Flow Statement - Financing Activities**

The cash flows from financing activities include the following items:

2010/11		2011/12
£m		£m
3.7	Other receipts from financing activities	-
1,428.4	Cash receipts of short-term and long-term borrowing	<b>2,538.3</b>
(9.8)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	<b>(19.7)</b>
(1,203.4)	Repayments of short-term and long-term borrowing	<b>(2,127.7)</b>
(12.5)	Other payments for financing activities	<b>(25.9)</b>
<b>206.4</b>	<b>Net cash flows from financing activities</b>	<b>365.0</b>

**Note 30****Amounts Reported for Resource Allocation Decisions (Segmental Analysis)**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Portfolios and Committees. Cabinet receives a monthly Revenue Budget Monitoring Report. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- charges made in relation to capital expenditure may differ as revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement but typically not charged against service budgets during the year;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

Net expenditure reported to Cabinet in the corporate Revenue Outturn report was as follows:

<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>	<b>Portfolio / Committee</b>	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Net Expenditure</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>
51.5	(31.4)	20.1	Leader	52.8	(27.9)	24.9
180.1	(50.2)	129.9	Deputy Leader	153.4	(57.1)	96.3
422.4	(129.3)	293.1	Adults and Communities	395.6	(120.9)	274.7
1,698.9	(1,438.6)	260.3	Children, Young People and Families	1,492.2	(1,226.9)	265.3
30.9	(24.1)	6.8	Equalities and Human Resources	26.4	(21.4)	5.0
357.7	(347.5)	10.2	Housing	676.8	(619.9)	56.9
87.0	(37.4)	49.6	Leisure, Sport and Culture	81.5	(35.6)	45.9
192.1	(192.4)	(0.3)	Local Services & Community Safety	17.0	(13.0)	4.0
309.0	(210.9)	98.1	Transportation & Regeneration	337.8	(220.6)	117.2
783.7	(729.7)	54.0	Finance	805.7	(745.7)	60.0
0.3	(0.1)	0.2	Trusts and Charities	0.3	(0.2)	0.1
10.5	(0.5)	10.0	Council Business Management	10.4	(0.6)	9.8
11.9	(7.2)	4.7	Planning	10.9	(7.0)	3.9
4.1	(3.7)	0.4	Licensing	4.2	(3.8)	0.4
21.2	(8.8)	12.4	Public Protection	19.9	(8.7)	11.2
128.4	(24.4)	104.0	Constituencies	126.4	(19.6)	106.8
<b>4,289.7</b>	<b>(3,236.2)</b>	<b>1,053.5</b>	<b>Total Committee/Portfolio</b>	<b>4,211.3</b>	<b>(3,128.9)</b>	<b>1,082.4</b>

**Reconciliation of Portfolio / Committee Net Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

	<b>2010/11</b>	<b>2011/12</b>
	<b>£m</b>	<b>£m</b>
Net expenditure in Portfolio Analysis	<b>1,053.5</b>	<b>1,082.4</b>
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	654.9	734.3
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	135.6	182.1
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>1,844.0</b>	<b>1,998.8</b>

## Reconciliation to subjective analysis

2011/12

	Portfolio Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocations between lines	Cost of Services in CIES	Amounts reported below the net cost of services in CIES	Total
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(1,109.2)	74.5	264.3		(770.4)		(770.4)
Support service recharges	(198.2)			198.2	-		-
Trading Accounts					-		-
Interest and investment income					-	(24.1)	(24.1)
Income from Council Tax					-	(332.3)	(332.3)
Government grants and contributions	(1,821.5)	(152.7)	65.1		(1,909.1)	(928.4)	(2,837.5)
Other Income					-		-
<b>Total income</b>	<b>(3,128.9)</b>	<b>(78.2)</b>	<b>329.4</b>	<b>198.2</b>	<b>(2,679.5)</b>	<b>(1,284.8)</b>	<b>(3,964.3)</b>
Employee expenses	1,319.9	467.5			1,787.4		1,787.4
Other service expenses	2,577.8	45.8	(88.4)		2,535.2		2,535.2
Support service recharges	150.0			(198.2)	(48.2)		(48.2)
Trading Accounts					-		-
Depreciation, amortisation and impairment	163.6	299.2			462.8		462.8
Interest payments					-	192.7	192.7
Precepts and levies			(58.9)		(58.9)	59.0	0.1
Payments to Housing Capital Receipts pool					-	6.7	6.7
(Gain)/Loss on disposal of non-current assets					-	203.5	203.5
Other expenditure					-		-
<b>Total expenditure</b>	<b>4,211.3</b>	<b>812.5</b>	<b>(147.3)</b>	<b>(198.2)</b>	<b>4,678.3</b>	<b>461.9</b>	<b>5,140.2</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,082.4</b>	<b>734.3</b>	<b>182.1</b>	<b>-</b>	<b>1,998.8</b>	<b>(822.9)</b>	<b>1,175.9</b>

2010/11 comparative figures

	Portfolio Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocations between lines	Cost of Services in CIES	Amounts reported below the net cost of services in CIES	Total
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(775.8)	10.9	-	171.5	(593.4)	-	(593.4)
Support service recharges	(425.4)	-	-	425.4	-	-	-
Trading Accounts	-	(174.4)	-	-	(174.4)	-	(174.4)
Interest and investment income	-				-	(15.9)	(15.9)
Income from Council Tax	-				-	(332.7)	(332.7)
Government grants and contributions	(2,035.0)	18.1	190.5	-	(1,826.4)	(1,061.0)	(2,887.4)
<b>Total income</b>	<b>(3,236.2)</b>	<b>(145.4)</b>	<b>190.5</b>	<b>596.9</b>	<b>(2,594.2)</b>	<b>(1,409.6)</b>	<b>(4,003.8)</b>
Employee expenses	1,488.0	(109.0)	-	(156.3)	1,222.7		1,222.7
Other service expenses	2,359.7	(68.6)	(54.9)	(154.7)	2,081.5		2,081.5
Support service recharges	285.9	-	-	(285.9)	-		-
Trading Accounts	-	156.3	-	-	156.3		156.3
Depreciation, amortisation and impairment	156.1	821.6	-	-	977.7		977.7
Interest payments					-	204.5	204.5
Precepts and levies					-	55.0	55.0
Payments to Housing Capital Receipts pool					-	7.6	7.6
Gain or loss on disposal of non-current assets					-	172.7	172.7
<b>Total expenditure</b>	<b>4,289.7</b>	<b>800.3</b>	<b>(54.9)</b>	<b>(596.9)</b>	<b>4,438.2</b>	<b>439.8</b>	<b>4,878.0</b>
<b>(Surplus)/deficit on Provision of services</b>	<b>1,053.5</b>	<b>654.9</b>	<b>135.6</b>	<b>-</b>	<b>1,844.0</b>	<b>(969.8)</b>	<b>874.2</b>

**Note 31****Trading Operations**

The Council has 21 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council (internal income) or other organisations (external income). Details of those units, with significant trading activity, are as follows:

2010/11			2011/12			
Turnover	Expenditure	(Surplus) / deficit	Trading activity	Turnover	Expenditure	(Surplus) / deficit
£m	£m	£m		£m	£m	£m
(1.1)	1.0	(0.1)	Highways and Sewers	-	-	-
(18.9)	4.9	(14.0)	Property Services	(5.0)	1.8	(3.2)
(11.3)	10.7	(0.6)	Legal Services	(11.4)	11.3	(0.1)
(8.1)	7.5	(0.6)	Markets	(7.5)	8.5	1.0
(3.5)	3.7	0.2	Non-Schools Cleaning	(3.7)	3.6	(0.1)
(2.0)	2.0	-	Catering	(2.2)	1.8	(0.4)
(0.7)	0.7	-	Street Lighting	-	-	-
(4.6)	4.5	(0.1)	Vehicle Maintenance	(4.0)	4.0	-
(30.6)	30.6	-	Education Catering	(29.6)	29.8	0.2
(9.1)	8.9	(0.2)	Education Staff Agency	-	-	-
(6.6)	5.4	(1.2)	Trade Refuse	(7.3)	5.9	(1.4)
(51.2)	49.6	(1.6)	Urban Design	(47.1)	47.9	0.8
(8.0)	7.8	(0.2)	Grounds Maintenance	(8.0)	7.9	(0.1)
(8.1)	8.1	-	Education Cleaning	(7.4)	7.5	0.1
(2.8)	3.1	0.3	Design and Print	(4.0)	3.1	(0.9)
(1.1)	1.1	-	Meals Direct	-	-	-
(1.9)	1.8	(0.1)	Birmingham City Laboratories	(2.3)	1.9	(0.4)
(1.1)	1.0	(0.1)	Landscape Practice	(1.0)	0.9	(0.1)
(1.4)	1.4	-	Community Day Nurseries	(0.9)	1.0	0.1
(2.3)	2.5	0.2	Other Trading Activities	(4.6)	6.3	1.7
<b>(174.4)</b>	<b>156.3</b>	<b>(18.1)</b>	<b>Total Trading Activities</b>	<b>(146.0)</b>	<b>143.2</b>	<b>(2.8)</b>
			Adjustment for Internal Recharges	38.1	(38.1)	-
<b>(174.4)</b>	<b>156.3</b>	<b>(18.1)</b>		<b>(107.9)</b>	<b>105.1</b>	<b>(2.8)</b>

The figures above include turnover (income) from both internal and external sources. Internal income through recharges of £38.1m has been identified for 2011/12. A corresponding adjustment for 2010/11 has not been identified.



Details of Trading Undertakings**Highways and Sewers**

In 2011/12 Highways and Sewers work was carried out through the Highways PFI.

**Property Services**

Birmingham Property Services (BPS) is the largest in-house Local Authority Property Consultancy. BPS provide an integrated professional property service to the Council, with a responsibility to manage and dispose of City-owned commercial land and property, including shops, offices, industrial units, warehouses, business parks and development sites.

**Legal Services**

Legal Services is a highly successful trading organisation and is the largest in-house Local Authority legal department in the UK - and amongst the largest in Europe - providing high quality legal advice and representation services to meet the full requirements of the Council, its Directorates and the citizens of Birmingham.

**Markets**

The Markets section manages the Wholesale Market and Birmingham's historic Bull Ring Markets – site of a market for more than 800 years. Within the complex are three retail markets which attract around 10 million customers each year.

**Non-Schools Cleaning**

Birmingham City Cleaning currently undertakes cleaning business covering some 316 locations employing a team of over 300 full and part-time staff.

**Catering**

Catering is provided at 5 Civic and Commercial venues across the City.

**Street Lighting**

In 2011/12 street lighting was provided through the Highways PFI.

**Vehicle Maintenance**

The Fleet and Waste Management Division carries out major repairs and servicing for vehicles and items of plant and equipment. This service covers the entire City fleet, including holding the operator's licence for heavy vehicles across all departments. A taxi MOT service is also provided.

**Education Catering**

Direct Services (Catering) has specialist knowledge of the education sector and has decades of experience working with school pupils in Birmingham. Armed with this comprehensive experience the service possesses an inherent understanding of school catering and its specialist requirements. The following services are available: Pre-school breakfast service; Mid morning refreshments; Mid-day meals service; After school refreshment service; Subsidised and Free Milk schemes; Vending Service; Staff Room Pre Paid Service; Sixth Form Pre Paid Service; Water Facilities; Tuck Shops.

**Education Staff Agency**

2010/11 was the final year of funding for Education Staff Agency.

**Trade Refuse**

Trade Refuse offers a competitive waste management service to businesses and industrial premises and provides Clinical Waste Removal Services, Graffiti Removal, Septic Tank and Cesspit emptying, Containers and Skips, Prepaid Sacks, Hire of Equipment and Special Collection.

**Urban Design**

Urban Design delivers professional, high quality construction-related design and maintenance services to the Council and external clients. Urban Design leads on sustainability of the built environment and whole life value construction procurement.

**Grounds Maintenance**

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

**Education Cleaning**

Education Cleaning provide cleaning services to all types of establishment, including primary and secondary schools, nursery schools, children's centres and Surestart units. It is this diversity of provision, on a daily basis, that helps to develop and maintain the highest levels of modern cleaning practice and technology.

**Design and Print**

Design and Print is the in-house provider of design, print, and print finishing to Birmingham City Council Directorates, schools and colleges plus other public sector customers.

**Meals Direct Service**

The Meals Direct Service ceased in September 2010 and has been outsourced to a private contractor.

**Birmingham City Laboratories**

BCL is approved to carry out specific United Kingdom Accreditation Service (UKAS) tests. Its specialist team of scientists and engineers are also able to undertake a wide range of on-site and laboratory inspection services, ranging from microscopic analysis of samples, through to full scale testing/appraisal of civil engineering structures.

**Landscape Practice**

The Landscape Practice Group is the provider of landscape architectural services for the Council.

**DSD Trading Community Day Nurseries**

There are 636 places for Birmingham children in 19 Community Day Nurseries, managed and maintained by Children, Young People, and Families Directorate. The nurseries are open 51 weeks of the year and cater for children from 6 weeks old. DSD provide all the catering and cleaning services at these units.

**Others**

This includes Pest Control, other catering and Shelforce.

**Note 32****Members' Allowances**

Allowances paid to Members of the Council in 2011/12 totalled £3.1m (2010/11: £3.1m). These figures include employer national insurance and superannuation contributions.

Further information can be found on the Council's website [www.birmingham.gov.uk](http://www.birmingham.gov.uk)

**Note 33****Officers' Remuneration**

The remuneration paid to the Council's senior employees is as follows:

	2010/11				2011/12			
	Salary, fees and allowances	Expense allowances	Pension contributions	Total	Salary, fees and allowances	Expense allowances	Pension contributions	Total
	£	£	£	£	£	£	£	£
Chief Executive - Stephen Hughes ***	198,925	-	29,565	<b>228,490</b>	224,062	-	36,298	<b>260,360</b>
Strategic Director (Housing and Constituencies)	145,814	94	23,622	<b>169,530</b>	145,814	76	23,622	<b>169,512</b>
Strategic Director * * (Development)	74,013	-	11,990	<b>86,003</b>	143,251	-	23,207	<b>166,458</b>
Strategic Director (Environment and Culture)	145,814	-	23,141	<b>168,955</b>	145,814	-	23,622	<b>169,436</b>
Strategic Director * (Children, Young People and Families)	110,134	51	17,842	<b>128,027</b>	-	-	-	-
Strategic Director (Adults and Communities)	145,814	-	23,622	<b>169,436</b>	145,814	-	23,622	<b>169,436</b>
Strategic Director of Corporate Resources	142,999	11	23,166	<b>166,176</b>	145,814	-	23,622	<b>169,436</b>

The Expense Allowances only include the total amount of sums paid during the year that were chargeable to UK income tax, and were paid to or receivable by the person.

\* The post-holder retired on 9 January 2011 and the post was filled subsequently on an interim basis. Payments to the interim postholder in Children, Young People and Families in 2011/12 were £208,091 (£101,013 in 2010/11). A permanent appointee took up the post on 2 April 2012

\*\* Appointed to post from 25 September 2010. Part year impact in 2010/11

\*\*\* During 2011/12 a change was made in the arrangements for making certain payments to the Chief Executive, such that they are now payable in the year rather than being paid in the subsequent year. This artificially increase the reported figure for 2011/12. The Chief Executive's salary is £205,000 before employer pension contributions.

The Council's other employees receiving more than £50,000 remuneration \*\*\*\* for the year (excluding employer's pension contributions) were paid the following amounts:

2010/11			Remuneration band	2011/12		
BCC Employed Teaching Staff & Staff in Schools	Other Council Employees	Total		BCC Employed Teaching Staff & Staff in Schools	Other Council Employees	Total
215	178	393	£50,000 - £54,999	217	190	407
149	140	289	£55,000 - £59,999	159	163	322
133	62	195	£60,000 - £64,999	106	67	173
66	72	138	£65,000 - £69,999	72	78	150
29	22	51	£70,000 - £74,999	34	33	67
15	30	45	£75,000 - £79,999	17	35	52
16	26	42	£80,000 - £84,999	14	28	42
12	6	18	£85,000 - £89,999	13	11	24
10	20	30	£90,000 - £94,999	10	9	19
3	6	9	£95,000 - £99,999	2	10	12
2	2	4	£100,000 - £104,999	3	6	9
1	2	3	£105,000 - £109,999	2	3	5
0	1	1	£110,000 - £114,999	2	1	3
0	0	0	£115,000 - £119,999	0	0	0
0	0	0	£120,000 - £124,999	0	0	0
1	0	1	£125,000 - £129,999	0	3	3
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	1	1	2
0	0	0	£140,000 - £144,999	0	0	0
0	1	1	£145,000 - £149,999	0	4	4
652	568	1,220		652	642	1,294

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

Comparing 'Other Council employees' between 2010/11 and 2011/12, an additional 74 employees received remuneration of £50,000 or more. In this category, inclusion of redundancy payments for 221 employees has resulted in their remuneration being over £50,000. One-off redundancy payments are anticipated as the Council reduces its staffing levels as part of planned reorganisations.

**Note 34****Exit Packages**

The 2011/12 CIPFA Code of Practice has introduced a requirement to disclose in the Accounting Statement the number and cost of exit packages\* agreed. The costs are amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. The following table provides information on the number of exit packages payable by the Council for the year, with total cost per band and total cost of both compulsory and other redundancies.

2010/11							2011/12					
Compulsory		Voluntary		Total		Value of individual package £000	Compulsory		Voluntary		Total	
No.	£m	No.	£m	No.	£m		No.	£m	No.	£m	No.	£m
0	-	2	0.3	<b>2</b>	<b>0.3</b>	£150 - £200	0	-	5	0.9	<b>5</b>	<b>0.9</b>
1	0.1	12	1.4	<b>13</b>	<b>1.5</b>	£100 - £150	1	0.1	21	2.4	<b>22</b>	<b>2.5</b>
1	0.1	15	1.4	<b>16</b>	<b>1.5</b>	£80 - £100	2	0.2	51	4.6	<b>53</b>	<b>4.8</b>
5	0.3	40	2.7	<b>45</b>	<b>3.0</b>	£60 - £80	3	0.2	79	5.3	<b>82</b>	<b>5.5</b>
9	0.4	66	3.3	<b>75</b>	<b>3.7</b>	£40 - £60	3	0.2	198	9.7	<b>201</b>	<b>9.9</b>
47	1.3	165	4.6	<b>212</b>	<b>5.9</b>	£20 - £40	32	0.9	452	12.8	<b>484</b>	<b>13.7</b>
354	2.2	582	3.6	<b>936</b>	<b>5.8</b>	less than £20	297	1.7	1,408	11.3	<b>1,705</b>	<b>13.0</b>
<b>417</b>	<b>4.4</b>	<b>882</b>	<b>17.3</b>	<b>1,299</b>	<b>21.7</b>	<b>Total</b>	<b>338</b>	<b>3.3</b>	<b>2,214</b>	<b>47.0</b>	<b>2,552</b>	<b>50.3</b>

In addition to the costs of exit packages identified above, the Council incurred costs of £0.2m in 2011/12 relating to the provision of transitional support and training to employees whose further employment was considered to be at risk.

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

**Note 35****Auditor Remuneration**

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

2010/11		2011/12
£m		£m
0.7	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	0.9
0.3	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	0.2
<b>1.0</b>	<b>Total</b>	<b>1.1</b>

**Note 36****Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education. The grant monies, the Dedicated Schools Grant (DSG) is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2011/12	81.3	817.7	899.0
Brought forward from 2010/11	1.8		1.8
Carry forward to 2012/13 agreed in advance			0
<b>Agreed budgeted distribution in 2011/12</b>	<b>83.1</b>	<b>817.7</b>	<b>900.8</b>
Actual central expenditure	(78.7)		(78.7)
Actual ISB deployed to schools		(818.1)	(818.1)
<b>Carry forward to 2012/13</b>	<b>4.4</b>	<b>(0.4)</b>	<b>4.0</b>

**Note 37****Grant Income**

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

2010/11 £m		2011/12 £m
<b>Credited to Taxation and Non-Specific Grant Income</b>		
592.0	Redistributed non-domestic rates	528.0
86.0	Revenue Support Grant	163.2
141.2	Area Based Grant inc. Working Neighbourhoods Fund	0.0
9.3	Schools PFI Grant	14.8
39.8	Highways Management and Maintenance PFI Grant	50.3
<b>868.3</b>	<b>Total Revenue Grants</b>	<b>756.3</b>
104.2	Capital Grant - DSCF Standards Fund	61.3
6.2	Capital Grant - Lottery	7.9
8.6	Capital Grant - Section 106/278	5.4
2.1	Capital Grant - AWM	0
1.8	Capital Grant - Section 31	22.4
18.5	Capital Grant - Single Capital Pot	35.1
0	Capital Grant CENTRO - Gateway	0
0	Capital Grant - Integrated Transport	5.6
4.0	Capital Grant - Disabled Facilities	4.3
4.3	Capital Grant - Kickstart	3.1
1.0	Capital Grant - Public/Local Housing Initiative	5.8
43.3	Capital Grant - Other Grants	22.0
<b>194.0</b>	<b>Total Capital Grants</b>	<b>172.9</b>
<b>Capital Grants funding Revenue under Statute credited to Cost of Services</b>		
23.9	Capital Grant - DSCF Standards Fund	68.8
18.9	Capital Grant - AWM	42.2
21.7	Capital Grant - Section 31	23.7
6.5	Capital Grant CENTRO - Gateway	3.8
71.0	<b>Total Revenue funded from Capital Grants under Statute</b>	<b>138.5</b>
<b>265.0</b>	<b>Total Capital Grants received</b>	<b>311.4</b>



2010/11	2011/12
£m	£m
<b>Credited to Cost of Services</b>	
5.6 Social Care Reform Grant	-
35.1 PCT Contributions including Transfer of Care	23.0
11.9 Adult Education (Skills Funding Agency)	13.5
3.1 Future Jobs Fund	-
7.2 Future Jobs Fund DWP	3.6
3.9 Revenue Grant HGF	-
15.9 Housing Revenue Account Subsidy	41.4
5.1 Transport, Environment and Regeneration Grants	-
12.7 Benefit Service HB/CTB Admin Grant	12.8
557.2 HB/CTB Subsidy Grant Claim	592.3
54.3 Surestart Early Years and Childcare Grant	62.2
3.6 Youth Justice Grant/Youth Justice Board	3.2
788.3 Dedicated Schools Grant	899.0
44.9 Young People Learning Agency	-
134.2 Standards Fund Grant	4.4
27.7 Schools Standards Grant	-
12.7 Schools Standards Fund Personalisation	-
37.0 Young People's Learning Agency grants for Further Educn	35.4
- Learning Disability and Health Reform Grant	36.7
- Pupil Premium Grant	25.4
- Council Tax Freeze	8.3
- New Homes Bonus	3.2
- Illegal Money Lending	3.4
25.1 Revenue grants less than £3m	47.3
46.2 Various Contributions less than £3m	21.2
<b>1,831.5 Total Revenue Grants</b>	<b>1,836.3</b>
71.0 Total Revenue funded from Capital Grants under Statute	138.5
<b>1,902.5 Total Grants Credited to Cost of Services</b>	<b>1,974.8</b>

All Capital Grants received are either non-conditional or the conditions have been met, therefore there are no entries to the Capital Grants Receipts in Advance Account for 2011/12. The Capital Grants received have been credited to the Taxation and Non Specific Grant Income line on the Comprehensive Income and Expenditure Statement.

**Note 38****Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In addition to the companies included in the Council's Group Accounts (see below ) the Council has had transactions of over £100,000 with the following companies in which it has an interest:

Marketing Birmingham  
Birmingham Schools SPC  
Optima Community Association  
Chinese Community Centre  
Millennium Point Trust  
Birmingham Asian Resource Centre  
Birmingham Research Park Limited  
Centro

During 2011/12, works and services to the value of £173.8m including VAT were commissioned from related parties of which £0.9m is outstanding. Additionally £29.6m including VAT was received during 2011/12 from companies in which the City had a related party interest (£2.9m balances outstanding).

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example, Council Tax bills, Housing Benefits). Grants received from Government departments are set out in the subjective analysis in Note 30 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 20, amounts owing to Central Government bodies are shown in Note 23.

Other Entities

The Greater Birmingham and Solihull Local Enterprise Partnership (LEP) launched a programme aimed at helping small and medium enterprise (SME) businesses across the area. The Business Development programme launched in September 2012 will provide match grant funding of up to £15,000 for established and eligible SME businesses who have plans to expand and create jobs. The LEP is not a related party, but the Council, acting as agent for the LEP, is holding £125.0m of resource to distribute under this scheme. The funding is held under Central Government creditors until resources are allocated (see Note 23).

The LEP's Board comprises 10 Business representatives, 6 Local Authority representatives, 1 representative for Universities and Colleges and the Company Secretary. The Council holds one Local Authority seat and a Council Strategic Director is the Company Secretary.

Members

Members of the Authority have direct control over the Council's financial and operational policies. The total of Members' allowances paid in 2011/12 is shown in note 32.

Officers

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

Other Public Bodies - Pooled Budgets

The Council entered into a pooled budget arrangement with the three Primary Care Trusts (PCT's), namely Heart of Birmingham PCT, NHS Birmingham East and North and NHS South Birmingham, for the purpose of pooling budgets and to lead commissioning of services relating to Mental Health and Learning Disabilities. The objective of the pooled arrangement is to improve services for users through closer working and co-operation in the commissioning of services. The arrangements have been established pursuant to Section 75 of the NHS Act 2006 and related Regulations, and the Council hosts the Learning Disability element with NHS Birmingham East and North, the host in relation to Mental Health. During 2011/12, the second year of the pooled arrangements, the partners agreed a risk sharing protocol. However, there was no need to apply this as the partners have achieved an overall break even position. The table below summarises the financial activity for the year:

	2010/11		2011/12	
	£m	£m	£m	£m
Funding provided to the pooled budget:				
Birmingham City Council	132.4		129.9	
Primary Care Trusts	<u>181.4</u>		<u>180.6</u>	
		313.8		310.5
Expenditure met from the pooled budget:				
Birmingham City Council	132.4		129.9	
Primary Care Trusts	<u>181.4</u>		<u>180.6</u>	
		313.8		310.5
Net surplus arising on the pooled budget during the year		<u><u>-</u></u>		<u><u>-</u></u>

Entities Controlled or Significantly Influenced by the Council

The Council maintains involvement with a number of associated and subsidiary companies where the assets and liabilities of these companies are not included in the Council's core financial statements. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 group financial statements have been prepared.

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

- I. The National Exhibition Centre Limited Group.
- II. The National Exhibition Centre (Developments) PLC
- III. Birmingham Technology Limited Group
- IV. Performances (Birmingham) Limited

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

- I. Birmingham Airport Holdings Ltd (BAH)
- II. Service Birmingham Limited

**Note 39****Leases****Authority as the lessee*****Finance leases***

The Council has acquired a number of buildings and other assets under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2011		31 March 2012
<b>£m</b>		<b>£m</b>
37.6	Other Land and Buildings	20.5
7.2	Vehicles, Plant, Furniture and Equipment	5.8
<b>44.8</b>		<b>26.3</b>

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

31 March 2011		31 March 2012
<b>£m</b>		<b>£m</b>
	Future lease liabilities (net present value of minimum lease payments):	
2.2	current	1.8
4.4	non-current	2.5
3.8	Costs payable in future years	2.6
<b>10.4</b>	<b>Minimum lease payments</b>	<b>6.9</b>

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

	<u>Minimum lease payments</u>		<u>Finance lease liabilities</u>	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Not later than one year	3.0	2.2	2.2	1.9
Later than one year and not later than five years	5.4	2.6	4.1	2.1
Later than five years	2.0	2.1	0.3	0.3
<b>Total</b>	<b>10.4</b>	<b>6.9</b>	<b>6.6</b>	<b>4.3</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In both 2011/12 and 2010/11, no contingent rents were payable by the Council.

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

**Operating leases**

The Council has acquired a number of administrative buildings under operating leases, with typical lives up to 50 years for buildings and 110 years for land. The lease terms are typical for a local authority. The future minimum lease payments due under non-cancellable leases where the length of lease was greater than 1 year at inception are:

31 March 2011		31 March 2012
<b>£m</b>		<b>£m</b>
5.9	Not later than one year	3.2
6.0	Later than one year and not later than five years	3.1
3.0	Later than five years	2.9
<b>14.9</b>		<b>9.2</b>

The Council has not sub-let any of the assets held under these operating leases.

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

2010/11		2011/12
<b>£m</b>		<b>£m</b>
4.6	Minimum lease payments	3.6
0.0	Contingent rents	0.8
<b>4.6</b>		<b>4.4</b>

**Authority as the lessor****Finance leases**

The Council has leased out property within Birmingham to a number of parties on finance leases with typical terms of over 50 years for buildings and over 110 years for land. The terms of the leases are typical of those where a local authority leases its assets on long term leases. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee, and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2011		31 March 2012
<b>£m</b>		<b>£m</b>
	Finance lease debtor (net present value of minimum lease payments):	
0.8	current	0.1
28.5	non-current	28.2
237.9	Unearned finance income	235.3
(24.4)	Less - Unguaranteed residual value of property	(25.0)
<b>242.8</b>	<b>Gross investment in the lease</b>	<b>238.6</b>

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

	Finance Lease Debtor		Minimum lease payments	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£m	£m	£m	£m
Not later than one year	0.8	0.1	3.1	2.4
Later than one year and not later than five years	0.2	0.1	9.2	9.0
Later than five years	28.3	28.1	230.5	227.2
<b>Total</b>	<b>29.3</b>	<b>28.3</b>	<b>242.8</b>	<b>238.6</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £1.9m contingent rents were receivable by the Council (2010/11 £1.9m).

### Operating leases

The Council has leased out property within Birmingham to a number of parties on operating leases with typical terms of less than 50 years for buildings and less than 110 years for land. The terms of the leases are typical of those where a local authority leases its assets on short term leases.

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

31 March 2011		31 March 2012
£m		£m
18.8	Not later than one year	17.3
54.9	Later than one year and not later than five years	45.5
123.4	Later than five years	115.4
<b>197.1</b>		<b>178.2</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £6.9m contingent rents were receivable by the Council (2010/11 £6.8m).

### Leases - contingent rent

Contingent rent is estimated by the application of the Government published RPI figures to the minimum rentals due or payable at the applicable dates.

**Note 40****Private Finance Initiatives and Similar Contracts**

The Council has entered into a number of PFI initiatives under which assets are constructed or refurbished and services are provided under long-term contracts with private sector firms. These contracts cover Schools, Waste Disposal facilities and Highways Management and Maintenance. In addition similar arrangements exist in respect of Foundation Schools, Voluntary Arrangement and Voluntary Controlled schools.

These agreements, which are included within concession arrangements, constitute the purchase of assets on deemed credit terms. The deemed credit terms vary between arrangements. The main terms of the material arrangements are as follows:

- Schools PFI contracts provide school buildings and associated services over a 25 year period. The payments made are indexed on an annual basis based on the RPI. The Council has the right to use the schools for educating the children in Birmingham. The PFI providers are responsible for maintenance and cleaning of the buildings. At the end of the 25 year period the schools will pass over to the Council. There are no early termination or period clauses within the PFI agreement. There have been no changes in the arrangement during the period under review.
- The Waste Disposal arrangement. The disposal of all waste collected by the Council. This includes managing and operating the Council's Household Recycling Centres and Waste Transfer Stations and providing and managing an Energy from Waste Incinerator. The contract began on 17th January 1994 and runs to 17th January 2019. Payments are made each month. Prices are indexed each year from 1st April. All assets as defined above will revert to the Council at the end of the agreement. There are no early termination or period clauses within the contract. There have been no changes in the arrangement during the period under review.
- The Voluntary arrangement. Voluntary Controlled schools and Foundation school assets represent buildings provided for the City's use from various religious and charitable groups. Any increases in payments or changes in the arrangements are determined by the Secretary of State for Schools. The Council has a right to place children in the Schools. It is anticipated that Council will continue this arrangement throughout the life of the school building, and it is not anticipated that there will be any residual value at the end of this period. The Council has no contractual rights over the buildings.  
The Voluntary arrangement and Voluntary Controlled schools deemed liability was extinguished by the Transfer of assets to the Foundation from the Council at the inception of the arrangement

The Birmingham Highways Management and Maintenance PFI provides for a complete management and maintenance arrangement for all public highway and other contractually designated areas within the Birmingham boundary by the Service Provider. This agreement provides for a 5 year period of remediation for all of the main highway assets followed by a 20 year period during which the improved highway condition is maintained. The contract commenced on 7th June 2010 for a 25 year period. The management element of the contract deals with road space management under legislation and responsibility for the Street Works Register. Services in the contract include:

- Investing to remove highway maintenance backlogs and raise standards;
- Upgrading the entire Street Lighting standard;
- Upgrading the Council's traffic management assets;
- Refurbishing the Council's tunnels;
- Maintaining all specified street furniture;
- Managing highway activity, such as inspections, assessments and utility works on the network;
- Performing on-going maintenance, to keep assets at the required standard; and
- Providing operational responsiveness for emergencies and activities such as winter gritting.

The Service Provider is paid a Unitary Charge for the provision of all services for the 25 year duration of the contract. During the Core Investment Period (first 5 years) the Unitary charge is discounted by 40% at contract commencement and subject to meeting specified milestone targets this can increase by 4% increments at the end of each 6 month period within the first 5 years. The maximum payment is 100% of the Unitary Charge and this can only be achieved following completion of all of the prescribed milestone deliverables, that is at the end of Year 5.

Indexation of all specified contract values, including the Unitary Charge, occurs on the 1st April each year by reference to movements in the Retail Price Index. The date of the first indexation adjustment was 1 April 2011.

Deductions can be levied for non-performance of the contractual deliverables by reference to the contract Output Specification and Payment Mechanism; the Output Specification determines the frequency of each service to be delivered and the timescale in which responses are to be carried out. The Payment Mechanism determines the level of adjustment to be levied.

As the size and scale of the Highway network varies, the contract provides for these changes to be accrued into the network maintained by the Service Provider and such changes attract an increase or decrease in the payment made to the Service Provider, which reflects the size and type of change.

The Council continues to have full use of the roads and roadside furniture during the period of the arrangement. At the end of the arrangement all rights will revert to the Council. There are no early termination or period clauses within the PFI agreement. There have been no changes in the arrangement during the period under review.

Payments remaining as at 31 March 2012	Interest	Repayment of liability	Payment for services	Total
	£m	£m	£m	£m
Payable in 2012/13	30.4	(51.2)	69.1	48.3
Payable within 2 to 5 years	140.2	(41.7)	282.1	380.6
Payable within 6 to 10 years	151.5	66.4	264.7	482.6
Payable within 11 to 15 years	123.5	88.8	227.4	439.7
Payable within 16 to 20 years	82.1	120.7	270.4	473.2
Payable within 21 to 25 years	27.4	118.4	190.7	336.5
Payable within 26 to 30 years	2.2	16.7	11.2	30.1
<b>Total</b>	<b>557.3</b>	<b>318.1</b>	<b>1,315.6</b>	<b>2,191.0</b>

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

2010/11		2011/12
£m		£m
140.2	Liability outstanding at start of year	261.4
16.4	Interest	24.8
(24.9)	Repayment	(42.8)
129.8	Lifecycle and further capital expenditure	74.7
<b>261.5</b>	<b>Liability outstanding at end of year</b>	<b>318.1</b>



**Note 41****Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Council paid £51.0m to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £54.5m and 14.1%. There were no contributions remaining payable at the year-end

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

**Note 42****Defined Benefit Pension Schemes**

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

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

- The Local Government Pension Scheme, administered locally by the West Midlands Pension Fund offices at Wolverhampton City Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. An employer's contribution rate of 16.2% was set for the Council for 2011/12, which included an element to fund early retirement strain costs.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The tables below show the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Unfunded Teachers' Scheme (discretionary benefits)	
	2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m
<i>Comprehensive Income and Expenditure Statement (not including Other Comprehensive Income and Expenditure)</i>				
Cost of Services:				
current service cost	110.7	90.5	0	0
past service cost	(248.1)	0.1	(3.8)	0
curtailments and settlements	7.2	13.5	0.1	0
Financing and investment income and expenditure:				
interest cost	229.6	222.0	3.7	3.4
expected return on scheme assets	(171.1)	(182.1)	0	0
<b>Total post employment benefit charged to the Surplus/Deficit on the provision of services</b>	<b>(71.7)</b>	<b>144.0</b>	<b>(0.0)</b>	<b>3.4</b>
<i>Movement in Reserves Statement</i>				
Reversal of net charges made to the Surplus/Deficit for the provision of services for post employment benefits in accordance with the Code	180.3	(48.6)	5.8	2.5
<b>Net charge against the General Fund balance for pensions in the year comprising:</b>				
employer's contribution payable to scheme	<b>108.6</b>	<b>95.4</b>		
retirement benefits payable to retirees			<b>5.8</b>	<b>5.9</b>

	Local Government Pension Scheme		Unfunded Teachers' Pension Scheme (discretionary benefits)	
	2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m
<i>Comprehensive Income and Expenditure Statement</i>				
Total post employment benefit charged to the surplus or deficit on the provision of services (shown above)	(71.7)	144.0	(0.0)	3.4
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
actuarial (gains) and losses	(68.7)	278.6	1.3	2.2
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(140.4)</b>	<b>422.6</b>	<b>1.3</b>	<b>5.6</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £728.9m.

**Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme				Unfunded Teachers' Pension Scheme		Total	
	Funded		Unfunded		2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m
	2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m				
Obligations as at 1 April	(4,003.9)	(3,986.7)	(87.1)	(77.8)	(70.9)	(66.5)	(4,161.9)	(4,131.0)
Current service cost	(110.7)	(90.5)	-	-	-	-	(110.7)	(90.5)
Past service cost	243.7	(0.1)	4.3	-	3.9	-	251.9	(0.1)
Curtailments	(7.2)	(22.4)	-	-	(0.1)	-	(7.3)	(22.4)
Settlements	-	16.7	-	-	-	-	-	16.7
Interest on pension liabilities	(224.9)	(217.8)	(4.7)	(4.1)	(3.7)	(3.4)	(233.3)	(225.3)
Actuarial gains/(losses) on liabilities	27.8	(154.6)	4.1	(1.7)	(1.3)	(2.2)	30.6	(158.5)
Benefits/transfers paid	127.0	157.7	5.6	5.6	5.8	5.9	138.4	169.2
Member contributions	(38.7)	(34.1)	-	-	-	-	(38.7)	(34.1)
<b>Obligations as at 31 March</b>	<b>(3,986.9)</b>	<b>(4,331.8)</b>	<b>(77.8)</b>	<b>(78.0)</b>	<b>(66.3)</b>	<b>(66.2)</b>	<b>(4,131.0)</b>	<b>(4,476.0)</b>

## Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme				Unfunded Teachers' Pension Scheme		Total	
	Funded		Unfunded		2010/11	2011/12	2010/11	2011/12
	2010/11	2011/12	2010/11	2011/12				
	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of assets as at 1 April	2,502.6	2,725.0	-	-	-	-	2,502.6	2,725.0
Employer contributions	102.9	89.8	5.7	5.7	-	5.9	108.6	101.4
Expected return on assets	171.1	182.0	-	-	-	-	171.1	182.0
Actuarial gains/(losses) on assets	36.7	(122.3)	-	-	-	-	36.7	(122.3)
Benefits/transfers paid	(127.0)	(157.7)	(5.7)	(5.7)	-	(5.9)	(132.7)	(169.3)
Settlements	-	(7.8)	-	-	-	-	-	(7.8)
Member contributions	38.7	34.1	-	-	-	-	38.7	34.1
<b>Fair value of assets as at 31 March</b>	<b>2,725.0</b>	<b>2,743.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,725.0</b>	<b>2,743.1</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year for LGPS was positive £59.8m (2010/11: positive £161.1m)

Scheme History

The movement on the pension schemes' asset and liabilities over the last five years are shown below:

	2007/08	2008/09	2009/10	2010/11	2011/12
	£m	£m	£m	£m	£m
Present value of liabilities:					
Local Government Pension Scheme	(3,410.2)	(2,889.2)	(4,091.0)	(4,064.5)	(4,409.9)
Unfunded Teachers' Scheme	(72.6)	(61.5)	(70.9)	(66.5)	(66.3)
<b>Total present value of liabilities</b>	<b>(3,482.8)</b>	<b>(2,950.7)</b>	<b>(4,161.9)</b>	<b>(4,131.0)</b>	<b>(4,476.2)</b>
Fair value of assets in the Local Government Pension Scheme	2,342.0	1,881.8	2,502.6	2,725.0	2,743.3
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme	(1,068.2)	(1,007.4)	(1,588.4)	(1,339.5)	(1,666.6)
Unfunded Teachers' Scheme	(72.6)	(61.5)	(70.9)	(66.5)	(66.3)
<b>Total</b>	<b>(1,140.8)</b>	<b>(1,068.9)</b>	<b>(1,659.3)</b>	<b>(1,406.0)</b>	<b>(1,732.9)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits.

The total liability of £1,732.9m has a substantial impact on the net worth of the Council. However statutory arrangements for funding the deficit means that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (that is before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £78.6m . Expected contributions for the unfunded teachers' (discretionary benefits) scheme in the year to 31 March 2013 are £6.0m.

#### Basis for estimating assets and liabilities

Liabilities for both the Local Government Pension Scheme and the unfunded Teachers' Pension Scheme have been assessed by Mercers Human Resource Consulting Ltd, an independent firm of actuaries. The assessment has been on an actuarial basis using the projected unit method, an estimate of the pensions that will have to be paid in the future years dependent on assumptions about mortality rates, salary levels etc. The estimates for the Local Government Pension Scheme have been based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

Assumptions	Local Government Pension Scheme		Unfunded Teachers' Pension Scheme	
	2010/11	2011/12	2010/11	2011/12
Long-term expected rate of return on assets:				
Equities	7.5%	7.0%	n/a	n/a
Government bonds	4.4%	3.1%	n/a	n/a
Other bonds	5.1%	4.1%	n/a	n/a
Property	6.5%	6.0%	n/a	n/a
Cash/liquidity	0.5%	0.5%	n/a	n/a
Other	7.5%	7.0%	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men (years)	21.6	21.7	21.6	21.7
Women (years)	24.2	24.3	24.2	24.3
Longevity at 65 for future pensioners:				
Men (years)	23.0	23.1	n/a	n/a
Women (years)	25.8	25.9	n/a	n/a
Rate of inflation	3.4%	2.5%	3.3%	2.3%
Rate of increase in salaries	4.7%	4.3%	n/a	n/a
Rate of increase in pensions	2.9%	2.5%	2.8%	2.3%
Rate for discounting of scheme liabilities	5.5%	4.9%	5.4%	4.6%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a

The unfunded teachers' discretionary benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2011	31 March 2012
	%	%	%
Equities	53.7	59.1	54.8
Government bonds	7.9	8.2	10.5
Other bonds	6.0	5.9	8.2
Property	7.2	8.5	10.0
Cash/liquidity	1.4	2.1	1.4
Other	23.8	16.2	15.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(8.1)	34.4	18.5	1.3	4.5
Experience gains and losses on liabilities:	(1.8)	-	-	1.0	-
<i>LGPS</i>	(1.8)	-	-	1.0	-
<i>Unfunded Teachers Pension Scheme</i>	-	-	-	2.2	-

**Note 43****Contingent Liabilities and Contingent Assets**Contingent Liabilities

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

- 1 The Council 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 NEC. The amount of the loan guaranteed is £73m (2010/11: £73m), due in 2027.
- 2 The Council has an on-going Accountable Body role for a range of grant funding regimes, both past and present, including New Deal for Communities and European Funding. This role can be project specific where the Council accesses funding directly for itself or on behalf of another organisation, for example New Street Station - Gateway, or programme related, where the Council is accountable for the delivery of or underwrites the performance of a specific programme, for example, Aston Pride. Under this role there is a potential liability to the Council arising from non-delivery of outputs, claiming ineligible expenditure or the disposal of assets until the time for clawback liability has expired. The Council has quantified this potential liability at 31 March 2012 of £344.0m and has identified future commitments of £51.3m. To minimise the impact of a grant clawback liability the Council has put in place various controls and mechanisms such as legal agreements, charges on assets and detailed expenditure verification and monitoring procedures.
- 3 Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. Payments are envisaged in future years but the extent of these cannot be quantified at present. A provision of £673.8m has been made for future potential liabilities.
- 4 Under the Community Care (Delayed Discharges) Act 2003 hospitals can claim fines from the Council where a patient's discharge from hospital is delayed. To support partnership working and minimise the level of delays, a tri-partite agreement was entered into in January 2003 between the Council, local Acute Trusts and local Primary Care Trusts, and funding was made available to support specific schemes on the basis that fines would not be levied. Heart of England NHS Foundation Trust has, up to 31 March 2012, issued fines to the Council totalling £3.5m. However, these are currently the subject of discussions between the Council and the PCT.
- 5 Local Authorities were entitled to charge, under Section 93(1) of the Local Government Act 2003 and subsequently the Local Authorities (Charges for Property Searches)(England) Regulations 2008, for personal searches of the Local Land Charges Register. However, these charges were contrary to the Environmental Information Regulations 2004 which states that Public Authorities (such as the Council) are not able to charge for access to environmental data, which includes information held on the Local Land Charges Register. Claims are being brought against Local Authorities for personal search fees charged for the last six years. The claims are being handled, on behalf of all Local Authorities, by the Local Government Association. If the claims are successful, the Council faces a potential liability of up to £10m.

**Note 44****Trust funds**

The Council administers a number of trust funds which have been established from donations and bequests made to it to meet a variety of objectives and purposes. The total monies held at 31 March 2012, based upon the figures within the table below, were £28.7m (2010/11: £26.2m). In addition, the Council held £2.6m (2010/11: £2.4m) of Adult Services Clients' Funds. The trust funds and clients' funds do not represent assets of the Council and have not been included in the Consolidated Balance Sheet.

The major trust funds are detailed below, with those highlighted in bold indicating where the Council acts as sole trustee:

	Balance at 31 March 2011	Income	Expenditure	Balance at 31 March 2012
	£m	£m	£m	£m
Alderson - To let dwelling houses to ex-servicemen and other persons in need.	0.3	-	-	0.3
<b>Birmingham Municipal Charity - General Charitable Objectives</b>	-	0.4	-	0.4
Bodenham Trust - For children with special educational needs	0.6	-	0.1	0.5
<b>Centre for the Child - To promote the education of children and their carers</b>	0.1	-	-	0.1
<b>Charles Baker Trust - For the elderly and disabled</b>	0.3	-	-	0.3
Clara Martineau Trust - For children with special educational needs	3.2	0.1	0.2	3.1
<b>Cropwood Estate – Management of Estate</b>	12.1	2.6	-	14.7
<b>Elford Trust Healthy recreation for Birmingham Citizens</b>	3.1	-	0.1	3.0
<b>Harriet Louisa Loxton Charity - For the aged and infirm</b>	1.3	0.2	-	1.5
<b>Highbury Trust- To use the bequest for the benefit of the citizens of Birmingham</b>	4.0	0.1	0.1	4.0
Holinsworth Fund- To further the work of voluntary hospitals	0.2	-	-	0.2
The Lord Mayor's Charity Appeal - For charitable purposes	0.1	0.1	0.1	0.1
Museum and Art Gallery Development Trust - Enhancement of city museums	0.3	0.2	0.4	0.1
<b>Moseley Road Friends Institute- Provision and maintenance of Institute</b>	<b>0.2</b>	0.4	0.3	<b>0.3</b>
Other	0.4	-	0.3	0.1
<b>Total</b>	<b>26.2</b>	<b>4.1</b>	<b>1.6</b>	<b>28.7</b>



Below is an analysis of the assets of the main funds:

	Restricted funds at 31 March 2012	Unrestricted funds at 31 March 2012	Total funds at 31 March 2012
	£m	£m	£m
Alderson -			
To let dwelling houses to ex-servicemen and other persons in need.	0.3	-	0.3
<b>Birmingham Municipal Charity - General Charitable Objectives</b>	0.4	-	0.4
Bodenham Trust -			
For children with special educational needs	0.5	-	0.5
<b>Centre for the Child -</b>			
<b>To promote the education of children and their carers</b>	-	0.1	0.1
<b>Charles Baker Trust -</b>			
<b>For the elderly and disabled</b>	0.1	0.2	0.3
Clara Martineau Trust -			
For children with special educational needs	3.1	-	3.1
<b>Cropwood Estate – management of the estate</b>	14.5	0.2	14.7
<b>The Elford Trust -</b>			
<b>Healthy recreation for Birmingham citizens</b>	2.9	0.1	3.0
<b>The Harriet Louisa Loxton Charity -</b>			
<b>For the aged and infirm</b>	1.3	0.2	1.5
<b>Highbury Trust -</b>			
<b>To use the bequest for the benefit of the citizens of Birmingham</b>	4.0	-	4.0
Holinsworth Fund -			
To further the work of voluntary hospitals	-	0.2	0.2
The Lord Mayor's Charity Appeal -			
For charitable purposes	-	0.1	0.1
Museum and Art Gallery Development Trust -			
Enhancement of city museums	0.1	-	0.1
Moseley Road Friends Institute-			
Provision and maintenance of Institute	0.3	-	0.3
Other	-	0.1	0.1
<b>Total</b>	<b>27.5</b>	<b>1.2</b>	<b>28.7</b>

**Note 45****Prior Period Adjustments**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage Assets held by the Council. The new accounting policy is set out in the Accounting Policies section of these financial statements.

Prior to the change, Heritage Assets were either recognised as Community Assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet where it was not possible to obtain cost information on the assets. The carrying value of Heritage Assets held in the Balance Sheet as Community Assets, at cost, within Property, Plant and Equipment at 1 April 2010 was £10.7m. The Council has also recognised an additional £229.0m of Heritage Assets previously not recorded in the Balance Sheet; this increase is recognised in the revaluation reserve.

The Council has gone through a process of strengthening the interlinkages between the main property and financial asset systems, which has required a data cleansing exercise with adjustments of £36m identified in leasing and £21.8m in the prior year valuation of fixed assets.

The effects of the restatement are as follows:

**Effects on the 2009/10 Balance Sheet Statement**

	31 March 2010 Original balance	Adjustments			31 March 2010 Restated balance
		Heritage Assets	Non-Current Assets	Leasing	
	£m	£m	£m	£m	£m
<b>Long Term Assets:</b>					
Property, Plant and Equipment	5,618.3		(21.8)		5,596.5
Heritage Assets	10.7	229.0			239.7
Long Term Debtors	107.6			(30.9)	76.7
<b>Current Assets:</b>					
Short Term Debtors	303.4			(5.1)	298.3
<b>Unusable Reserves:</b>					
Revaluation Reserve	(196.8)	(229.0)	(30.2)		(456.0)
Capital Adjustment Account	(2,681.6)		52.0		(2,629.6)
Deferred Capital Receipts	(75.2)			36.0	(39.2)

**Effects on the 2010/11 Balance Sheet Statement**

	31 March 2011 Original balance	Adjustments made at 31.March 2010 (above)	Adjustments			31 March 2011 Restated balance
			Heritage Assets	Non-Current Assets	Leasing	
	£m	£m	£m	£m	£m	£m
<b>Long Term Assets:</b>						
Property, Plant and Equipment	5,024.3	(21.8)		(41.5)		4,961.0
Heritage Assets	10.7	229.0	3.2			242.9
Long Term Debtors	113.3	(30.9)			-	82.4
<b>Current Assets:</b>						
Short Term Debtors	271.1	(5.1)			-	266.0
<b>Unusable Reserves:</b>						
Revaluation Reserve	(262.7)	(259.2)		10.1		(511.8)
Capital Adjustment Account	(1,791.1)	52.0	(3.2)	31.4		(1,710.9)
Deferred Capital Receipts	(67.5)	36.0			-	(31.5)

**Effects on the 2010/11 Comprehensive Income and Expenditure Statement**

	31 March 2011 Original £m	Adjustments		31 March 2011 Restated £m
		Non-Current Assets £m		
<b>Cost of Services</b>	1,880.3	(36.3)		1,844.0
<b>(Surplus) or Deficit on Provision of Services</b> (Gains) / losses on disposal of non current assets	162.2	10.5		172.7
Capital Grants and Contributions	(265.0)	71.0		(194.0)
<b>Other Comprehensive (Income) and Expenditure</b> (Surplus) or Deficit on revaluation of non current assets	62.4	(7.0)		55.4

**Effects on the 2010/11 Movement in Reserves Statement**

	Original Balance		Adjustments		Restated Balance	
	Total Usable Reserves £m	Total Unusable Reserves £m	Total Usable Reserves £m	Total Unusable Reserves £m	Total Usable Reserves £m	Total Unusable Reserves £m
Balance at the end of the previous accounting period 31 March 2010	(388.6)	(1,241.2)	0.0	(171.2)	(388.6)	(1,412.4)
<b>Total Comprehensive (Income) and Expenditure</b>						
(Surplus)/Deficit on Provision of Services	829.1		45.2	0.0	874.3	0.0
Other Comprehensive Income and Expenditure		(142.0)	0.0	(7.0)		(149.0)
<b>Adjustments between Accounting basis and Funding basis under regulation</b>	(864.9)	864.9	(45.2)	45.2	(910.1)	910.1
Net Increase/(Decrease) In Reserves in 2010/11	(35.8)	722.9	(0.0)	38.2	(35.8)	761.1
<b>Balance at 31 March 2011 carried forward</b>	<b>(424.4)</b>	<b>(518.4)</b>	<b>0.0</b>	<b>(132.9)</b>	<b>(424.4)</b>	<b>(651.3)</b>

## Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The Account is required to be self-financing and cannot be subsidised by the General Fund. The amounts included in the HRA differ from the amounts in respect of HRA services included in the CI&ES for the Council as a whole, which includes income and expenditure in accordance with the Code rather than in accordance with statute and non-statutory proper practices.

2010/11 £m		Note	2011/12 £m
	<b>Income</b>		
(210.0)	Dwellings rents		(226.8)
(5.5)	Non-dwellings rents		(5.9)
(18.7)	Charges for services and facilities		(25.3)
<b>(234.2)</b>	<b>Total Income</b>		<b>(258.0)</b>
	<b>Expenditure</b>		
64.7	Repairs and maintenance		58.1
54.8	Supervision and management		69.1
4.4	Rent, rates, taxes and other charges		3.3
48.4	Negative HRA subsidy payable		38.5
665.8	Depreciation and impairment charge	H4 & H8	41.4
0.2	Debt management costs		0.3
3.0	Movement in the allowance for bad debts (not specified by the Code)		6.0
0.0	Sums Directed by the Secretary of State that are expenditure in accordance with the Code		336.1
<b>841.3</b>	<b>Total Expenditure</b>		<b>552.8</b>
<b>607.1</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>294.8</b>
0.0	HRA share of Corporate and Democratic Core		0.1
<b>607.1</b>	<b>Net (Income) / Cost of HRA Services</b>		<b>294.9</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
33.6	Interest payable and similar charges		34.5
1.4	Amortisation of premia and discounts		1.3
(0.1)	HRA interest and investment income		(0.2)
(4.2)	(Gains)/ Losses on the disposal of HRA non-current assets		(6.3)
2.3	Pensions interest cost and expected return on pensions assets		2.4
<b>640.2</b>	<b>(Surplus)/Deficit for the Year on HRA Services</b>		<b>326.6</b>

**Movement on the Housing Revenue Account Statement**

2010/11		2011/12
£m		£m
640.2	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	326.6
<u>(643.2)</u>	Adjustments between accounting basis and funding basis under statute (note 7)	<u>(331.2)</u>
<b>(3.0)</b>	Net (increase) / decrease before transfers to / (from) reserves	<b>(4.6)</b>
<u>-</u>	Transfers to / (from) reserves	<u>-</u>
<b>(3.0)</b>	(Increase) / decrease for the year on HRA balance	<b>(4.6)</b>
<u>(1.6)</u>	HRA Balance Brought Forward	<u>(4.6)</u>
<u><b>(4.6)</b></u>	HRA Balance Carried Forward	<u><b>(9.2)</b></u>

## Notes to the Housing Revenue Account

### H1. Housing Stock

The types of properties owned by the Council at 31st March comprise:

31 March 2011		31 March 2012
3,741	1 bedroom bungalows	3,744
15,787	1 bedroom flats	15,762
31	1 bedroom houses	32
297	2 bedroom bungalows	292
11,372	2 bedroom flats	11,343
8,363	2 bedroom houses	8,419
32	3 or more bedroom bungalows	38
4,399	3 or more bedroom flats	4,379
20,520	3 or more bedroom houses	20,520
<b>64,542</b>	<b>Total housing stock</b>	<b>64,529</b>

The change in the property numbers is analysed below:

2010/11		2011/12
64,682	Stock at 1 April	64,542
(171)	Sales	(152)
(42)	Demolitions / transfers	(38)
73	New Build	177
<b>64,542</b>	<b>Stock at 31 March</b>	<b>64,529</b>

The Balance Sheet values of HRA fixed assets are as follows:

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
2,081.2	1,508.0	Council dwellings	1,546.0
8.9	9.1	Other land and buildings	15.7
<b>2,090.1</b>	<b>1,517.1</b>	<b>Total operational assets</b>	<b>1,561.7</b>
40.7	38.3	Non-operational assets	33.7
<b>2,130.8</b>	<b>1,555.4</b>	<b>Total</b>	<b>1,595.4</b>

The housing stock, land and other property within the HRA are valued in line with the DCLG Guidance on Stock Valuation for Resource Accounting published in January 2011. The basis of the valuation for the housing stock element is in accordance with the Royal Institute of Chartered Surveyors using the Existing Use Value - Social Housing basis, which takes open market value for the underlying dwellings and applies a discount factor to reflect the reduced value as a result of use for social housing for 2010/11 of 34% (49% for 2009/10 and prior years).

The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £71.4m was spent on HRA dwellings during the year of which £54.6m was impaired as not adding value to the dwellings. This impairment was charged to the revaluation reserve in year.

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

31 March 2011		31 March 2012
£m		£m
360.0	Land	377.4
28.6	Kitchens	24.2
37.5	Bathrooms	24.9
51.5	Heating	38.9
61.8	Windows	78.9
58.5	Roofs	22.5
910.1	Remaining Structure	979.2
<b><u>1,508.0</u></b>	<b>Total</b>	<b><u>1,546.0</u></b>

## H2. Value of Dwellings on Vacant Possession

(a) The vacant possession value of dwellings within the Council's HRA, valued in accordance with the Guidance, as at 1 April 2011 is £4,337.3m

(b) The difference between the above figure and the figure of £1,546.0m in the Balance Sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the DCLG's stock valuation model as explained in Supplementary Note H1.

## H3. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute is a reflection of capital expenditure that does not result in an asset, of which there was £336.1m in the financial year 2011/12. This related, in its entirety, to the impact of the HRA self-financing settlement which required the Council to make a payment of £336.1m to the Department of Communities and Local Government on 28 March 2012, funded from borrowing at preferential rates from the Public Works Loans Board. This transaction has no impact on rents or council tax as it is also included in the adjustments between accounting basis and funding basis under statute.

## H4. Revaluations and Impairment Charges

Revaluations and impairment charges reflect an increase or reduction in the value of property due to the economic environment or something that has occurred to the assets. This could include a decline in demand, obsolescence, and commitments to make significant changes to housing. As disclosed in Supplementary Note H1 there was an impairment of £54.6m made to the carrying value of HRA dwellings to reflect the fact that capital expenditure on the assets did not add equivalent value. In addition a revaluation of the HRA dwellings has identified an increase in value of £68.4m, resulting in a net increase in value of £13.8m. This increase has been transferred to a revaluation reserve.

## H5. Major Repairs Reserve

The Major Repairs Allowance is a cash sum allocated per property per annum based on type 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

2010/11		2011/12
£m		£m
0	Balance on Major Repairs Reserve at 1 April	1.0
40.9	Amount transferred to Major Repairs Reserve during the year	41.4
(25.0)	Bring forward of Major Repairs allocation from 2010/11 to 2009/10.	0
(14.9)	Charge to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the Council's HRA	(27.4)
<b>1.0</b>	<b>Balance on Major Repairs Reserve at 31 March</b>	<b>15.0</b>

## H6. Housing Revenue Account Subsidy

This Subsidy includes two components namely, Housing Revenue Account Subsidy and the Major Repairs Allowance (MRA). The HRA Subsidy element is calculated using stock numbers, allowances for management/maintenance, capital financing costs and notional rental income. The MRA is based on property numbers and is paid (explained in Note H5) through the HRA Subsidy administration system.

Analysis of the HRA subsidy payable by the Council for this financial year and the prior year in accordance with the regulations of the General Determination of Housing Revenue Account Subsidy:

2010/11		2011/12
£m		£m
(45.9)	Allowance for management	(47.1)
(68.0)	Allowance for maintenance	(68.5)
(15.9)	Allowance for Major Repairs	(41.4)
(32.3)	Capital charges	(30.7)
212.9	Rental income	226.4
(2.4)	Other	(0.2)
<b>48.4</b>	<b>HRA subsidy (receivable) / payable</b>	<b>38.5</b>



## H7. Capital Expenditure on HRA Assets

Expenditure on HRA assets was funded from the following sources:

2010/11		2011/12
£m		£m
0	Supported borrowing (Regional Housing Executive)	-
73.4	Prudential borrowing	366.9
0	Usable Capital Receipts (Right to Buy / land)	-
14.9	Major Repairs Reserve	27.4
5.3	Revenue contributions	0.3
12.3	Other resources	12.9
<b>105.9</b>		<b>407.5</b>

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £13.2m (land £3.9m, houses £9.3m). The values for 2010/11 were £12.8m (land £2.0m and houses £10.8m). The Government has introduced a capital receipts pooling framework and of these amounts £6.7m was paid to Central Government (2010/11: £7.6m).

## H8. Depreciation Charges

The total charge for depreciation for the land, houses, and other property within the Authority's HRA is £41.4m (2010/11: £40.9m). The principle adopted by the Authority follows guidance from DCLG that the major repairs allowance is a satisfactory proxy as this is based on maintaining properties in their present condition.

## H9. Contribution from Pension Reserve

The Comprehensive Income and Expenditure Statement includes pension costs calculated in accordance with International Accounting Standard (IAS) 19 as described in detail in Note 42 to the Financial Statements. To ensure that these costs do not affect the level of HRA balances and Council House rents, an appropriation is made from the Pensions Reserve so that the movement in balances only reflects the actual employer's pension contribution.

## H10. Rent Arrears

Rent arrears from current tenants at 31 March 2012 totalled £9.3m (2010/11: £8.2m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £13.2m at 31 March 2012 (2010/11: £12.1m).

A provision for bad debts has been made to meet possible future write offs of rent and other services/leaseholder/benefit overpayments. The provision was £17.3m at 31 March 2012 (2010/11: £15.0m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

31 March 2011		31 March 2012
£m		£m
8.2	Current tenants	9.3
6.2	Housing benefit overpayment	7.0
5.9	Other debt (services/leaseholders)	6.2
<b>20.3</b>	<b>Total arrears</b>	<b>22.5</b>
15.0	Provision for bad debts	17.3

**Collection Fund Income and Expenditure Account**

This account shows how much Council Tax and National Non-Domestic Rates (business rates) are collected within the City. It shows how much has been transferred to the CIES to pay for Council services and how much has been paid to the West Midlands Police Authority and the West Midlands Fire and Rescue Authority. The difference between these amounts is then either an overall surplus or deficit which is included in the Balance Sheet.

2010/11 £m	Note	2011/12 £m	£m
<b>Income</b>			
Council Tax:			
(279.1)	Income	C1	(277.4)
0.0	Council Tax written back		
Transfers from General Fund:			
(99.9)	Council Tax Benefit		(100.2)
<b>(379.0)</b>			<b>(377.6)</b>
Business Ratepayers:			
(362.1)	Income collectable	C2	(367.0)
Community Charge:			
0.0	Income collected resulting in a reduction to provision for bad debts		
<b>(362.1)</b>			<b>(367.0)</b>
<b>(741.1)</b>	<b>Total Income</b>		<b>(744.6)</b>
<b>Expenditure</b>			
Demands on the Collection Fund:			
332.7	Birmingham City Council	C3	332.2
0.1	New Frankley in Birmingham Parish		0.1
14.3	West Midlands Fire and Rescue Authority		14.3
29.7	West Midlands Police Authority		29.6
<b>376.7</b>			<b>376.2</b>
Contribution (from)/to previous year's (surplus)/deficit:			
2.6	Birmingham City Council		
0.1	West Midlands Fire and Rescue Authority		
0.2	West Midlands Police Authority		
<b>3.0</b>			<b>0.0</b>
Council Tax:			
0.4	Increase in Provision for Bad Debts	C4	1.2
3.5	Debts written off		1.2
Business Rates:			
360.2	Payment to National Pool		365.1
1.9	Cost of Collection Allowance		1.9
<b>366.0</b>			<b>369.4</b>
<b>745.7</b>	<b>Total Expenditure</b>		<b>745.6</b>
<b>4.6</b>	<b>(Surplus)/Deficit For the Year</b>		<b>1.0</b>
(4.7)	(Surplus)/Deficit Brought Forward		(0.1)
<b>(0.1)</b>	<b>(Surplus)/Deficit Carried Forward</b>		<b>0.9</b>

## Notes to the Collection Fund

### C1. Contributions from Council Taxpayers

The Council's tax base at January 2012 (the number of chargeable dwellings in each valuation band net of discounts) converted to an equivalent number of Band D dwellings was calculated as follows:

Band	Number of properties	Ratio	Band D equivalent dwellings
AR	225	5/9	125
A	130,030	6/9	86,687
B	108,315	7/9	84,245
C	65,477	8/9	58,202
D	31,717	1	31,717
E	18,011	11/9	22,013
F	7,777	13/9	11,233
G	5,258	15/9	8,764
H	697	18/9	1,394
<b>Total</b>	<b>367,507</b>		<b>304,380</b>
	Less: adjustment for collection rate		(6,088)
			<b>298,292</b>

The level of Council Tax is calculated at the beginning of the year and is calculated so as to ensure that the Council has enough money to pay for the services it provides. The amount of tax paid by local residents is based on how much the property they live in is worth. There are nine property valuation bands, AR to H.

The total required by the Collection Fund is divided by the Council Tax base. This represents the number of properties in the City, expressed as equivalent Band D properties. The level of Council Tax paid for a Band D property is the total income required divided by the Council Tax base, subject to any discounts to which a Council Tax payer may be entitled. The amount is adjusted for discounts and exemptions that particular residents in the City are entitled to. These discounts and exemptions are reimbursed by Central Government.

The figures for the New Frankley in Birmingham Parish are:

Band	No. of properties	Ratio	Band D equivalent
AR	4	5/9	2
A	1,293	6/9	862
B	1,442	7/9	1,123
C	94	8/9	84
D	55	1	55
E	1	11/9	1
F		13/9	
G		15/9	
H		18/9	
<b>Total</b>	<b>2,889</b>		<b>2,127</b>
	Less: adjustment for collection rate		(43)
			<b>2,084</b>

## C2. 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 (43.3p for 2011/12 : 41.4p for 2010/11). The total non-domestic rateable value at 31 March 2012 was £1,050.7m (31 March 2011: £1,044.3m). 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.

2010/11		2011/12
£m		£m
	<b><u>Contribution to the NNDR pool: Non-domestic rates</u></b>	
520.7	Contribution to the NNDR pool	520.2
11.9	Add: transitional relief adjustments	5.2
(172.4)	Less: allowances and adjustments	(160.4)
<b><u>360.2</u></b>	<b>Net contribution to NNDR pool</b>	<b><u>365.0</u></b>
361.9	Amount actually paid during the year	379.5
(1.7)	Payment to / (refund due from) pool	(14.3)
<b><u>360.2</u></b>		<b><u>365.2</u></b>
2010/11		2011/12
£m		£m
	<b><u>Re-distribution from NNDR pool:</u></b>	
<b><u>592.0</u></b>	Net income to City Council	<b><u>528.0</u></b>

## C3. Precept Payments

The preceptors on the Collection Fund are New Frankley in Birmingham Parish Council, the West Midlands Fire and Rescue Authority and the West Midlands Police Authority.

## C4. Bad Debts

Every effort is made to recover all amounts due from Council 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 2011/12 unpaid Council Tax of £1.2m was written off, (2010/11: £3.5m) which represents 0.25% of the amount of Council Tax due as at 1 April 2011 including amounts brought forward from earlier years, (2010/11: 0.77%).

Unpaid NNDR of £4.1m was written off, (2010/11: £0.4m written off). This represented 1.00% of NNDR due as at 1 April 2011 including amounts brought forward from earlier years, (2010/11: 0.10%).



## Statement of GROUP Accounts 2011/12

### Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement (GCIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/(Decrease) before transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to/(from) earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures	MI Reserves	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2010</b>	12.7	142.1	1.6	-	50.1	-	182.1	388.6	1,412.4	1,801.0	551.3	2.9	2,355.2
<b>Movement in Reserves during 2010/11</b>													
Surplus/(Deficit) on the provision of services	(233.1)		(640.2)					(873.3)	-	(873.3)	(11.5)	-	(884.8)
Other Comprehensive Income and Expenditure									149.0	149.0	20.6	-	169.6
<b>Total Comprehensive Income and Expenditure</b>	(233.1)	-	(640.2)	-	-	-	-	(873.3)	149.0	(724.3)	9.1	-	(715.2)
Adjustments between group accounts and Council accounts (Note G19)	(0.9)	-	-	-	-	-	-	(0.9)	-	(0.9)	0.9	-	-
Increase in Group Council reserves accounted for through equity (Note G6)	-	-	-	-	-	-	-	-	-	-	2.9	(2.9)	-
<b>Net Increase/(Decrease) before Transfers</b>	(234.0)	-	(640.2)	-	-	-	-	(874.2)	149.0	(725.2)	12.9	(2.9)	(715.2)
Adjustments Between Accounting Basis and Funding Basis Under Statute	239.7		643.2		(10.1)	1.0	36.2	910.0	(910.0)	-	-	-	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	5.7	-	3.0	-	(10.1)	1.0	36.2	35.8	(761.0)	(725.2)	12.9	(2.9)	(715.2)
Transfers to/(from) earmarked reserves	15.6	(15.6)	-	-	-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in 2010/11</b>	21.3	(15.6)	3.0	-	(10.1)	1.0	36.2	35.8	(761.0)	(725.2)	12.9	(2.9)	(715.2)
<b>Balance at 31 March 2011 carried forward</b>	34.0	126.5	4.6	-	40.0	1.0	218.3	424.4	651.4	1,075.8	564.2	-	1,640.0
<b>Balance at 1 April 2011 brought forward</b>	34.0	126.5	4.6	-	40.0	1.0	218.3	424.4	651.4	1,075.8	564.2	-	1,640.0
<b>Movement in reserves during 2011/12</b>													
Surplus/(Deficit) on the provision of services	(833.3)		(326.6)					(1,159.9)	-	(1,159.9)	(15.0)	-	(1,174.9)
Other Comprehensive Income and Expenditure									(115.8)	(115.8)	(13.3)	-	(129.1)
<b>Total Comprehensive Income and Expenditure</b>	(833.3)	-	(326.6)	-	-	-	-	(1,159.9)	(115.8)	(1,275.7)	(28.3)	-	(1,304.0)
Adjustments between group accounts and Council accounts (Note G19)	(16.0)	-	-	-	-	-	-	(16.0)	-	(16.0)	16.0	-	-
Increase in Group Council reserves accounted for through equity (Note G6)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) before Transfers</b>	(849.3)	-	(326.6)	-	-	-	-	(1,175.9)	(115.8)	(1,291.7)	(12.3)	-	(1,304.0)
Adjustments Between Accounting Basis and Funding Basis Under Statute	899.7		331.2		4.9	14.0	(7.4)	1,242.4	(1,242.4)	-	-	-	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	50.4	-	4.6	-	4.9	14.0	(7.4)	66.5	(1,358.2)	(1,291.7)	(12.3)	-	(1,304.0)
Transfers to/(from) earmarked reserves	(53.7)	53.7	-	-	-	-	-	-	-	-	-	-	-
<b>Increase/(Decrease) in 2011/12</b>	(3.3)	53.7	4.6	-	4.9	14.0	(7.4)	66.5	(1,358.2)	(1,291.7)	(12.3)	-	(1,304.0)
<b>Balance at 31 March 2012 carried forward</b>	30.7	180.2	9.2	-	44.9	15.0	210.9	490.9	(706.8)	(215.9)	551.9	-	336.0

## Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Group Movement in Reserves Statement.

2010/11 (Restated)			2011/12			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
125.5	(110.8)	14.7	Central services to the public	125.9	(120.4)	5.5
338.2	(185.3)	152.9	Cultural Services	327.0	(164.0)	163.0
136.4	(28.1)	108.3	Environmental and Regulatory Services	118.1	(27.4)	90.7
50.4	(83.8)	(33.4)	Planning Services	62.4	(104.2)	(41.8)
1,810.8	(1,251.4)	559.4	Education and children's services	1,920.9	(1,265.5)	655.4
222.3	(30.4)	191.9	Highways and transport services	202.7	(34.6)	168.1
841.3	(234.2)	607.1	Local authority housing (HRA)	216.7	(258.0)	(41.3)
-	-	-	Local authority housing (HRA) – settlement payment to Government for HRA self-financing	336.1	-	336.1
630.3	(517.9)	112.4	Other housing services	667.4	(536.9)	130.5
425.9	(98.9)	327.0	Adult social care	496.4	(117.7)	378.7
57.1	(1.4)	55.7	Corporate and democratic core	160.9	(51.4)	109.5
156.3	(174.4)	(18.1)	(Surplus)/Deficit on trading operations	105.1	(107.9)	(2.8)
(250.5)	3.7	(246.8)	Non distributed costs	31.8	-	31.8
<b>4,544.0</b>	<b>(2,712.9)</b>	<b>1,831.1</b>	<b>Cost Of Services</b>	<b>4,771.4</b>	<b>(2,788.0)</b>	<b>1,983.4</b>
235.3	-	235.3	Other Operating Expenditure	269.1	-	269.1
223.0	(15.3)	207.7	Financing and Investment Income and Expenditure	G5 210.6	(23.5)	187.1
-	(1,393.7)	(1,393.7)	Taxation and Non-Specific Grant Income	-	(1,260.6)	(1,260.6)
		<b>880.4</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>1,179.0</b>
		2.9	Share of the (Surplus)/Deficit on the provision of services by associates			(6.5)
		-	Tax expense of subsidiaries			-
		1.5	Tax expense of associates			2.4
		<b>884.8</b>	<b>Group (Surplus)/Deficit</b>			<b>1,174.9</b>
		55.4	(Surplus)/Deficit on revaluation of non current assets			(199.4)
		(137.1)	Impairment losses/(reversals) on non-current assets charged to the Revaluation Reserve	G11		34.4
		(88.4)	Actuarial (Gains)/Losses on pension assets/liabilities	G18		290.9
		0.5	Share of other comprehensive income and expenditure of associates and joint ventures			3.2
		<b>(169.6)</b>	<b>Other Comprehensive (Income)/Expenditure</b>			<b>129.1</b>
		<b>715.2</b>	<b>Total Comprehensive (Income)/Expenditure</b>			<b>1,304.0</b>

Note G20 provides an analysis of Minority Interest shares of GCIES, and provides a reconciliation of the GCIES to the movement in the balance sheet.

## Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, that is those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Group Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under statute'.

1 April 2010	31 March 2011		Note	31 March 2012
£m	£m			£m
6,514.5	5,857.8	Property, Plant and Equipment	G7	5,749.4
239.7	242.9	Heritage Assets	G7	243.1
19.6	70.0	Intangible Assets		64.5
9.1	9.2	Long Term Investments		2.3
57.9	64.0	Long Term Debtors		67.1
67.5	62.7	Investments in Associates and Joint Ventures	G21	63.6
<b>6,908.3</b>	<b>6,306.6</b>	<b>Total Long Term Assets</b>		<b>6,190.0</b>
110.0	214.7	Short Term Investments		336.9
12.4	3.7	Assets Held for Sale		7.9
3.7	2.9	Inventories		2.8
316.8	279.1	Short Term Debtors		283.6
88.5	62.8	Cash and Cash Equivalents		57.3
<b>531.4</b>	<b>563.2</b>	<b>Total Current Assets</b>		<b>688.5</b>
(63.7)	(36.9)	Cash and Cash Equivalents		(33.7)
(177.9)	(405.5)	Short Term Borrowing		(467.7)
(407.8)	(383.0)	Short Term Creditors	G9	(515.4)
(177.2)	(303.5)	Provisions		(248.3)
<b>(826.6)</b>	<b>(1,128.9)</b>	<b>Total Current Liabilities</b>		<b>(1,265.1)</b>
(73.1)	(73.1)	Long Term Creditors		(73.1)
(2.8)	(6.3)	Provisions		(445.3)
(2,261.3)	(2,257.6)	Long Term Borrowing		(2,617.6)
(222.0)	(344.3)	Other Long Term Liabilities		(387.4)
(1,698.7)	(1,419.6)	Net liability on defined benefit pension scheme		(1,754.0)
<b>(4,257.9)</b>	<b>(4,100.9)</b>	<b>Total Long Term Liabilities</b>		<b>(5,277.4)</b>
<b>2,355.2</b>	<b>1,640.0</b>	<b>Net Assets</b>		<b>336.0</b>
311.3	351.7	Usable Reserves	G10	432.2
2,043.9	1,288.3	Unusable Reserves	G11	(96.2)
<b>2,355.2</b>	<b>1,640.0</b>	<b>Total Reserves</b>		<b>336.0</b>



## Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Group.

2010/11		Note	2011/12
£m			£m
(884.8)	Net Surplus/(Deficit) on the provision of services		(1,174.9)
1,306.2	Adjustments to net Surplus/(Deficit) on the provision of services for non cash movements		1,342.1
(18.4)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities		(1.2)
<b>403.0</b>	<b>Net cash flows from Operating Activities</b>	G12	<b>166.0</b>
(609.7)	Investing Activities	G13	(532.8)
207.8	Financing Activities	G14	364.5
<b>1.1</b>	<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>(2.3)</b>
24.8	Cash and cash equivalents at the beginning of the reporting period		25.9
<b>25.9</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>23.6</b>

**Note G1****Accounting Policies**

The Group Financial Statements summarise the Council's and Group's transactions for the 2011/12 financial year. The Group financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, supported by International Financial Reporting Standards (IFRS).

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

Investments in associates are carried at cost rather than fair value.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council's entity accounts. Where there are not material differences, the notes to the Council's entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies. The financial statements of the National Exhibition Centre Ltd have been prepared under EU IFRS however all other subsidiaries and associates have been prepared under UK GAAP. Adjustments have been made to the financial statements accounted for under UK GAAP to align these with IFRS under the Code.

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

**Derivative financial instruments and hedging activities**

The Group uses foreign currency forward contracts to mitigate the adverse currency exchange risk on trade receivables. These contracts are treated as a trading instrument with fair value movements on the derivative being recognised immediately through the income statement. At 31 March 2012 National Exhibition Centre Limited had entered into forward contracts totaling €1.7m all of which mature within 24 months (31/03/2011: €1.7m).

**Defined Contribution Pension Schemes**

The Group operates two contributory benefit schemes comprising a Stakeholder Scheme to which only members contribute, and a Group Personal Pension Plan where the company matches member contributions to an agreed maximum. The employee benefit expense is recognised as it falls due.

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

Critical judgements in applying Accounting Policies are provided in Note 3 to the Council's entity accounts.

There are no additional judgements to report in respect of the remaining Group Entities.

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

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

There are no additional assumptions to report in respect of the remaining Group Entities.

**Note G4****Events After the Reporting Period**

Details of events after the Reporting Period that relate to the Council are provided in Note 6 to the Council's entity accounts.

In addition, events after the Reporting Period that relate to Group entities are shown below:

**Birmingham Technology Group**

On 30 November 2012, Birmingham Technology Group reorganised its financial arrangements with Birmingham City Council. As a result of this reorganisation the Group transferred its interest in certain of its leasehold properties, namely Holt Court, Ashted Lock, and Priestly Wharf, to Birmingham City Council in exchange for the settlement of £16.8 million of the debt owed to the Council. Following this transaction the Group has retained a 125 year leasehold interest in Faraday Wharf.

**Note G5****Financing and Investment Income and Expenditure**

Financing and Investment Income and Expenditure disclosed in the Group Comprehensive Income and Expenditure statement comprises the following:

2010/11				2011/12		
Gross Expenditure	Income	Net		Gross Expenditure	Income	Net
£m	£m	£m		£m	£m	£m
160.8	-	160.8	Interest payable and similar charges	167.3	-	167.3
62.2	-	62.2	Pensions interest cost and expected return on pensions assets	43.3	-	43.3
-	(15.3)	(15.3)	Interest receivable and similar income	-	(23.5)	(23.5)
<b>223.0</b>	<b>(15.3)</b>	<b>207.7</b>	<b>Total</b>	<b>210.6</b>	<b>(23.5)</b>	<b>187.1</b>

**Note G6****Changes in Group ownership processed in Equity**

The following changes in Group ownership have occurred which did not result in a change in control and have therefore been processed in equity in line with the Local Authority Code.

31 March 2011		31 March 2012
£m		£m
2.9	Increase in ownership share of NEC Developments plc (1)	-
<b>2.9</b>	<b>Total</b>	<b>-</b>

- (1) In 2010/11, Birmingham City Council increased its ownership share of NEC Developments plc from 87.5% to 100%. As this was previously accounted for as a subsidiary, there is no change in control and so this transaction has been effected in reserves, in accordance with the Local Authority Code. Further information is provided in note G21.

## Note G7

### Property, Plant, Equipment and Heritage Assets

#### Movements on Balances: 2011/12

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Heritage assets £m	Assets under construction £m	Total Property, Plant, Equipment and Heritage Assets £m	PFI / Service Concession assets Included in Property, Plant, Equipment and Heritage Assets £m
<b>Cost or Valuation</b>									
At 1 April 2011	1,646.9	3,733.1	177.1	703.0	69.6	242.9	288.6	<b>6,861.2</b>	726.5
Additions	71.4	110.8	11.0	80.3	2.1	0.1	154.0	<b>429.7</b>	100.7
Assets reclassified between categories		67.4	2.8	41.2	0.1	0.1	(111.6)	-	
Assets reclassified (to)/from Held for Sale		(9.7)						<b>(9.7)</b>	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve		113.4						<b>113.4</b>	0.2
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(70.1)	(257.7)						<b>(327.8)</b>	
Derecognition - Disposals	(5.2)	(183.7)	(3.7)					<b>(192.6)</b>	(91.8)
Derecognition - of components	(0.9)	(6.9)		(140.1)				<b>(147.9)</b>	
<b>At 31 March 2012</b>	<b>1,642.1</b>	<b>3,566.7</b>	<b>187.2</b>	<b>684.4</b>	<b>71.8</b>	<b>243.1</b>	<b>331.0</b>	<b>6,726.3</b>	<b>735.6</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2011	(138.9)	(235.1)	(43.0)	(343.5)				<b>(760.5)</b>	(51.9)
Depreciation charge	(41.4)	(82.6)	(20.5)	(89.7)				<b>(234.2)</b>	(26.7)
Depreciation written out to the Revaluation Reserve	40.9	45.7						<b>86.6</b>	9.2
Depreciation written out to the Surplus/Deficit on the Provision of Services								-	
Impairment (losses)/reversals recognised in the Revaluation Reserve	(26.7)	(7.7)						<b>(34.4)</b>	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	70.1	28.7						<b>98.8</b>	
Derecognition - Disposals		20.5	1.7					<b>22.2</b>	12.8
Derecognition - Other		1.0		86.7				<b>87.7</b>	
<b>At 31 March 2012</b>	<b>(96.0)</b>	<b>(229.5)</b>	<b>(61.8)</b>	<b>(346.5)</b>	-	-	-	<b>(733.8)</b>	<b>(56.6)</b>
<b>Net Book Value</b>									
<b>At 31 March 2012</b>	<b>1,546.1</b>	<b>3,337.2</b>	<b>125.4</b>	<b>337.9</b>	<b>71.8</b>	<b>243.1</b>	<b>331.0</b>	<b>5,992.5</b>	<b>679.0</b>
<b>At 31 March 2011</b>	<b>1,508.0</b>	<b>3,498.0</b>	<b>134.1</b>	<b>359.5</b>	<b>69.6</b>	<b>242.9</b>	<b>288.6</b>	<b>6,100.7</b>	<b>674.6</b>

**Movements on Balances: 2010/11**

Restated for Heritage Assets

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Heritage assets £m	Assets under construction £m	Total Property, Plant, Equipment and Heritage Assets £m	PFI / Service Concession assets Included in Property, Plant, Equipment and Heritage Assets £m
<b>Cost or Valuation</b>									
At 1 April 2010	2,244.8	3,803.6	153.9	839.4	66.5	239.7	207.6	7,555.5	598.1
Additions	105.9	114.5	21.2	105.9	3.4	3.2	120.7	474.8	163.4
Assets reclassified between categories		26.1	2.4	10.0	1.2		(39.7)	-	
Assets reclassified (to)/from Held for Sale		(4.0)						(4.0)	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(170.3)	47.0						(123.3)	(4.8)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(526.9)	(160.4)						(687.3)	(15.9)
Derecognition - Disposals	(6.6)	(68.9)	(0.4)		(1.5)			(77.4)	(14.3)
Derecognition - of components		(24.8)		(252.3)				(277.1)	
<b>At 31 March 2011</b>	<b>1,646.9</b>	<b>3,733.1</b>	<b>177.1</b>	<b>703.0</b>	<b>69.6</b>	<b>242.9</b>	<b>288.6</b>	<b>6,861.2</b>	<b>726.5</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2010	(163.6)	(208.1)	(25.1)	(404.5)				(801.3)	(41.7)
Depreciation charge	(40.9)	(99.7)	(18.1)	(86.8)				(245.5)	(26.4)
Depreciation written out to the Revaluation Reserve	40.7	27.2						67.9	
Depreciation written out to the Surplus/Deficit on the Provision of Services		12.7						12.7	1.8
Impairment (losses)/reversals recognised in the Revaluation Reserve	122.9	14.2						137.1	4.7
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(98.0)	3.3						(94.7)	3.6
Derecognition - Disposals		11.2	0.2					11.4	6.1
Derecognition - Other		4.1		147.8				151.9	
<b>At 31 March 2011</b>	<b>(138.9)</b>	<b>(235.1)</b>	<b>(43.0)</b>	<b>(343.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(760.5)</b>	<b>(51.9)</b>
<b>Net Book Value</b>									
<b>At 31 March 2011</b>	<b>1,508.0</b>	<b>3,498.0</b>	<b>134.1</b>	<b>359.5</b>	<b>69.6</b>	<b>242.9</b>	<b>288.6</b>	<b>6,100.7</b>	<b>674.6</b>
<b>At 1 April 2010</b>	<b>2,081.2</b>	<b>3,595.5</b>	<b>128.8</b>	<b>434.9</b>	<b>66.5</b>	<b>239.7</b>	<b>207.6</b>	<b>6,754.2</b>	<b>556.4</b>

Further details on the Council's policies for fixed asset revaluations and depreciation are provided in Note 12 to the Council's entity accounts. Buildings assets held by other entities within the group have been valued at their fair value as at 1 April 2009.

## Note G8

### Financial Instruments

#### Investments

The following long term investments are removed in the Group Financial Statements compared to the Council's entity accounts as they relate to Birmingham City Council's investment in NEC Finance plc, a subsidiary of NEC Limited, and so have been eliminated upon group consolidation:

	Long-term	
	31 March 2011	31 March 2012
	£m	£m
<b>Investments</b>		
Loans and receivables	273.7	261.6

The following short term investments are brought into the Group Financial Statements upon group consolidation

	Short-term	
	31 March 2011	31 March 2012
	£m	£m
<b>Investments</b>		
Loans and receivables	30.6	36.5

#### Debtors and cash

Debtors and cash consolidated as part of the Group Financial Statements are classified as loans and receivables. These amounts are not materially different from the amounts disclosed in the Council's entity accounts.

#### Creditors

Short term creditors consolidated as part of the Group Financial Statements are classified as financial liabilities at amortised cost. Further information on Group short term creditors is provided in Note G9.

Long term creditors consolidated as part of the Group Financial Statements are the debt issued by NEC Developments plc on the London Stock Exchange:

	Long-term	
	31 March 2011	31 March 2012
	£m	£m
<b>Creditors</b>		
Financial liabilities at amortised cost	(73.1)	(73.1)

#### Income, Expense, Gains and Losses

These amounts in the Group Financial Statements are not considered materially different from those in the Council's entity accounts.

#### Fair Values of Assets and Liabilities

The amounts consolidated as part of the Group Financial Statements are not considered significantly different from the carrying amounts.

#### Nature and extent of risks arising from financial instruments

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

**Note G9****Short Term Creditors**

The table below shows amounts owed by the Council and its Group at the end of the year, split by type of organisation.

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
(151.0)	(50.9)	Central government bodies	(192.5)
(9.5)	(9.7)	Other local authorities	(10.0)
(2.1)	(4.1)	NHS bodies	(0.9)
(59.0)	(20.0)	Public corporations and trading funds	(21.6)
(186.2)	(298.3)	Other entities and individuals	(290.4)
<b>(407.8)</b>	<b>(383.0)</b>	<b>Total</b>	<b>(515.4)</b>

**Note G10****Usable Reserves**

1 April 2010	31 March 2011		31 March 2012
£m	£m		£m
42.7	64.8	General Fund	77.6
50.1	40.0	Capital Receipts Reserve	44.9
142.1	126.5	Earmarked General Fund Reserves	180.2
1.6	4.6	Housing Revenue Account (HRA)	9.2
-	-	Earmarked HRA Reserves	-
-	1.0	Major Repairs Reserve	15.0
182.1	218.3	Capital Grants Unapplied	210.9
(111.3)	(105.4)	Profit and Loss Reserve	(106.1)
(0.8)	(2.9)	Designated Funds	(4.3)
-	-	Other Charitable Funds	-
4.8	4.8	Merger Reserve	4.8
<b>311.3</b>	<b>351.7</b>		<b>432.2</b>

Further analysis is provided below for material usable reserves.

Movements in the General Fund are set out in the Council and Group Movement in Reserves Statements, further supported by Note 7 to the Council's entity accounts. Differences arising on group consolidation are set out in Note G19 to the Group Financial Statements.

**Profit and Loss Reserve**

The Profit and Loss Reserve consolidates in the in-year results for subsidiaries. In the Group Financial Statements it is kept separate from the General Fund given the specific statutory restrictions that apply to the General Fund. Depreciation charges in subsidiaries remain as charges to the Profit and Loss reserve.

2009/10	2010/11		2011/12
£m	£m		£m
<b>(50.6)</b>	<b>(111.3)</b>	<b>Balance at 1 April</b>	<b>(105.4)</b>
(60.7)	5.9	In year profit and loss result for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	(0.7)
<b>(111.3)</b>	<b>(105.4)</b>	<b>Balance at 31 March</b>	<b>(106.1)</b>



## Note G11 Unusable Reserves

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

1 April 2010 (Restated)	31 March 2011 (Restated)		31 March 2012
£m	£m		£m
1,034.3	1,077.3	Revaluation Reserve	1,199.5
2,719.7	1,801.0	Capital Adjustment Account	959.3
(31.4)	(32.9)	Financial instrument adjustment account	(33.4)
(1,709.0)	(1,434.6)	Pensions Reserve	(1,771.6)
39.2	31.5	Deferred Capital Receipts	30.7
4.2	0.1	Collection Fund Adjustment Account	(0.8)
-	(127.8)	Equal Pay Back Pay Account	(460.1)
(25.9)	(36.2)	Accumulated Absences Account	(29.6)
2.9	-	Minority Interest	-
0.6	0.6	Called up share capital	0.6
1.1	1.1	Restricted Funds	1.0
8.2	8.2	Share Premium Account	8.2
<b>2,043.9</b>	<b>1,288.3</b>		<b>(96.2)</b>

Further analysis is provided below for unusable reserves which are materially different from the balances included in the Council's entity accounts.

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its Property, Plant, Equipment, Heritage and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

For amounts arising in the Council, the Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 (Restated)	2010/11 (Restated)		2011/12	
£m	£m		£m	£m
<b>698.4</b>	<b>1,034.3</b>	<b>Balance at 1 April</b>		<b>1,077.3</b>
255.6	67.9	Council: Upward revaluation of assets	199.4	
-	(123.3)	Council: Downward revaluation of assets	-	
(122.9)	137.1	Council: Impairment (losses)/reversals not charged to the Surplus/Deficit on the Provision of Services	(34.4)	
<b>132.7</b>	<b>81.7</b>	<b>Council: Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>		<b>165.0</b>
(105.2)	(10.4)	Council: Difference between fair value depreciation and historical cost depreciation	(11.6)	
-	(15.5)	Council: Accumulated gains on assets sold or scrapped	(15.1)	
<b>(105.2)</b>	<b>(25.9)</b>	<b>Council: Amount written off to the Capital Adjustment Account</b>		<b>(26.7)</b>
309.2	3.1	Increase in Group's share of revaluation reserve resulting from increased stake in entity		-
(0.8)	(15.9)	Other movements in reserve in Group entities		(16.1)
<b>1,034.3</b>	<b>1,077.3</b>	<b>Balance at 31 March</b>		<b>1,199.5</b>

#### Pensions Reserve

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

The Group balance also consolidates actuarial gains and losses arising on schemes held by NEC Limited.

2010/11		2011/12
£m		£m
<b>(1,709.0)</b>	<b>Balance at 1 April</b>	<b>(1,434.6)</b>
88.4	Actuarial Gains/(Losses) on pensions assets and liabilities	(290.9)
71.7	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(147.4)
114.3	Employer's pensions contributions and direct payments to retirees payable in the year	101.3
<b>(1,434.6)</b>	<b>Balance at 31 March</b>	<b>(1,771.6)</b>

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

The cash flows from operating activities include the following items:

2010/11		2011/12
£m		£m
(15.3)	Interest received	(23.5)
160.8	Interest paid	167.3
(0.4)	Dividends received	(2.2)

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

The cash flows from investing activities include the following items:

2010/11		2011/12
£m		£m
(532.0)	Purchase of property, plant and equipment, investment property and intangible assets	(444.7)
(2,635.4)	Purchase of short-term and long-term investments	(4,028.4)
27.2	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	27.1
2,530.5	Proceeds from short-term and long-term investments	3,913.2
<b>(609.7)</b>	<b>Net cash flows from investing activities</b>	<b>(532.8)</b>

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

The cash flows from financing activities include the following items:

2010/11		2011/12
£m		£m
3.7	Other receipts from financing activities	-
1,428.4	Cash receipts of short-term and long-term borrowing	2,538.3
(9.8)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(19.7)
(1,202.0)	Repayments of short-term and long-term borrowing	(2,128.2)
(12.5)	Other payments for financing activities	(25.9)
<b>207.8</b>	<b>Net cash flows from financing activities</b>	<b>364.5</b>

## Note G15 Amounts Reported for Resource Allocation Decisions (Segmental Analysis)

Details of the Authority's Segmental Analysis are provided in Note 30 to the Council's entity accounts.

Net expenditure reported to the Cabinet, Committees and Portfolios detailed within Note 30 to the Council's entity accounts is unchanged by the consolidation of the group entities and has therefore been excluded here. The Segmental Analysis reconciliation to both the Cost of Services in the Comprehensive Income and Expenditure Statement and the Group's Subjective Analysis are as follows:

### Reconciliation of Portfolio / Committee Net Expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement

	2010/11	2011/12
	£m	£m
Net expenditure in Portfolio Analysis	1,053.5	1,082.4
Amounts in the Group Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	654.9	734.3
Amounts in the Group Comprehensive Income and Expenditure Statement related to Group Accounts Consolidation not reported to Cabinet in the Analysis	(12.9)	(15.4)
Amounts included in the Analysis not included in the Group Comprehensive Income and Expenditure Statement	135.6	182.1
<b>Cost of Services in Group Comprehensive Income and Expenditure Statement</b>	<b>1,831.1</b>	<b>1,983.4</b>

### Reconciliation to Subjective Analysis

2011/12

	Portfolio Analysis	Amounts not included in Analysis but within GCIES		Allocations between lines	Cost of Services in GCIES	Amounts reported below the net cost of services in GCIES	Total
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(1,109.2)	74.5	264.3	-	(770.4)	-	(770.4)
Support service recharges	(198.2)	-	-	198.2	-	-	-
Trading Accounts	-	-	-	-	-	-	-
Group consolidation subsidiary adjustments	-	(108.5)	-	-	(108.5)	0.6	(107.9)
Surplus on associates and joint ventures	-	-	-	-	-	(4.1)	(4.1)
Interest and investment income	-	-	-	-	-	(24.1)	(24.1)
Income from Council Tax	-	-	-	-	-	(332.3)	(332.3)
Government grants and contributions	(1,821.5)	(152.7)	65.1	-	(1,909.1)	(928.4)	(2,837.5)
Other Income	-	-	-	-	-	-	-
<b>Total income</b>	<b>(3,128.9)</b>	<b>(186.7)</b>	<b>329.4</b>	<b>198.2</b>	<b>(2,788.0)</b>	<b>(1,288.3)</b>	<b>(4,076.3)</b>
Employee expenses	1,319.9	467.5	-	-	1,787.4	-	1,787.4
Other service expenses	2,577.8	45.8	(88.4)	-	2,535.2	-	2,535.2
Support service recharges	150.0	-	-	(198.2)	(48.2)	-	(48.2)
Trading Accounts	-	-	-	-	-	-	-
Group consolidation subsidiary adjustments	-	93.1	-	-	93.1	17.9	111.0
Deficit on associates and joint ventures	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	163.6	299.2	-	-	462.8	-	462.8
Interest payments & pension costs	-	-	-	-	-	192.7	192.7
Precepts and levies	-	-	(58.9)	-	(58.9)	59.0	0.1
Payments to Housing Capital Receipts pool	-	-	-	-	-	6.7	6.7
Gain or loss on disposal of non-current assets	-	-	-	-	-	203.5	203.5
Other Expenditure	-	-	-	-	-	-	-
<b>Total expenditure</b>	<b>4,211.3</b>	<b>905.6</b>	<b>(147.3)</b>	<b>(198.2)</b>	<b>4,771.4</b>	<b>479.8</b>	<b>5,251.2</b>
<b>Group (Surplus)/Deficit</b>	<b>1,082.4</b>	<b>718.9</b>	<b>182.1</b>	<b>-</b>	<b>1,983.4</b>	<b>(808.5)</b>	<b>1,174.9</b>

2010/11

	Portfolio Analysis	Amounts not included in Analysis but within GCIES	Amounts included in Analysis but not included in GCIES	Allocations between lines	Cost of Services in GCIES	Amounts reported below the net cost of services in GCIES	Total
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(775.8)	10.8	-	171.5	(593.5)	-	(593.5)
Support service recharges	(425.4)	-	-	425.4	-	-	-
Trading Accounts	-	(174.4)	-	-	(174.4)	-	(174.4)
Group consolidation subsidiary adjustments		(118.6)			(118.6)	0.6	(118.0)
Surplus on associates and joint ventures					-		-
Interest and investment income	-	-	-	-	-	(15.9)	(15.9)
Income from Council Tax	-	-	-	-	-	(332.7)	(332.7)
Government grants and contributions	(2,035.0)	18.1	190.5	-	(1,826.4)	(1,061.0)	(2,887.4)
Other Income					-		-
<b>Total income</b>	<b>(3,236.2)</b>	<b>(264.1)</b>	<b>190.5</b>	<b>596.9</b>	<b>(2,712.9)</b>	<b>(1,409.0)</b>	<b>(4,121.9)</b>
Employee expenses	1,488.0	(109.0)	-	(156.3)	1,222.7	-	1,222.7
Other service expenses	2,359.7	(68.5)	(54.9)	(154.7)	2,081.6	-	2,081.6
Trading Accounts	-	156.3	-	-	156.3	-	156.3
Support service recharges	285.9	-	-	(285.9)	-	-	-
Group consolidation subsidiary adjustments		105.7			105.7	18.5	124.2
Deficit on associates and joint ventures					-	4.4	4.4
Depreciation, amortisation and impairment	156.1	821.6	-	-	977.7	-	977.7
Interest payments & pension costs	-	-	-	-	-	204.5	204.5
Precepts and levies	-	-	-	-	-	55.0	55.0
Payments to Housing Capital	-	-	-	-	-	7.6	7.6
Receipts pool							
Gain or loss on disposal of non-current assets	-	-	-	-	-	172.7	172.7
Other Expenditure					-		-
<b>Total expenditure</b>	<b>4,289.7</b>	<b>906.1</b>	<b>(54.9)</b>	<b>(596.9)</b>	<b>4,544.0</b>	<b>462.7</b>	<b>5,006.7</b>
<b>Group (Surplus)/Deficit</b>	<b>1,053.5</b>	<b>642.0</b>	<b>135.6</b>	<b>-</b>	<b>1,831.1</b>	<b>(946.3)</b>	<b>884.8</b>

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

Details of the Council's material transactions with related parties are provided in Note 38 to the Council's entity accounts.

In addition to the related parties detailed within Note 38 to the Council's entity accounts those included below are deemed to be related parties of the Group – bodies or individuals with the potential to control or significantly influence the Group entities or to be controlled or significantly influenced by the Group entities. Where in-year transactions and outstanding balances between Group entities and associated related parties are £1m or greater, they are disclosed below. The Group entities and their relationships with the Council are detailed in Note G21.

	Purchased From	Sold To	Net amount Due (To)/From
	£m	£m	£m
<b>National Exhibition Centre Limited</b>			
National Exhibition Centre (Ireland) Limited		1.0	1.9
MPM Catering Limited		1.3	
NEC Finance Plc			
NEC Pension Trustee Company Limited			
Global Spectrum-NEC D.O.O.			
PBEL			
<b>Birmingham Technology Limited</b>			
Birmingham Science Park Aston Limited			
Birmingham Technology (Property) Limited			
Birmingham Technology (Property One) Limited			
Birmingham Technology Venture Capital Limited			
Tech-Ni-Plant Limited			
<b>Birmingham Airport Holdings Limited</b>			
West Midlands District Councils via Solihull MBC			(4.7)
Solihull MBC is the local authority for the airport and transacts with the Company in a number of areas including business rates, planning applications and building control services. All of these transactions are carried out on an arms length basis at a full commercial rate.			

**Note G17****Leases****Group as the lessee*****Finance leases***

Details of the Council's leases are provided in Note 39 to the Council's entity accounts.

***Operating leases***

Details of the Council's leases are provided in Note 39 to the Council's entity accounts.

**Group as the lessor*****Finance leases***

Details of the Council's leases are provided in Note 39 to the Council's entity accounts.

Birmingham City Council is the lessor for premises leased to Birmingham Technology Limited (BTL). As a group subsidiary entity, these leases are eliminated from the group accounts. The information in this section below provides details of these leases with BTL to be excluded in the group accounts.

The gross investment is made up of the following amounts:

31 March 2011		31 March 2012
£m		£m
	Finance lease debtor (net present value of minimum lease payments):	
0.0	current	0.0
1.5	non-current	1.5
7.3	Unearned finance income	7.2
(0.1)	Unguaranteed residual value of property	(0.1)
<b>8.7</b>	<b>Gross investment in the lease</b>	<b>8.6</b>

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

	Gross investment in the lease		Minimum lease payments	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£m	£m	£m	£m
Not later than one year	0.0	0.0	0.1	0.1
Later than one year and not later than five years	0.0	0.0	0.4	0.4
Later than five years	1.5	1.5	8.1	8.1
<b>Total</b>	<b>1.5</b>	<b>1.5</b>	<b>8.6</b>	<b>8.6</b>

**Operating leases**

Details of the Council's leases are provided in Note 39 to the Council's entity accounts.

In addition Birmingham Technology Limited (BTL), leases out property to various organisations within the location of Aston Science Park to promote, encourage, and secure development that will add value to Birmingham and the West Midlands. The leases are all operating leases with typical terms of 25 years or less and the terms are consistent with those of short term leases. As a group subsidiary entity, these leases are to be included within the group disclosures and the information in the section below provides details of these leases that are in addition to those operating leases already identified within the Council's leasing Note 39.

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

31 March 2011		31 March 2012
<b>£m</b>		<b>£m</b>
1.7	Not later than one year	1.8
2.5	Later than one year and not later than five years	2.0
0.1	Later than five years	1.8
<b>4.3</b>		<b>5.6</b>

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



**Note G18****Defined Benefit Pension Schemes**

Details of the Council's involvement in the Teachers' Pensions Scheme and Local Government Pension Scheme are provided in notes 41 and 42 to the Council's entity accounts.

In the Group accounts, The NEC Limited group operates a contributory personal pension plan, a Stakeholder Scheme and two defined benefit schemes in the UK. With effect from 30 June 2010 the defined benefit schemes ceased to provide full service accrual with active members of the scheme moved to deferred member status. The last tri-annual actuarial valuation of the NEC Limited Pension Fund was performed by Mercer Human Resource Consulting as at 5 April 2010. The 2010 valuation revealed a shortfall in scheme assets of £16.9m. The company and Trustees have agreed a recovery plan which, subject to actuarial assumptions being met, will eliminate the shortfall in 10 years.

The principal assumptions made by the Actuary for the NEC Limited Pension Fund were:

	2010/11	2011/12
	%	%
Rate of increase in pensions in payment (accrued prior to 6 April 2005)	3.4	3.2
Rate of increase in pensions in payment (accrued post 6 April 2005)	2.2	2.2
Discount rate	5.5	5.0
Inflation assumption - RPI	3.4	3.2
Inflation assumption - CPI	2.9	2.4
Returns on equities	7.9	6.9
Returns on bonds and cash	4.9	3.9
Return on other assets	4.4	3.4
Return on property	5.4	4.4

The expected return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the benefit obligation.

Weighted average life expectancy for mortality tables used to determine benefit obligations in respect of the NEC Limited Pension Fund:

	2010/11	2011/12
	Years	Years
Male: member aged 65 (current life expectancy)	22.0	22.3
Male: member aged 45 (life expectancy at age 65)	23.4	24.0
Female: member aged 65 (current life expectancy)	24.3	24.7
Female: member aged 45 (life expectancy at age 65)	25.9	26.7

The amounts recognised in the Group balance sheet for the NEC Limited pension fund are determined as follows:

	31 March 2011	31 March 2012
	£m	£m
Present value of funded obligations	(122.7)	(133.3)
Fair value of plan assets	109.2	112.2
<b>Total</b>	<b>(13.5)</b>	<b>(21.1)</b>

The major categories of plan assets as a percentage of total plan assets are as follows:

	2010/11	2011/12
	%	%
Equities, GTAA and hedge funds	59	57
Bonds	24	25
Real estate	12	13
Other	5	5

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

	2010/11	2011/12
	£m	£m
Current service cost	0.6	-
Interest cost	7.9	6.7
Expected return on plan assets	(6.8)	(7.3)
Effect of curtailments	(3.2)	-
<b>Total included in employee benefit costs</b>	<b>(1.5)</b>	<b>(0.6)</b>

Changes in present value of the defined benefit obligation are as follows:

	2010/11	2011/12
	£m	£m
Present value of obligation at 1 April	140.2	122.7
Current service cost	0.6	-
Interest cost	7.9	6.7
Member contributions	0.0	-
Actuarial (gains) / losses	(19.2)	7.5
Curtailement	(3.2)	-
Benefits paid	(3.6)	(3.6)
<b>Present value of obligation at 31 March</b>	<b>122.7</b>	<b>133.3</b>

Changes in fair value of plan assets are as follows:

	2010/11	2011/12
	£m	£m
Fair value of plan assets at 1 April	100.8	109.2
Expected return on scheme assets	6.8	7.3
Actuarial gains	1.9	(2.7)
Employer contributions	3.2	2.0
Member contributions	0.1	-
Benefits paid	(3.6)	(3.6)
<b>Fair value of plan assets at 31 March</b>	<b>109.2</b>	<b>112.2</b>

The following amounts have been recognised in the NEC's balance sheet and so consolidated into the Group balance sheet:

	2010/11 £m	2011/12 £m
Present value of wholly or partly funded obligations	122.5	133.0
Deficit (surplus) for funded plans	13.4	20.8
Present value of wholly unfunded obligations	0.2	0.3
<b>Net liability</b>	<b>13.6</b>	<b>21.1</b>

Analysis of the movement in the balance sheet liability:

	2010/11 £m	2011/12 £m
1 April	(39.4)	(13.6)
Total income / (expenses) as above	1.5	0.6
Employer contribution	3.2	2.0
Net actuarial gains / (losses) recognised in year	21.1	(10.1)
<b>31 March</b>	<b>(13.6)</b>	<b>(21.1)</b>

Cumulative actuarial gains and losses recognised in NEC Limited entity:

	2010/11 £m	2011/12 £m
1 April	(27.6)	(6.5)
Net actuarial gains / (losses) recognised in year	21.1	(10.1)
<b>31 March</b>	<b>(6.5)</b>	<b>(16.6)</b>

The actual profit on plan assets was £4.6m (2010/11: £8.7m).

History of experience gains and losses for NEC Limited pension scheme:

	2008	2009	2010	2011	2012
Present value of scheme liabilities (£m)	(122)	(98)	(140)	(123)	(133)
Fair value of scheme assets (£m)	92	74	101	110	112
Deficit (£m)	<b>(30)</b>	<b>(24)</b>	<b>(39)</b>	<b>(13)</b>	<b>(21)</b>
Experience adjustments on scheme assets (£m)	(11)	(28)	19	2	(3)
Expressed as a percentage of scheme assets (%)	(12)	(37)	19	2	2
Experience adjustments on scheme liabilities (£m)	(5)	0	0	4	0
Expressed as a percentage of scheme liabilities (%)	(0)	0	0	3	0

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

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

	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account (HRA) £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Council Reserves £m	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £m	Total Group Reserves £m
<u>2010/11</u>												
Intra group loans	0.9							0.9	-	0.9	(0.9)	-
Provision of goods and services to subsidiaries	8.3							8.3	-	8.3	(8.3)	-
Purchases of goods and services from subsidiaries	(10.1)							(10.1)	-	(10.1)	10.1	-
<b>Total adjustments between Group accounts and Council accounts</b>	<b>(0.9)</b>	-	-	-	-	-	-	<b>(0.9)</b>	-	<b>(0.9)</b>	<b>0.9</b>	-
<u>2011/12</u>												
Intra group loans	0.9							0.9	-	0.9	(0.9)	-
Provision of goods and services to subsidiaries	8.1							8.1	-	8.1	(8.1)	-
Purchases of goods and services from subsidiaries	(20.0)							(20.0)	-	(20.0)	20.0	-
Intra group capital expenditure incurred by parent for subsidiary assets	(5.0)							(5.0)	-	(5.0)	5.0	-
<b>Total adjustments between Group accounts and Council accounts</b>	<b>(16.0)</b>	-	-	-	-	-	-	<b>(16.0)</b>	-	<b>(16.0)</b>	<b>16.0</b>	-

**Note G20****Analysis of Minority Interest Shares in Group Comprehensive Income and Expenditure Statement and Total Movement in Balance Sheet**

Attributable shares of income and expenditure:

2010/11			2011/12		
Council £m	Minority interests £m	Total £m	Council £m	Minority interests £m	Total £m
880.4	-	880.4	1,179.0	-	1,179.0
4.4	-	4.4	(4.1)	-	(4.1)
(169.6)	-	(169.6)	129.1	-	129.1
<b>715.2</b>	-	<b>715.2</b>	<b>1,304.0</b>	-	<b>1,304.0</b>
<b>715.2</b>	-	<b>715.2</b>	<b>1,304.0</b>	-	<b>1,304.0</b>

This analysis is not intended as an analysis of the movement in the Minority Interest balance recorded in the balance sheet and so does not include such opening balances.

**Note G21****Associated and Subsidiary Companies**

The Council maintains involvement with a number of associated and subsidiary companies where the assets and liabilities of these companies are not included in the Council's core financial statements. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 group financial statements have been prepared.

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

**I. The National Exhibition Centre Limited Group**

The Company (The National Exhibition Centre Ltd) manages the National Exhibition Centre, the LG Arena, the International Conference Centre (ICC), and the National Indoor Area (NIA). Following the signing of a new management agreement with the Council on 11 December 2009, the National Exhibition Centre Ltd manages and operates the venues itself as principal and acts as an agent in the collection and activities associated with the collection of sums payable under leases granted by the Council at the venues and the management of capital works.

The Council owned 5,000 £1 shares (50%) of the Company's ordinary share capital up to 11th December 2009. On that date the Council acquired a further 5,000 'A' shares from the Birmingham Chamber of Commerce and Industry which results in the Council owning all of the Company's 'A' shares. The Birmingham Chamber of Commerce and Industry holds 1 'B' share in the Company. From 11 December 2009 the company is consolidated as a wholly owned subsidiary, and no minority interest is attached to Birmingham Chamber of Commerce and Industry as their share holding does not allow for any distributions from the company.

The Council guarantees the group's solvency and provides grant funding. At 31 March 2012, the Council was guaranteeing loans of £200.0m (2010/11: £200.0m) to the Company. During 2011/12 the Council made reimbursements totalling £11.6 m to the Company (2010/11: £0.1m). The group made a profit after tax of £2.5m during the year to 31 March 2012 (2010/11: profit of £4.5m). The group's net liabilities at 31 March 2012 amounted to £21.0m (2010/11: £13.4m).

The National Exhibition Centre Ltd and its subsidiaries NEC Finance plc, NEC Pension Trustee Company Ltd and NEC (Ireland) Ltd are controlled companies under the Local Authorities (Companies) Order 1995 (S.I. 849). This means that a number of finance and property controls apply in relation to these company activities.

NEC Finance Plc was formed to raise capital through the issue of listed debenture stock to finance the construction of the ICC, the NIA and the expansion of the NEC through the construction of halls 9 to 12. The main activity of the NEC Pension Trust Company is to act as a trustee to the National Exhibition Centre Ltd Executive Pension Fund.

NEC (Ireland) Ltd was formed to provide strategic and operational management consulting services to the Convention Centre Dublin.

The year end of the Group is 31 March 2012. For the purposes of the consolidation these group accounts have been used. There was no qualification on the audit opinion on the latest audited accounts of the group.

At 31 March 2012 the amount owed by the Council to the National Exhibition Centre Limited Group totalled £3.5m (2010/11: £1.9m) consisting of trading balances of £0.2m and agency balances of £3.3m (2010/11 £0.2m, £1.7m) . The amount owed by the National Exhibition Centre Limited Group to the Council totalled £3.0m (2010/11: £1.8m) consisting of trading balances of £0.0m and agency balances of £3.0m (2010/11 £0.3m, £1.5 m).

**II. The National Exhibition Centre (Developments) plc**

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 £73m by the company which is guaranteed by the Council. The Company was originally formed between Birmingham City Council, Emap Limited (formerly Emap Business Communications Limited) and Birmingham Chamber of Commerce and Industry. In March 2010 the Council acquired the shares and outstanding loan stock previously held by Emap Limited. On 26 March 2010 the Council increased its holding to 875 of 1,000 ordinary shares of £1 each and all of the Company's 100,000 £1 preference shares. On 10 September 2010 the Council acquired the remaining ordinary shares and so now owns all the share capital.

The Council has loan notes totalling £1.6m. The loan notes are repayable in instalments commencing on 31 March 2014. The Council has also agreed to make available additional loans of £3.1m should the Company require further funds. The loss before and after tax for the year to 31 March 2012, amounted to £0.3m (2010/11: £0.3m). The net liabilities at 31 March 2012 amounted to £2.0m (2010/11: £1.7m).

The National Exhibition Centre (Developments) Limited is a controlled company under the Local Authorities (Companies) Order 1995 (S.I. 849). This means that a number of finance and property controls apply in relation to the company activities.

The year end of the company is 31 March 2012. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of this company.

### **III. Birmingham Technology Limited Group**

The Birmingham Technology Group of companies aims to promote, encourage, and secure the development and management of a science park in Birmingham. BCC holds a debenture over the property of the group as security for its financial guarantees. The Council is the sole member of Birmingham Technology Limited (BTL) which is a company limited by guarantee. The Council is also entitled to appoint up to seven members of the company and five of the nine voting directors. Furthermore, additional control by the Council is exercised by its 71% share of directors' voting rights. BTL has loans outstanding (inclusive of two deferred interest and capital repayments) from the Council as at 31 March 2012 of £16.9m (2010/11: £17.3m). The Council's direct interest in Birmingham Technology (Property) Limited (a subsidiary company of BTL) is 1,250 £1 ordinary shares (12.5% interest). The Council also directly holds 500 £1 ordinary shares (9.1% interest) in Birmingham Technology (Venture Capital) Limited. The loss for the year for the group to 31 March 2012, amounted to £0.2m (2010/11: £0.3m), with the net liabilities at 31 March 2012 amounting to £1.5m (2010/11: net assets £0.0m)

The year end of the company is 31 March 2012. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of this company. The Articles of Association for Birmingham Technology Group prohibits the distribution of profits and as such dividends.

At 31 March 2012 the amount owed by the Council to Birmingham Technology Ltd totalled £0.0m (2010/11: £0.3m). The amount owed by Birmingham Technology Ltd to the Council totalled £16.9 m (2010/11: £17.4m).

### **IV. Performances (Birmingham) Limited**

Performances Birmingham Limited is the Charity that manages and runs the Birmingham Town Hall and Symphony Hall. The company is limited by guarantee and was founded by Birmingham City Council in collaboration with The University of Aston and Lloyds Bank in 1982. The Charity is solely controlled by the Council with the financial statements prepared in accordance with the Charity Commission's Statement of Recommended Practice. This means that there are restrictions on the use of the funds which are available to the Charity. The net expenditure for the year for the group to 31 March 2012, amounted to £0.2m (2010/11: £0.1m net income), with the net assets at 31 March 2012 amounting to £2.2m (2010/11: £2.4m).

The year end of the charity is 31 March 2012. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of this charity.

At 31 March 2012 the amount owed by the Council to Performances (Birmingham) Limited totalled £0.0m (2010/11: £0.0m). The amount owed by Performances (Birmingham) Limited to the Council totalled £0.0m (2010/11: £nil).

**The associates that have been consolidated into the group financial statements are listed below.**

#### **I. Birmingham Airport Holdings Ltd (BAH)**

The main ordinary shareholders of BAH are the seven West Midlands Districts. The seven Districts together own 49% of BAH's 324 m ordinary shares of 1p each (Birmingham City Council owns 18.7% i.e. 60,535,200 shares). 48.25% ordinary shares are held by Airport Group Investments Ltd which is owned by the Ontario Teachers' Pension Plan and Victorian Funds Management Corporation and the remaining 2.75% shares are held by an Employee Share Trust. The Shareholders' Agreement provides for the Districts to cast their 49% vote in all circumstances in one consolidated block. The vote of 75% of ordinary shareholders is required for certain major decisions of the company.

The seven West Midlands Districts together own all £15.4 m of BAH's 6.31% preference shares (The Council owns £5,866,800) which are cumulative and redeemable.

The BAH Group Accounts incorporate Birmingham International Airport Ltd, Euro-Hub (Birmingham) Ltd, Birmingham Airport Developments Ltd, First Castle Developments Ltd, Birmingham Airport (Finance) PLC and BHX Fire and Rescue Limited.

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

The year end of the company is 31 March 2012. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of this company.

BAH is accounted for as an associate for the following reasons:

- The Shareholders' Agreement provides for the Districts to cast their 49% vote in all circumstances in one consolidated block. As BCC hold 18.7% within this 49% it is considered that BCC have greater power to influence the voting of block.
- 25% of the BAH Board of Directors (4 of 16) are BCC officers or councillors.

The summarised financial information for the associate for the year ended 31 March is as follows:

31 March 2011		31 March 2012
£m		£m
475.7	Total assets	474.3
197.6	Total liabilities	205.3
103.3	Revenues	104.0
5.3	Profit/(loss)	8.0

Birmingham Airport Holdings Ltd at 31 March 2012 have disclosed within their financial statements 3 contingent liabilities. The potential liability at 31 March 2012 in respect of the three contingent liabilities disclosed was £nil.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12, the share of the Investments in Associates and Joint Ventures of £63.6m (2010/11: £62.7m) shown in the Group Balance Sheet in respect of this entity is £61.4m (2011: £62.3m).

## II. Service Birmingham Limited

The company was incorporated on 22 December 2005 and operates between Capita Business Services Limited, who hold 650 Ordinary-B shares (68%), and Birmingham City Council who hold 300 Ordinary-A shares (32%). The company was formed to facilitate the strategic partnership between the two entities and operates within the ICT and Advisory Services division of Capita Group plc. Trading commenced on 1 April 2006, with the principal activity being the provision of ICT and business transformation outsourcing services to the Council.

The draft results for the 3 months ended 31 March 2012 showed a profit before tax of £4.1m (2011: £1.2m) and the net assets at that time amounted to £6.8m (2011: £4.9m).

The year end of the company is 31 December 2011. For the purposes of the consolidation these accounts have been used as they fall within three months of the Council's year end. There was no qualification to the audit opinion on the last audited accounts of this company.

The summarised financial information for the associate for the year ended 31 December is as follows:

31 December 2010		31 December 2011
£m		£m
45.2	Total assets	41.1
45.1	Total liabilities	38.4
147.8	Revenues	121.6
4.2	Profit/(loss)	10.2

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12, the share of the Investments in Associates and Joint Ventures of £63.6m (2010/11: £62.7m) shown in the Group Balance Sheet in respect of this entity is £2.2m (2011: £0.4m).



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## Glossary

**Academy school**

A school that chooses to opt out of Local Authority's control and maintain their own funding.

**Accruals**

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

**Amortised Cost**

Some financial assets and liabilities are carried at amortised cost, where part of their carrying amount in the balance sheet will be either written down or written up via the Income and Expenditure Account over the term of the instrument.

**Balances**

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

**Beacon Properties**

In valuing the Housing Stock the Council's properties are grouped into similar types and a sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.

**BEST**

The Council has developed a comprehensive programme for embedding the values of the organisation; Belief, Excellence, Success and Trust (BEST).

**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 Receipt**

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

**CIES**

Comprehensive Income and Expenditure Statement. A Core Statement showing the income, expenditure and net cost during the year in relation to each service the Council is responsible for. The following terms are synonymous: "The Income and Expenditure Account", "Comprehensive Income and Expenditure Statement", "Income and Expenditure Statement".

**CIPFA SOLACE**

The CIPFA/SOLACE Framework helps local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of public business.

**Collection Fund**

A fund administered by the 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**

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

**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 Council but not received at the end of the year.

**Defined Benefit Pension Scheme**

A retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

**Earmarked Reserve**

A sum set aside for a specific purpose.

**Effective Interest Rate**

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

**Emoluments**

Payments received in cash and benefits for employment.

**Existing Use Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or the use of the asset.

**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.

**General Fund**

The total services of the Council except for the HRA 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 Council.

**Heritage Assets**

Assets that the council intends to hold for the purpose of informing or educating the public about their heritage, and which are not held for their investment value. Examples include collections of antiques in museums.

**Housing Revenue Account (HRA)**

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

**HRA Subsidy**

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

**Impairment**

A diminution in value of a fixed asset resulting from, inter alia, obsolescence or physical damage. To comply with accounting standards the Council undertakes annual reviews of its assets to identify any assets which have been impaired.

**Infrastructure Assets**

These are inalienable assets, 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 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 in respect of which construction work and development have been completed, or which is held for its investment potential with rental income being negotiated at 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.

**Market Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Materiality**

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

**Minimum Revenue Provision (MRP)**

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

**MIRS**

Movement in Reserves Statement.

**National Non-Domestic Rates (NNDR)**

Rates which are levied on business properties. The 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, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Operational Assets**

Fixed assets held, occupied, used or consumed in the direct delivery of services for which the Council has a statutory duty or discretionary power to provide.

**Operating Leases**

Leases other than a finance lease.

**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**

Amounts levied on the Council by other councils or public bodies (Police Authorities, Fire and Rescue Authorities and Parish Councils), that cannot directly raise council tax themselves.

**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.

**Property, Plant and Equipment**

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

**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.

**Related Parties**

There is a detailed definition of related parties in FRS8. For the Council's purposes, related parties are deemed to include the elected Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an interest.

**Revenue Expenditure**

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

**Revenue Expenditure Funded from Capital Under Statute**

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

**Revenue Support Grant (RSG)**

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