Birmingham City Council

Statement of Accounts 2010/11

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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 2011 and have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code) which is based on International Financial Reporting Standards.

For the first time in 2010/11 the Authority is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and implemented within the Code. The effective date of transition to IFRS for the Authority was 1 April 2009 and the Authority has restated its opening IFRS balance sheet as at that date.

The comparative figures in respect of 2009/10 have been prepared in compliance with IFRS. Reconciliations and explanations of the effect of adopting IFRS compliant accounting policies on the Authority's financial accounts is provided in note 43.

Because the impact of IFRS is so wide-reaching and because so many of the primary statements and accompanying notes have been restated, individual notes that contain restated figures will not contain the heading 'restated' above individuals columns.

The Statement of Accounts has also been significantly reformatted to comply with The Code. Statements are split between the core financial statements of Birmingham City Council, supplementary financial statements, and Group Accounts relating to the financial affairs of subsidiary and associate companies of the Council.

Draft accounts subject to audit were made available at the Audit Committee on 19 July 2011. Included as an appendix to the Statement of Accounts was a list of Outstanding Items which included significant areas of IFRS change and a number of other less significant areas where information was still awaited. Consequently, since this date significant changes, as a result of audit and this further work, have been made to some areas of the accounts particularly those relating to Property, Plant and Equipment (Note 12), and Leasing (Note 37).

The Main Financial Statements

Movement in Reserves Statement (MIRS) – this is a new statement that results from the adoption of the IFRS-based Code and it replaces both the Statement of Movement on the General Fund Balance and the Statement of Recognised Gains and Losses. This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund revenue or capital 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 Authority'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 as at the Balance Sheet date of the assets and liabilities recognised by the Authority (including the HRA and the Collection Fund). The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. 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 Authority 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 – the Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 authority are funded by way of taxation and grant income, or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority. The net increase in cash and cash equivalents for the year was £11.7m (2009/10: £3.0m).

<u>Supplementary Statements</u>

Housing Revenue Account (HRA) – the 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 £640.2m (2009/10 surplus: £16.2m). However, after taking into account adjustments between accounting basis and funding basis under statute of £643.3m surplus (2009/10 deficit: £17.9m) and the brought forward amount, the HRA balance at 31 March 2011 is £4.6m (2009/10: £1.6m).

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 taxpayers in 2010/11 amounted to £279.1m (2009/10: £275.7m)

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 2010/11 amounted to £362.1m (2009/10: £363.2m).

<u>Group Accounts</u>

These statements consolidate the Council's accounts with those of the National Exhibition Centre Limited Group (which includes NEC Finance Plc), National Exhibition Centre (Developments) Plc, and Service Birmingham Ltd and others.

Statement of Accounting Policies

This statement, which appears as Note 1 to the main financial statements, summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority 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 in the United Kingdom 2010/2011 and the Best Value Accounting Code of Practice 2010/2011, 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 categorises of non-current assets and financial instruments.

Changes in Accounting Policies

As noted above, the accounting practice governing Local Authority accounts has undergone significant changes over the last few years with the 2010/11 accounts required to move to full compliance with International Financial Reporting Standards (IFRS). Some of the IFRS based changes were introduced in 2009/10 i.e. IFRS based accounting practice for PFI transactions. The remaining changes made in 2010/11 were as follows:

- Restatement of comparator figures as if IFRS had always applied.
- Changes to the format of the core financial statements as set out in the sections above.
- All the Council's leases have been reviewed to determine whether they are operating or finance leases under IFRS based accounts. Assets funded under finance leases are recognised on the balance sheet along with any associated deferred liabilities.
- Under IFRS, any grants for which any conditions imposed by the granting body have been met, or where there is a reasonable expectation that the conditions will be met, must be recognised in the CIES. Any unused grants are then carried forward as either a useable capital reserve or a revenue earmarked reserve. Previously capital grants would have been applied directly to appropriate capital schemes and any unspent grant carried forward as a receipt in advance.
- Any short term employee benefits such as paid annual leave must be accounted for in the year in which the employee worked for the council. Consequently any outstanding benefits must be accrued to the CIES. A statutory override allows local authorities to carry forward such accruals in an unusable statutory revenue reserve.
- Under IFRS the definition of what constitutes the Council's control and influence over entities has changed. This has lead to an increase in the number of subsidiary and associate companies now consolidated into the Group Accounts.

A Summary of the Council's Financial Performance for the Financial Year 2010/11

The Council's revenue and capital budget is allocated between the 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 27 June 2011. The table below gives a summary of revenue expenditure against budget by portfolio and committee.

Portfolio/Committee	**Revenue Revised Budget**	**Revenue Outturn**	**Revenue Variance**
	£'000	**£'000**	**£'000**
Leader	13,301	20,102	6,801
Deputy Leader	116,674	129,818	13,144
Adults and Communities	291,545	293,140	1,595
Children, Young People and Families	270,567	260,355	(10,212)
Equalities and Human Resources	8,670	6,841	(1,829)
Housing	9,251	10,325	1,074
Leisure, Sport and Culture	52,113	49,727	(2,386)
Local Services and Community Safety	(2,414)	(445)	1,969
Transportation, Envt and Regeneration	118,891	98,104	(20,787)
Finance	59,765	53,850	(5,915)
Trusts and Charities	237	234	(3)
Council Business Management	10,102	10,030	(72)
Planning Committee	3,515	4,678	1,163
Licensing Committee	249	352	103
Public Protection Committee	13,198	12,426	(772)
Constituencies	103,088	103,935	847
Area Based Grant (unspent)	11,645	0	(11,645)
Sub-total	**1,080,397**	**1,053,472**	**(26,925)**
Contingencies	2,809	0	(2,809)
Capital Financing and Other Adjustments	(198,500)	(198,824)	(324)
Treasury Management	118,579	113,507	(5,072)
Total	**1,003,285**	**968,155**	**(35,130)**
Funded by:			
Council Tax and Formula Grant	(1,013,329)	(1,013,329)	0
Appropriations to Earmarked Reserves	5,311	24,436	19,125
(Increase)/Decrease in General Fund balances	**(4,733)**	**(20,738)**	**(16,005)**

A reconciliation between the above outturn figures and the Comprehensive Income and Expenditure Statement is given in Note 29.

Council Reserves and Balances

Despite the budgetary pressures, the net outturn for 2010/11 was an underspending against the revised budget of £16.0m. This increased the balance of the General Fund reserve to £34.0m (2009/10: £12.6m and 2008/09: £22.6m) which is part of the total usable reserves at 31 March 2011 of £424.4m (31 March 2010: £388.6m and 31 March 2009 £314.9m). 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 2011 were £518.4m (2009/10: £1,241.3m and 2008/09: £2,013.2m).

Taking the Usable and Unusable Reserves together the Balance Sheet net equity and assets total at 31/03/2011 was £942.8m (2009/10: £1,629.9m and 2008/09: £2,328.1m).

The total long term assets have a net book value at 31/03/2011 of £5,523.9m (2009/10: £6,075.4m and 2008/09: £6,034.0m). Included within this figure are the Council's Property Plant and Equipment that have a net book value of £5,035.2m (2009/10: £5,629.0m and 2008/09: £5,535.5m).

Capital Expenditure

Total expenditure on capital schemes in 2010/11 was £664.0m (2009/10: £640.4m). This compared to the revised capital budget of £653.8m (2009/10: £780.9m). The under-spending is mainly due to delays in expenditure on a number of capital schemes. Details of this slippage are given in the Council's Capital Outturn report for 2010/11. 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 Revised Budget**	**Capital Outturn**	**Capital Variance**
	£'000	**£'000**	**£'000**
Leader	5,169	1,517	(3,652)
Deputy Leader	117,014	100,539	(16,475)
Adults and Communities	8,050	4,333	(3,717)
Children, Young People and Families	146,622	115,593	(31,029)
Equalities and Human Resources	223	66	(157)
Finance	35,538	29,133	(6,405)
Housing HRA	118,927	105,878	(13,049)
Housing General Fund	32,801	25,432	(7,369)
Leisure, Sport and Culture	75,944	54,183	(21,761)
Local Services and Community Safety	3,058	2,868	(190)
Transportation, Envt and Regeneration	106,711	96,554	(10,157)
Planning Committee	160	160	0
Public Protection Committee	436	247	(189)
Unallocated	3,125	0	(3,125)
Total	**653,778**	**536,503**	**(117,275)**

In addition to the above capital expenditure, the Council also incurred £1.2m in relation to leases, £40.2m in relation to Building Schools for the Future, and £86.1m in relation to the Highways Management and Maintenance PFI scheme, giving a total capital expenditure for the year of £664.0m.

Material Assets acquired

During the year the Council acquired a part of the Staffordshire Hoard which is now on display in Birmingham Museum and Art Gallery, the Northfield Relief Road was completed, and four Schools were completed under the Building Schools for the Future programme. Work was progressed on a number of major capital projects including the New Street Station (Gateway) redevelopment, The Library of Birmingham, Selly Oak Relief Road, Harborne Pool, Alexander Stadium improvements, Building Schools for the Future projects, and new Council Housing through the Birmingham Municipal Housing Trust.

Financing

The financing arrangements in respect of the 2010/11 capital expenditure are summarised below:

Financing method	**£m**
Borrowing	385.4
Grants and Contributions	244.7
Usable Capital Receipts	28.6
Revenue/Capital Fund	5.3
Total financing	**664.0**

Borrowing

The Council’s authorised limit for external debt in 2010/11 was £3,162m. The maximum external debt during the year amounted to £2,689m.

The Council’s borrowing needs during the year were able to be met from short term borrowing, minimising interest costs. 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 rise to suitable levels; and was flexible if circumstances changed within volatile markets. £50m of PWLB debt was repaid during May 2010, allowing the benefit of only paying short term rates on this value for 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 be reductions in both revenue and capital resources, and the City Council faces a major challenge in re-shaping its services within the resources which will be available.

The Council’s plans for the forthcoming financial year and beyond were set out in the Council Business Plan 2011+, approved by Council on 1 March 2011. This includes a Long Term Financial Strategy and Plan for both capital and revenue expenditure, which projects all estimated financial requirements and pressures over a 10 year period. This is regularly updated as new information becomes available and the impact of decisions can be assessed. By focusing on the long-term, the Council is able to ensure that sustainable plans are put in place, and the full ongoing consequences of these taken into account.

Revenue

The net revenue budget for 2011/12 totals £1,023.4m, 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. After reductions in resources of £130.9m, and also in order to provide funding to meet budget pressures, savings totalling £212.8m are required, growing to well over £300m by 2014/15. 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 re-design where appropriate.

Although it is likely that the distribution of formula grant will not be distributed in exactly the same way in future years, the Spending Review made it clear that the Grant is expected to fall by around 22% in cash terms by 2014/15. This will result in average reductions in formula grant funding of 1% in 2013/14 and a further 5.5% in 2014/15 inferred from the Spending Review. The City Council has based its forecast formula grant levels in 2013/14 and 2014/15 on these assumptions and added in a small further reduction for contributions to the floor.

There may well be further significant changes to the economy, public finances and hence resources available to the Council over the next ten years. However, the Government is aiming to remove the structural deficit by the end of the current Parliament. Therefore the assumption has been made that levels of Formula Grant will reduce marginally in 2015/16 and 2016/17 and then remain static in real terms but increase in cash terms by 2% per annum thereafter.

Capital

The Council's key priorities are also addressed through the three-year capital programme, totalling £951m. 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.

Full details of the 2011/12 Revenue and Capital Budgets can be found within the Financial Plan 2011+ approved by Council on the 1 March 2011, via www.birmingham.gov.uk

Other Matters

Collection Fund

The deficit for the year on the Collection Fund was £4.6m (2009/10 surplus: £4.7m), and the year end surplus balance on the fund is £0.1m. This position is compared to the budgeted outturn figures in the table below:

	2010/11 Budgeted Outturn		**2010/11 Actual Outturn**	
	Total	**Council Share**	**Total**	**Council Share**
	£'000	**£'000**	**£'000**	**£'000**
In Year (Surplus)/Deficit	1,709	1,519	1,599	1,412
Additional Precept Expenditure (Per Prior Year Forecast)	3,000	2,649	3,000	2,649
In Year Net (Surplus)/Deficit	**4,709**	**4,168**	**4,599**	**4,061**
Prior Year Actual Surplus	(4,709)	(4,168)	(4,709)	(4,168)
(Surplus)/Deficit C/F	**0**	**0**	**(110)**	**(107)**

Pension Liability

There is currently a net shortfall which is reviewed periodically by the West Midlands Metropolitan Authorities Pension Fund Actuary and steps will be taken to address the shortfall. The Council's share of the shortfall is £1,406.0m at 31 March 2011. While 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 Midland Pension Fund is regularly reviewed and additional contributions have already been initiated to address the problem over a period of years.

Details of the pension liability and assets can be found in Notes 39 and 40 to the Core 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. Payments are envisaged in future years but the extent of these cannot be quantified at present. A provision of £291.8m has been made on the Balance Sheet for future potential liabilities.

Revaluation of Housing Stock

The Department of Communities and Local Government issued revised 'Guidance on Stock Valuation for Resource Accounting' in January 2011. Under the terms of this Guidance the Authority agreed with its external auditors that a full valuation would be completed for the 2011/12 accounts. The valuation of the Council's Housing Stock was updated with effect from 1 April 2010 using sample "Beacon Properties". The Existing Use Value - Social Housing basis which is used for this valuation, 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 the guidance reduced this proportion to 34% (from 49% in previous years). The effect of this change is a one-off reduction in the Council Housing stock valuation of £532.7m.

Annual Good Governance Statement 2010/11

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 2011 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 2011 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:

<u>The Council's purpose and vision for Birmingham</u>

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.

The Council has had strong public, third sector, and business engagement in developing the Sustainable Community Strategy which drives the 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 2011+ 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 2010/11 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 The Council ensures the economical, effective, and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty. Achievement of value for money is central to the Council Plan and Long Term Financial Strategy.

<u>Roles of Members and Officers</u>

3.5 The 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. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee. The Council facilitates policy and decision–making via a Cabinet Structure with specific Cabinet Member Portfolios. Specialist Cabinet Committees also exist for Property, Procurement, Private Finance Initiative, Climate Change and Sustainability, Academies, and Achieving Excellence with Communities to enable more focused decision making in these areas. The Council has also devolved certain executive responsibilities to Constituency Committees. Regulatory Committees exist for Appointments, Audit, Development Control, Education Awards (Review). Licensing, Personnel Appeals, Public Protection, and Standards matters.

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.

3.6 The Council has, from May 2010, appointed a Cabinet Member with specific responsibility for Finance. This has strengthened the Executive focus on effective financial management and value for money. 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.

3.7 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 and Democratic Services
- Director of Children's Services - Strategic Director of Children, CYPandF Directorate

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.

3.8 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 Third Sector Partnership Team was established in Corporate Resources Directorate in September 2009

Values and standards of conduct and behaviour

3.9 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

3.10 The Overview and Scrutiny Committees (O&S) cover all Cabinet Member portfolios and a Co-ordinating Overview and Scrutiny Committee provides an overarching and co-ordinating role for the O&S Committees. Sub-Committees cover work relating to Finance and Performance, and Human Resources and Equalities. 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.

3.11 The Council ensures compliance with established policies, procedures, laws, and regulations – including risk management. 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, equalities and fit with the Council's BEST programme (aimed at embedding the Council values of belief, excellence, success and trust). Reports are required to be passed to finance and legal officers to ensure that proper professional advice is provided where necessary

3.12 The 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 Strategic Director of Resources who is the Officer Corporate Governance Champion and the Deputy Leader who is designated as the Member's Corporate Governance Champion.

3.13 The 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.

3.14 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

3.15 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.

3.16 The Council has introduced regular training opportunities for Members. There is a dedicated area of the intranet for Member issues and a newsletter, City Councillor, is produced and circulated by the Director of Legal and Democratic Services, by e-mail. This gives detail of legislation, training opportunities and other issues of importance to Members. From 2008 all Councillors receive a 'Personal Pack' to encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative. All training is prioritised to assist councillors in planning workloads, etc.. In addition all Councillors will automatically have access via their PCs to 'The Modern Councillor' [Learning Pool] offering a range of learning and development modules designed for easy and quick access at the convenience of the Councillor.

3.17 A Personal Development and Review Process for all staff ensures that individual's 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

3.18 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 2011+ 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

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the 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:

4.2 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.

4.3 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 matters to be brought to his attention and setting out the processes of internal control compliance and review in the Directorate.

4.4 The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports;
- the work undertaken by Birmingham Audit during the year;
- the work undertaken by the external auditor reported in their annual audit and inspection letter;
- Other work undertaken by independent inspection bodies.

4.5 The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Corporate Director of Resources 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.

4.6 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. These are submitted to Members, Strategic Directors, School Head Teachers and Chairs of Governors as appropriate.

4.7 From the work undertaken by Birmingham Audit in 2010/11 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. 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.

4.8 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.

4.9 The Council's Finance and Performance Overview and Scrutiny Sub-Committee receives reports on key control issues including risk management, budgetary monitoring, efficiency, and business transformation.

4.10 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.

4.11 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 2009/10. 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.

4.12 The Council has established a number of mechanisms to review and develop its effectiveness. These include an Excellence Board, including external challenge focusing on specific improvement areas, an informal Member Productivity, Efficiency, and Performance Group to provide in-depth analysis on behalf of the Executive, and governance arrangements around the Business Transformation Programme.

4.13 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. The relevant Complaints Form and other supporting information on the new Local Assessment regime is already on the Council's web-site.

4.14 The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Commission and officers, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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	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.	Achievement against the budget targets and delivery of efficiencies is closely monitored by the Cabinet Member for Finance's "Star Chamber" and this is regularly reported to Cabinet and Scrutiny. Directorates continue to monitor their financial and activity performance including the delivery of efficiency savings on a regular basis. The Business Plan is constantly updated as new information becomes available and the impact of decisions can be assessed.
2	The Council is facing judicial reviews in relation to the proposed changes in the 2011/12 Business Plan, including their equalities implications, and the outcome and impact of these is currently uncertain.	The Council's position has and will be defended where appropriate. Should any court rulings impact upon the Council's course of action, as was the case with the judgements in the Judicial Review published in May 2011, relating to the New offer for adults social care, the Council will need to give careful consideration to the implications of such rulings. Any necessary changes relating:- a) to the Council's service delivery will be managed through the Council's Service and financial planning processes. b) to the Council's processes and procedures will be addressed accordingly.

3	The Council's Business Transformation Programme, which is delivering service improvements and increasing efficiency, consists of 9 inter-relating programmes covering most areas of the Council through service-based and cross-cutting projects. Most of these programmes have now been implemented and have been embedded in the Council's normal activities. There remains a risk, however, that the efficiencies projected in the programme design will not be achieved.	Detailed governance arrangements involving Member and Senior Officer leads for each Programme control all aspects of the programmes. These are supported by Programme Boards and operational structures to lead on the design and implementation of the transformation solutions. These are resourced by secondment of Council staff and change teams from Service Birmingham. A detailed methodology has also been developed for Business Transformation and implementation of Business Transformation will continue to be closely and frequently monitored by the Executive and Scrutiny.
4	The Council is currently benchmarked as an 'achieving' authority within the Equality Framework for Local Government. However, the Authority faces continued challenges in its efforts to develop joined-up strategies around community cohesion, integration, resilience, tension monitoring, extremism and community engagement.	In preparation for the Peer Challenge for the 'excellent' level Directorates will be undertaking self assessments and reviews against the 34 indicators and 5 performance areas contained within the Framework. The ongoing development and review of corporate and Directorate equality objectives and activities will support the Council's compliance with the newly introduced Equality Act and Public Sector Equality Duty. At a strategic level all Directorate Business Plans are screened for equality compliance using the corporate impact assessment process. The structures are in place to support the various platforms of activities identified.
5	Pay and grading is now complete for all Birmingham City Council employees and those employed directly by schools. Consultation is now taking place with schools and other key stakeholders about the introduction of pay progression for support staff in schools. These discussions are now quite advanced and the scheme should be introduced on 1st September 2011. Schools are managing their pay and grading appeals within their governance arrangements. However there is a residue of City Council pay and grading appeals, these are mainly 'second stage' , where the employees have no ongoing loss but will be dealt with in conjunction with the continued urgent service demands to value jobs which arise through the numerous service designs across the City Council. There have been legal challenges to the new contracts of employment. These claims are subject to another tribunal process which is scheduled to take place in January 2012. The Council will take necessary steps to conclude these claims advantageously if the opportunity arises.	The City Council successfully defended over 1,000 unfair dismissal cases as a result of pay and grading including an award for costs in their favour in 2011, and prior to that 4 protective awards presented by the trades unions. The consultation with schools in relation to pay progression has taken place in conjunction with legal services to ensure the scheme meets both the schools needs and does not create a potential equal pay risk.

6	In terms of equal pay, the Rated as Equivalent (RAE) claims which were the 'bulk' of the claims against the City Council, have in the main been concluded, those outstanding are claims from employees represented by solicitors However discussions have been concluded to resolve these claims, following an unsuccessful Employment Tribunal case. Equal value claims are still subject to case law developments and the City Council continues to defend such cases but is actively considering the possibility of concluding these claims at a financial advantage and exploratory talks have commenced with the solicitors involved	The RAE claims will be resolved shortly and the equal value claims remain under regular review by the Equal Pay Team which is made of up HR and Legal Services. 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.
7	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	The Future Operating Model will seek to put in place appropriate arrangements to address inadequacies and improve safeguarding across the City Council and partners. The Council will carefully manage the tension between improving service quality and standards while implementing transformational programmes. That will include ensuring all transformational programmes are focussed on improving safeguarding.
8	The Council is in the final stages of implementing its remaining transformational change programmes and embedding those delivered earlier. The current challenging circumstances have required further significant reviews of organisational structures delivery models that have included workforce reductions and compulsory redundancies. In addition in order to address financial pressures and equal pay risks the Council is currently implementing the Birmingham Contract. Collectively these organisational changes have impacted on the morale of the workforce , negatively affected employee relations and increased the potential for industrial action.	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: • Increase support for managers designing and implementing the organisational change. • Bespoke training and supporting materials for managing undertaking redundancy dismissals and Birmingham Contract changes • Targeted manager's engagement program delivered through the manager's network framework • Employee consultation and engagement regarding key proposed changes such as restructures and implementation of the Birmingham Contract. Including road shows, employee surveys, team consultation events, world cafes, individual consultation meetings • Targeted employee engagement and communications plan for the implementation of the Birmingham Contract. • Continued programme of formal consultation and informal discussions with trades union representatives. Both local representatives and regional as appropriate. • Business Continuity plans in place in the event of industrial action. • 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.

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	Signed ....
Stephen Hughes Chief Executive (and Head of Paid Service)	Councillor Mike Whitby Leader of the Council
Signed	Signed ....
Jon Warlow Director of Finance (and Section 151 Officer)	David Tatlow Director of Legal Services (and Monitoring Officer)

Statement of Responsibilities

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.

- 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 Council's Chief Financial Officer is the Director of Finance. He is responsible for the preparation of the Council's Statement of Accounts. In preparing the statement, he has:

- selected suitable accounting policies and applied them consistently.

- made judgments and estimates that were reasonable and prudent.

- complied with the Code of Practice on Local Authority Accounting.

- applied the accounting concept of a 'going concern' by assuming that the Authority's services will continue to operate for the foreseeable future.

The Chief Financial Officer has also:

- kept proper accounting records which are up to date.

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Birmingham City Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

....

Jon Warlow, Director of Finance
20/03/2012

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. 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 Authority'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 Authority.

	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 Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2009	**22,577**	**182,654**	**3,351**	**0**	**46,298**	**0**	**59,985**	**314,865**	**2,013,228**	**2,328,093**
Movement in reserves during 2009/10										
Surplus or (deficit) on the provision of services	(306,902)		16,165					**(290,737)**		**(290,737)**
Other Comprehensive Income and Expenditure									(407,466)	**(407,466)**
Total Comprehensive Income and Expenditure	**(306,902)**	**0**	**16,165**	**0**	**0**	**0**	**0**	**(290,737)**	**(407,466)**	**(698,203)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	256,480		(17,925)		3,809	0	122,110	**364,474**	(364,474)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(50,422)**	**0**	**(1,760)**	**0**	**3,809**	**0**	**122,110**	**73,737**	**(771,940)**	**(698,203)**
Transfers to/from Earmarked Reserves (Note 8)	40,597	(40,597)	0	0				**0**		**0**
Increase/(Decrease) in 2009/10	**(9,825)**	**(40,597)**	**(1,760)**	**0**	**3,809**	**0**	**122,110**	**73,737**	**(771,940)**	**(698,203)**
Balance at 31 March 2010 carried forward	**12,753**	**142,057**	**1,591**	**0**	**50,107**	**0**	**182,095**	**388,602**	**1,241,287**	**1,629,890**
Movement in Reserves during 2010/11										
Surplus or (deficit) on provision of services	(188,796)		(640,247)					**(829,043)**		**(829,043)**
Other Comprehensive Income and Expenditure									141,971	**141,971**
Total Comprehensive Income and Expenditure	**(188,796)**	**0**	**(640,247)**	**0**	**0**	**0**	**0**	**(829,043)**	**141,971**	**(687,072)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	194,528		643,279		(10,112)	1,000	36,174	**864,870**	(864,870)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**5,732**	**0**	**3,032**	**0**	**(10,112)**	**1,000**	**36,174**	**35,827**	**(722,898)**	**(687,072)**
Transfers to/from Earmarked Reserves (Note 8)	15,593	(15,593)	0	0				**0**	0	**0**
Increase/(Decrease) in 2010/11	**21,325**	**(15,593)**	**3,032**	**0**	**(10,112)**	**1,000**	**36,174**	**35,827**	**(722,898)**	**(687,072)**
Balance at 31 March 2011 carried forward	**34,078**	**126,464**	**4,623**	**0**	**39,995**	**1,000**	**218,269**	**424,429**	**518,389**	**942,818**

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.

2009/10					2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
127,205	(111,516)	15,689	Central services to the public		125,522	(110,821)	14,701
461,099	(135,971)	325,127	Cultural, environmental, regulatory and planning services		419,190	(131,389)	287,801
1,747,503	(1,179,654)	567,850	Education and children's services		1,785,279	(1,227,533)	557,746
144,709	(64,138)	80,571	Highways and transport services		222,284	(30,360)	191,924
180,554	(239,853)	(59,299)	Local authority housing (HRA)		841,307	(234,189)	607,118
596,882	(524,701)	72,181	Other Housing services		630,292	(517,897)	112,395
475,329	(121,405)	353,925	Adult social care		425,921	(98,928)	326,993
116,672	(43,915)	72,756	Corporate and democratic core		47,993	(1,399)	46,594
169,900	(189,342)	(19,442)	(Surplus)/Deficit on trading operations	30	156,300	(174,415)	(18,115)
6,480	3,739	10,219	Non distributed costs		(250,457)	3,663	(246,793)
4,026,332	**(2,606,756)**	**1,419,576**	**Cost Of Services**		**4,403,630**	**(2,523,268)**	**1,880,363**
60,226	0	60,226	Other Operating Expenditure	9	224,812	0	224,812
225,020	(24,123)	200,897	Financing and Investment Income and Expenditure	10	204,493	(15,909)	188,585
0	(1,389,962)	(1,389,962)	Taxation and Non-Specific Grant Income	11	0	(1,464,717)	(1,464,717)
		290,737	**(Surplus) or Deficit on Provision of Services**				**829,043**
		(132,713)	(Surplus) or deficit on revaluation of non current assets				(74,655)
		0	(Surplus) or deficit on revaluation of available for sale financial assets				0
		540,179	Actuarial (gains) / losses on pension assets / liabilities				(67,316)
		407,466	**Other Comprehensive (Income) and Expenditure**				**(141,971)**
		698,203	**Total Comprehensive (Income) and Expenditure**				**687,072**

Exceptional Items

Local authority housing (HRA): In January 2011 the Government published revised guidance on the valuation of Local Authority housing stock. This led to a reduction in the Council's stock valuation of £532.7m which has been charged to the HRA in 2010/11. Further details are given in Note H1 to the HRA.

Non distributed costs : For 2010/11 the methodology for calculating Past Service Costs in relation to the Local Government Pension Scheme has been altered to use CPI rather than RPI. This has resulted in a one-off reduction in the Council's long-term pension liability of £248.4m. Further details are given in Note 40.

Various lines : Included in the Cost of Services is an additional provision of £127.8m for potential liabilities under Equal Pay legislation. Further details are given in Note 23. This is split between: Central Services (£4.0m), Cultural environmental regulatory and planning services (£5.7m), Education and children's services (£100.9m), Other housing services (£3.3m), and Adult social care (£13.9m).

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that Authority 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 repay debt). The second category of reserves is those that the Authority 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 2009	31 March 2010		Note	31 March 2011
£000	**£000**			**£000**
5,535,495	5,629,019	Property, Plant and Equipment	12	5,035,226
17,496	18,805	Intangible Assets	13	66,855
0	0	Assets Held for Sale	21	0
365,189	319,984	Long Term Investments	15	308,569
115,868	107,559	Long Term Debtors	17	113,286
6,034,048	**6,075,367**	**Total Long Term Assets**		**5,523,937**
173,517	89,809	Short Term Investments	15	184,118
6,304	12,386	Assets Held for Sale	21	3,726
3,160	2,312	Inventories	18	1,454
290,459	303,386	Short Term Debtors	19	271,071
70,590	65,127	Cash and Cash Equivalents	20	69,409
544,031	**473,020**	**Total Current Assets**		**529,778**
(72,138)	(63,661)	Cash and Cash Equivalents	20	(56,245)
(316,326)	(177,876)	Short Term Borrowing	15	(405,533)
(435,887)	(350,190)	Short Term Creditors	22	(328,947)
(13,500)	(177,209)	Provisions	23	(303,542)
(837,851)	**(768,936)**	**Total Current Liabilities**		**(1,094,266)**
0	0	Long Term Creditors	15	0
(9,600)	(7,000)	Provisions	23	(10,100)
(2,106,718)	(2,261,265)	Long Term Borrowing	15	(2,257,637)
(226,875)	(221,995)	Other Long Term Liabilities	15	(342,886)
(1,068,942)	(1,659,302)	Net liability on defined benefit pension scheme	40	(1,406,007)
0	0	Capital Grants Receipts in Advance	35	0
(3,412,135)	**(4,149,562)**	**Total Long Term Liabilities**		**(4,016,630)**
2,328,093	**1,629,890**	**Net Assets**		**942,818**
314,865	388,602	Usable Reserves	24	424,429
2,013,228	1,241,287	Unusable Reserves	25	518,389
2,328,093	**1,629,890**	**Total Reserves**		**942,818**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

2009/10		Note	2010/11
£000			**£000**
(290,737)	Net surplus or (deficit) on the provision of services		(829,043)
463,713	Adjustments to net surplus or deficit on the provision of services for non cash movements		1,192,024
172,976	Net cash flows from Operating Activities	26	362,980
(179,977)	Investing Activities	27	(566,450)
10,015	Financing Activities	28	215,167
3,014	Net increase or (decrease) in cash and cash equivalents		**11,696**
(1,548)	Cash and cash equivalents at the beginning of the reporting period		1,466
1,466	**Cash and cash equivalents at the end of the reporting period**	20	**13,164**

Note 1
Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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 (ie 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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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 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 Authority'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 Authority'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, ie 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 Authority'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.

The introduction of IFRS principles to Code of Practice on Local Authority in the United Kingdom for 2010/11 has required a number of amendments to Accounting Policies and resulted in a number of prior period adjustments. These are explained in more detail in Note 43 to the accounts.

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 Authority 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 Authority 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 Authority. 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority.

However, the arrangements for the Teachers’ Pension Scheme mean liabilities for these benefits cannot ordinarily be identified specifically to the Authority. 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.

<u>The Local Government Pension Scheme</u>

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

- The liabilities of the West Midlands Pension Fund attributable to the Authority 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 Authority 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 Authority, 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 Authority 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 Authority 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 Authority 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 Balance Sheet Date

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

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

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

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 Authority'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 premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Authority 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 Authority 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 Authority 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 Authority 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 in the Movement in Reserves Statement.

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 Authority 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 Authority 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 Authority when there is reasonable assurance that:

- The Authority 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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The Council is engaged in a major Business Transformation programme and has determined that, in accordance with International Accounting Standard 38, 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 Authority'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 Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 all costs which are related to the acquisition of the intangible assets including the transformation of core services to provide greater efficiency and productivity.

xii. Interests in Companies and Other Entities

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

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.

Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is 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 Authority at the end of the lease period).

The Authority 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 Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 Authority 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 *Best Value Accounting Code of Practice 2010/11* (BVACOP). 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 Authority'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 BVACOP 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 the accruals basis, provided it is probable the future economic benefits or service potential associated with the item will flow to the Authority 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 (ie 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 Authority 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 (ie it will not lead to a variation in the cash flows of the Authority). 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 Authority.

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.

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 are 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.

Deprecation is calculated on the following bases:

- dwellings and other buildings and components therein – straight-line allocation over the useful life of the property 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 - 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 Authority 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 as 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 (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 Authority 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 Authority at the end of the contracts for no additional charge, the Authority 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 Authority.

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
- 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 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 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 Authority 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 Authority 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 Authority 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 (eg 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 Authority 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 Authority 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 Authority. 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 a note to the accounts.

xxi. Reserves

The Authority 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 Authority – these reserves are explained in the relevant policies.

Contributions from Developers, paid under section 106 of the Town and Country Planning Acts 1990 are shown on the Balance Sheet as Capital Grants Receipts in Advance. Where these monies are invested externally they are shown under short term investments.

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 Authority 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. 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 six areas, namely Broad Street, the city centre's principal retail area, Erdington Town Centre and King's Heath Town Centre, Colmore and Southside has resulted in the creation of six 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 2010/2011.

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.

Note 2
Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

<u>HERITAGE ASSETS 2010/11</u>

IMPACT OF THE ADOPTION OF THE NEW STANDARD ON THE 2010/11 FINANCIAL STATEMENTS
The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the Authority in the 2011/12 financial statements in accordance with FRS30.

The Authority 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, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face on the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Authority principally for their contribution to knowledge and/or culture. These include:

1) Museums and Art Gallery Collections

Birmingham Museums and Art Gallery is the largest Local Authority museum service in England. Across seven sites, it holds collections of art, history and science including:-

Artworks (including paintings and sculpture)
Ceramics, porcelain works and figurines
Archaeological collections
Geological collections
Items of historical significance
Jewellery collections
Ethnography collections
Science and Technology collection (on loan to ThinkTank)

The Staffordshire Hoard. The collection is split between Birmingham Museum and Art Gallery and The Potteries Museum and Art Gallery in Stoke-on-Trent. The Birmingham collection is valued at £1.6m and is shown in the Asset Register as a Community Asset for 2010/11 and therefore recognised as a Non Current Asset on the Balance Sheet.

Apart from the Staffordshire Hoard, reliable information on cost or valuation is not available for the Museum's collections. This is owing to the lack of information on purchase cost; the lack of comparable market values; the diverse nature of the objects and the volume of items held.

The insurance values of the above assets amount to around £93m, but this is not shown within Non Current Assets on the Balance Sheet.

2) Public Art

The Council owns over 80 pieces of public art including sculptures and fountains, some of which are listed structures.

These items are not currently recognised in the financial statements as no information is available on the cost of the assets.

3) Library Collections/Archives

Birmingham Central Library has six collections designated as significant.

Photography – over 2 million photographs including collections from Sir Benjamin Stone, Francis Firth and Francis Bedford.

Archives – City Archives hold over 6,000 collections including the archives of James Watt, Matthew Boulton, Charles Parker and Metro-Cammell.

Early and Fine Printing – includes 8,200 books printed before 1701.

Literature – includes the Birmingham Shakespeare Library, a vast collection of war poetry and collections of children's books and games.

The Birmingham Collection – charts every aspect of the history of Birmingham and includes materials unavailable elsewhere.

Music – houses materials of national and international significance including correspondence with composers such as Mendelssohn, Elgar and Gounod.

All of the Central Library stock including special collections is insured for catastrophic loss risks for £100m. This does not reflect the likely total value of the collection which is conservatively estimated at £250m, but this is the best arrangement that can be obtained on the market according to the Council's insurance experts.

The library stock (including Central and Community Libraries) is not recognised within non-current assets on the Balance Sheet as it is not possible to get an accurate valuation of the stock at this time.

4) Historic Buildings and Historic Environment

The City Council either owns or holds on trust an estimated 201 listed buildings and structures. Of these, Grade I and Grade II properties are the most significant. A list of these has been provided by the Museum and Heritage Service division of the Environment and Culture Directorate and summary is shown in Table 1:-

Table 1

Asset Type	Number	Asset Register Y/N	Net Book Value 31 March 2011
General Properties	132	Y	N/A
Public Houses	6	Y	N/A
Schools	10	Y	N/A
Churches and Chapels	10	Y	N/A
Leisure Service	14	Y	N/A
Other Structures	29	N	N/A
Total	**201**		

5) Museums and Art Galleries

The seven sites forming Birmingham Museums and Art Galleries are shown below.

These buildings are held on the asset register and are recognised in the Financial Statements as Non Current Assets on the Balance Sheet. See Table 2 below for details.

Table 2

Museum Site	Asset Category	NBV 31/03/2011
Birmingham Museum and Art Gallery	Property	£16.1m
Museum of the Jewellery Quarter	Property	£1.0m
Aston Hall	Community Asset	£10.3m
Weoley Castle	Community Asset	£0.9m
Blakesley Hall	Community Asset	£1
Sarehole Mill	Community Asset	£0
Soho House	Community Asset	£1

6) Parks and Gardens of Special Historic Interest

The following are parks and gardens confirmed as being owned by Birmingham City Council by the City Design and Conservation Team.

Sutton Park
Key Hill Cemetery
Aston Park
Handsworth Park
Cannon Hill Park
Warstone Lane Cemetery
Witton Cemetery

7) Scheduled Monuments

The following are examples of scheduled monuments confirmed as being owned by Birmingham City Council by the City Design and Conservation Team.

Moseley Bog Burnt Mounds
Bowl Barrow at Kings Standing
Perry Packhorse Bridge
Hawkesley Farm Moated Site
Burnt Mound in Fox Hollies Park
Kents Moat
Medieval Deer Park and Other Archeological remains in Sutton Park
Gannow Green Moat
Burnt Mound in Woodlands Park.
Castle Bromwich Castle Mound
Fisherwick Sites

Classification for 2011/12 and beyond

Currently there is no reliable information on cost or valuation for many of Birmingham's heritage assets due to lack of information on purchase costs; the lack of comparable market values; the diverse nature of the objects and the volume of items held.

It is anticipated that items such as artistic works, items of historical significance and other artefacts held by Birmingham City Council will be classed as heritage assets in the 2011/12 financial statements. These will be held at their insured values where available. It is unlikely that, due to reclassification, there will be any significant changes in valuations. It is expected that the vast majority of Birmingham's heritage assets will have indefinite useful lives due to their nature and therefore there will be very little impact on depreciation. The major areas of heritage assets are listed in Table 3 below:-

Table 3

Asset	Current Treatment 2010/11	Current Carrying Amount	Proposed Valuation *	Revised Treatment 2011/12	Revaluation Gains/Losses recognised on reclassification
Staffordshire Hoard	Community Asset	£1.6m	£1.6m (HC)	Heritage Assets	None expected
Library Collections	Not in Financial Statements	Not valued	£100m (I)	Heritage Assets	N/A
Museum and Art Collections	Not in Financial Statements	Not valued	£93m (I)	Heritage Assets	N/A
Public Art	Not in Financial Statements	Not valued	Nil	Heritage Assets	N/A
Other Structures	Not in Financial Statements	Not valued	Nil	Heritage Assets	N/A
Scheduled Monuments	Not in Financial Statements	Not valued	Nil	Heritage Assets	N/A

* Key
HC = Historic Cost
I = Insurance Valuation

Other Information

Notwithstanding heritage attributes, all assets other than those detailed above in Table 3, are deemed to be used in the course of the Council's normal business. They are held within the Council's asset register as either Property, Plant, Furniture and Equipment or Community Assets for financial reporting purposes, and are shown within Non Current assets on the Balance Sheet

The remaining items are not recognised in the financial statements as no information is currently available in respect of the cost or valuation of the assets.

Further Information

Detailed records are kept on each of these assets, including the items held in museums, by the Museum and Heritage Service division of the Environment and Culture Directorate.

For further information regarding the Authority's heritage strategy please refer to 'Birmingham City Council Heritage Strategy 2007 – 2012' or contact Birmingham Museum and Art Gallery on 0121 303 4039.

Note 3
Critical Judgements in Applying Accounting Policies

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 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 buildings over 50 years are classified as finance leases.

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.

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 *Best Value Accounting Code of Practice 2010/11* (BVACOP). 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.

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 legal, financial and human resources information.

Housing Stock Valuation

The entire housing stock was valued as at 1 April 2005 according to the Department of Communities and Local Government 'Guidance on Stock Valuation for Resource Accounting'. 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. A further full revaluation was due in 2010/11. However, DCLG issued revised guidance in January 2011 and, in agreement with the District Auditor, the Authority deferred the full revaluation until 2011/12. A desk-top exercise was completed in 2010/11.

In 2010/11 the housing assets have been componentised in line with the revised guidance in that year, which also allows the full revaluation to be delayed by 1 year. This will be carried out for inclusion in the 2011/12 Financial Statements.

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 Code requires authorities to disclose those estimates and assumptions which it has made in the preparation of its accounts which carry a significant risk of resulting in a material adjustment within the next financial year. The table below shows the significant areas of uncertainty which have been identified through a review of the Authority's accounts and financial procedures. The columns detail the measures which the Authority has taken to mitigate the risk inherent in these uncertainties and the assumptions which have been used in preparing the information in these accounts.

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. Desk top valuation only for 2010/11. 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.	Component identification is a new requirement for 2010/11
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.	Component life identification is a new requirement for 2010/11
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.	Component life identification is a new requirement for 2010/11
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 have used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Impairments	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. The valuer's rolling programme will also identify impairments.	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.	None
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.	Assets held for sale are new for IFRS.
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.	None
Measurement of financial instrument fair values	Fair value of investments assessed by using the present value of future cashflows discounted at market rates. For service concessions the fair value is based on financial models provided by external consultants.	Management review of reasonableness and compliance with accounting requirements.	External expert provided the financial models for service concessions. Treasury management advisers are used as appropriate.	Uncertainty is high due to complexity of underlying assumptions. For longer term investments there is increased uncertainty about future market rates.	None

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Bad Debt Provision	Housing bad debt provision is based on a weeks in arrears methodology. Collection Fund is based on stage of recovery, the older the debt the higher the percentage provided for. General Bad Debt is based on the age profile. The older the debt the higher the percentage provided for.	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.	None
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.	Legal process is inherently uncertain.	None
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.	None

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have 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	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. 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%.	Identification criteria and accounting treatment for finance leases has changed under IFRS.
Other finance lease estimates	Contingent rent is estimates at Retail Price Index (RPI) adjustment to rents with indexation clauses for both lessee and lessor arrangements. 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. 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.	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.	Accounting treatment for finance leases has changed under IFRS.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have 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 – International Accounting in this area adopted in 2010/11.
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.	Accounting for compensated absences is new for IFRS.
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.	Consumer Price Index (CPI) replaces RPI as discount factor.
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.	None

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
National Non Domestic Rates (NNDR) payment to/from Government	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. The Balancing Payment To/From the NNDR pool (i.e. 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.	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.	None	There is a low level of estimation uncertainty	None

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have 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 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.	None	There is a low level of estimation uncertainty	None

Note 5
Material Items of Income and Expense

Exceptional items relating to the Housing Stock valuation, Pension Fund, and Equal Pay provision are disclosed on the face of the Comprehensive Income and Expenditure Statement. Other income and expense transactions were not individually material and further details are available in the Council's revenue outturn reports.

Revenue and Capital Grants received are listed in Note 35 and include a £39.8m grant which the Council received to cover certain costs in relation to the Birmingham Highways Management and Maintenance PFI as disclosed in note 38.

Note 6
Events After the Balance Sheet Date

The Statement of Accounts was approved and authorised for issue by the Council's Audit Committee on 20 March 2012. Events happening between the balance sheet date and the date the accounts are authorised for issue are classed as post Balance Sheet events. Post balance sheet events which arose due to events happening before the balance sheet date have been incorporated into the financial statements. Any post balance sheet events which arose due to events happening after 31 March 2011 would be classed as non-adjusting events, which would require disclosure but would not be included in the financial statements.

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. As part of this change the Council has made available offers of Voluntary Redundancy and this will result in material one off costs in 2011/12. These transactions will relate to decisions made and services provided in 2011/12 and will have no impact on the 2010/11 accounts. The impact of these severances will be reflected in the pension figures and disclosures in the 2011/12 accounts.

There were no other post balance sheet events.

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.

	Usable reserves					
2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:						
Depreciation charges for Property, Plant and Equipment	183,437	40,900	0	0	0	(224,337)
Amortisation of intangible assets	7,126	0	0	0	0	(7,126)
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	131,004	625,570	0	0	0	(756,574)
Capital grants and contributions applied	(228,875)	0	0	0	0	228,875
Revenue expenditure funded from capital under statute	99,899	0	0	0	0	(99,899)
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	183,425	6,633	0	0	0	(190,058)
Insertion of items not debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(107,835)	0	0	0	0	107,835
Capital expenditure charged against the General Fund and HRA balances	0	(5,271)	0	0	0	5,271
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(36,174)	0	0	0	36,174	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16,408)	(10,816)	27,224	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(28,596)	0	0	28,596
application of capital receipts to repay debt	0	0	(2,999)	0	0	2,999
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	7,629	0	(7,629)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	1,888	0	0	(1,888)

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable reserves					
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	5,778	0	0	0	0	(5,778)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	(15,922)	0	15,922	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(14,922)	0	14,922
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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	11,440	0	0	0	0	(11,440)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	(73,857)	2,185	0	0	0	71,672
Employer's pensions contributions and direct payments to retirees payable in the year	(114,307)	0	0	0	0	114,307
Adjustments involving the Collection Fund Adjustment Account:						
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	4,061	0	0	0	0	(4,061)
Adjustment involving the Equal Pay Back Pay Adjustment Account:						
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	127,833	0	0	0	0	(127,833)
Adjustment involving the Accumulated Absences Account						
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	10,353	0	0	0	0	(10,353)
Total Adjustments	**194,528**	**643,279**	**(10,112)**	**1,000**	**36,174**	**(864,870)**

2009/10	Usable reserves: General Fund Balance £000	Usable reserves: Housing Revenue Account £000	Usable reserves: Capital Receipts Reserve £000	Usable reserves: Major Repairs Reserve £000	Usable reserves: Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:						
Depreciation charges for Property, Plant and Equipment	111,981	40,722	0	0	0	(152,703)
Amortisation of intangible assets	5,100	0	0	0	0	(5,100)
Revaluation gains on Property, Plant and Equipment and intangible assets	(260)	0	0	0	0	260
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	178,277	0	0	0	0	(178,277)
Capital grants and contributions applied	(166,613)	0	0	0	0	166,613
Revenue expenditure funded from capital under statute	315,597	0	0	0	0	(315,597)
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	5,171	12,433	0	0	0	(17,604)
Insertion of items not debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(89,765)	0	0	0	0	89,765
Capital expenditure charged against the General Fund and HRA balances	0	(54)	0	0	0	54
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(122,110)	0	0	0	122,110	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,666)	(8,438)	17,104	0	0	0
Transfer of cash sale proceeds credited to the Comprehensive Income and Expenditure Statement not related to non-current assets	(32,009)	0	32,009	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(38,100)	0	0	38,100
Application of capital receipts to repay debt	0	0	(3,007)	0	0	3,007
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5,929	0	(5,929)	0	0	0
Transfer from Deferred Capital Receipts Reserve on receipt of cash	0	0	1,732	0	0	(1,732)

2009/10	Usable reserves: General Fund Balance £000	Usable reserves: Housing Revenue Account £000	Usable reserves: Capital Receipts Reserve £000	Usable reserves: Major Repairs Reserve £000	Usable reserves: Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	5,778	0	0	0	0	(5,778)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	(65,722)	0	65,722	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(65,722)	0	65,722
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs (mainly relating to National Exhibition Centre debt) charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	8,230	0	0	0	0	(8,230)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	159,402	3,134	0	0	0	(162,536)
Employer's pensions contributions and direct payments to retirees payable in the year	(112,356)	0	0	0	0	112,356
Adjustments involving the Collection Fund Adjustment Account:						
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	(4,197)	0	0	0	0	4,197
Adjustment involving the Equal Pay Back Pay Adjustment Account:						
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	0	0	0	0	0	0
Adjustment involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3,008)	0	0	0	0	3,008
Total Adjustments	**256,480**	**(17,925)**	**3,809**	**0**	**122,110**	**(364,474)**

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 2010/11.

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£m	£m	£m	£m	£m	£m	£m
General Fund							
Sums set aside to finance capital expenditure	4.7	(4.2)	0	0.5	0	6.7	7.2
Reserves for budgets delegated to schools (a)	64.8	(0.2)	0	64.6	(9.5)	0	55.1
Treasury management and business continuity	47.4	(36.5)	0	10.9	(7.0)	0	3.9
Area Based Grant	26.6	0	4.8	31.4	(31.4)	0	0
Insurance reserve (b)	19.3	(9.3)	0	10.0	(0.4)	0	9.6
Other	19.9	(4.8)	9.6	24.7	(9.8)	35.8	50.7
Total	182.7	(55.0)	14.4	142.1	(58.1)	42.5	126.5

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 (2010/11 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 may not know the full extent of its liability claims as it may take a number of years for them to arise, 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. Should the scheme be implemented, 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 £2.4m.

The Council also acts on behalf of the West Midlands District Councils in administering insurance claims arising from the former West Midlands County Council. Should the scheme be implemented, the 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 £0.8m

Note 9
Other Operating Expenditure

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

2009/10		2010/11
£m		£m
0.1	Parish Council precepts	0.1
53.9	Levy: Passenger Transport Authority	54.6
0.3	Levy: Environment Agency	0.3
5.9	Payments to the Government Housing Capital Receipts Pool	7.6
0	(Gains)/Losses on the disposal of non current assets	162.2
60.2	**Total**	**224.8**

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:

2009/10				2010/11		
Gross expenditure	Income	Net		Gross expenditure	Income	Net
£m	£m	£m		£m	£m	£m
139.4	0	139.4	Interest payable and similar charges	142.3	0	142.3
85.6	0	85.6	Pensions interest cost and expected return on pensions assets	62.2	0	62.2
0	(24.1)	(24.1)	Interest receivable and similar income	0	(15.9)	(15.9)
225.0	**(24.1)**	**200.9**	**Total**	**204.5**	**(15.9)**	**188.6**

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:

2009/10		2010/11
£m		£m
(324.0)	Council tax income	(332.7)
(536.3)	Non domestic rates	(592.1)
(4.2)	Council's share of Collection Fund surplus	1.4
(236.8)	Non-ring fenced government grants	(276.3)
(288.7)	Capital grants and contributions	(265.0)
(1,390.0)	**Total**	**(1,464.7)**

Further information on government grants received is provided in note 35.

Note 12
Property, Plant, and Equipment

Movements on Balances: 2010/11

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	*PFI / Service Concession assets Included in Property, Plant and Equipment £m*
Cost or Valuation									
At 1 April 2010	2,244.8	2,890.3	183.7	839.8	77.1	0	205.3	**6,441.0**	*565.1*
Additions	105.9	113.5	19.7	105.9	5.8	0	145.1	**495.9**	*144.0*
Assets reclassified between categories	0	26.1	2.4	10.0	1.2	0	(39.7)	**0**	*0*
Assets reclassified (to)/from Held for Sale	0	(4.0)	0	0	0	0	0	**(4.0)**	*0*
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(170.3)	40.4	0	0	0	0	0	**(129.9)**	*0*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(526.9)	(139.9)	0	0	0	0	0	**(666.8)**	*(10.2)*
Derecognition - Disposals	(6.6)	(53.5)	0	0	0	0	0	**(60.1)**	*(11.8)*
Derecognition - of components	0	(25.1)	0	(252.4)	0	0	0	**(277.4)**	*0*
At 31 March 2011	**1,646.9**	**2,847.8**	**205.8**	**703.4**	**84.1**	**0**	**310.7**	**5,798.8**	***687.2***
Accumulated Depreciation and Impairment									
At 1 April 2010	(163.6)	(173.7)	(70.3)	(404.4)	0	0	0	**(812.0)**	*(15.9)*
Depreciation charge	(40.9)	(80.0)	(16.6)	(86.8)	0	0	0	**(224.3)**	*(19.6)*
Depreciation written out to the Revaluation Reserve	40.7	40.9	0	0	0	0	0	**81.6**	*0*
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	8.3	0	0	0	0	0	**8.3**	*1.8*
Impairment losses/ (reversals) recognised in the Revaluation Reserve	122.9	0	0	0	0	0	0	**122.9**	*0*
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	(98.0)	0	0	0	0	0	0	**(98.0)**	*0*
Derecognition - Disposals	0	6.2	0	0	0	0	0	**6.2**	*2.5*
Derecognition - of components	0	4.1	0	147.8	0	0	0	**151.9**	*0*
At 31 March 2011	**(138.9)**	**(194.2)**	**(86.9)**	**(343.5)**	**0**	**0**	**0**	**(763.5)**	***(31.1)***
Net Book Value									
At 31 March 2011	**1,508.0**	**2,653.6**	**118.9**	**359.9**	**84.1**	**0**	**310.7**	**5,035.2**	***656.1***
At 31 March 2010	**2,081.2**	**2,716.6**	**113.4**	**435.4**	**77.1**	**0**	**205.3**	**5,629.0**	***549.2***

Movements on Balances: 2009/10

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture and equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	*PFI Assets Included in Property, Plant and Equipment £m*
Cost or Valuation									
At 1 April 2009	2,044.1	2,908.0	161.5	795.4	73.6	0	177.8	**6,160.4**	*581.4*
Additions	122.9	64.9	20.7	29.5	4.4	0	72.8	**315.2**	*1.2*
Assets reclassified between categories	0	30.2	1.5	14.9	(1.9)	0	(45.2)	**(0.5)**	*0*
Assets reclassified (to)/from Held for Sale	0	(14.2)	0	0	(0.7)	0	0	**(14.9)**	*0*
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	88.6	82.3	0	0	1.7	0	0	**172.6**	*0*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(181.0)	0	0	0	0	0	**(181.0)**	*(17.5)*
Derecognition - Disposals	(10.8)	0	0	0	0	0	0	**(10.8)**	*0*
At 31 March 2010	**2,244.8**	**2,890.3**	**183.7**	**839.8**	**77.1**	**0**	**205.3**	**6,441.0**	***565.1***
Accumulated Depreciation and Impairment									
At 1 April 2009	(41.0)	(155.0)	(53.2)	(375.7)	0	0	0	**(624.9)**	*(7.1)*
Depreciation charge	(40.7)	(66.1)	(17.1)	(28.7)	0	0	0	**(152.7)**	*(8.8)*
Depreciation written out to the Revaluation Reserve	41.0	42.0	0	0	0	0	0	**83.0**	*0*
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	5.5	0	0	0	0	0	**5.5**	*0*
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(122.9)	0	0	0	0	0	0	**(122.9)**	*0*
At 31 March 2010	**(163.6)**	**(173.7)**	**(70.3)**	**(404.4)**	**0**	**0**	**0**	**(812.0)**	**(15.9)**
Net Book Value									
At 31 March 2010	**2,081.2**	**2,716.6**	**113.4**	**435.4**	**77.1**	**0**	**205.3**	**5,629.0**	***549.2***
At 1 April 2009	**2,003.1**	**2,753.0**	**108.3**	**419.7**	**73.6**	**0**	**177.8**	**5,535.5**	***574.3***

Revaluations

Operational (other than Housing):
Approximately one fifth of the Council's property assets are valued each year. Peter Jones, Member of the Royal Institution of Chartered Surveyors (MRICS), 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 2010. 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 2005 by Peter Jones MRICS, and similarly qualified staff in Birmingham Property Services, according to the Department of Communities and Local Government 'Guidance on Stock Valuation for Resource Accounting'. 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. A further full revaluation was due in 2010/11. However, DCLG issued revised guidance in January 2011 and, in agreement with the District Auditor, the Authority deferred the full revaluation until 2011/12. A desk-top exercise was completed in 2010/11.

In 2010/11 the housing assets have been componentised in line with the revised guidance in that year, which also allows the full revaluation to be delayed by 1 year. This will be carried out for inclusion in the 2011/12 Financial Statements.

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.

Intangible assets:
Intangible assets are shown at cost.

Impairment

An impairment of £97.989m 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 - 50 years

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

Infrastructure – 10 years to 40 years

Capital commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant, Furniture and Equipment in 2011/12 and future years budgeted to cost £1,356.4m. Similar commitments at 31 March 2010 were £296.1m. The major commitments are:

	£m
PFI lifecycle costs	952.7
Birmingham Gateway New St Station	214.1
Library of Birmingham	151.7
Alexander Stadium - New Stand	8.4
Harborne Pool	7.1
Selly Oak New Rd	6.9
Myplace Lozells	4.7
Eastside Academy	3.5
WFTF rationalisation of buildings and Agile working	2.0
Millennium Point Multi Storey Car Park	1.6
St Edwards	1.3
Mercury Emissions - Crematoria	1.2
NEC Refinancing - Visitors Improvement Programme	1.2

Capitalisation of borrowing costs

The Council has adopted an accounting policy of capitalising borrowing costs in relation to qualifying assets. In 2010/11 the amount of borrowing costs capitalised during the period was £4.2m with an average interest rate of 5.6%. In 2009/10 £3.2m was capitalised at an average rate of 5.77%.

For 2010/11, interest capitalised by scheme was as follows:

	£m
Library of Birmingham	0.7
Woodcock Street	0.8
New Street Station	2.7

Note 13
Intangible Assets

The Authority 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.

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

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

	2010/11			2009/10		
	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	0	27.1	**27.1**	0	20.7	20.7
Accumulated amortisation	0	(8.3)	**(8.3)**	0	(3.2)	(3.2)
Net carrying amount at start of year	0	18.8	**18.8**	0	17.5	17.5
Additions:						
Internal development	0	54.2	**54.2**	0	0	0
Purchases	0	1.0	**1.0**	0	5.9	5.9
Amortisation for the period	0	(7.1)	**(7.1)**	0	(5.1)	(5.1)
Other changes	0	0	**0**	0	0.5	0.5
Net carrying amount at end of year	**0**	**66.9**	**66.9**	**0**	**18.8**	**18.8**
Comprising:						
Gross carrying amounts	0	82.3	**82.3**	0	27.1	27.1
Accumulated amortisation	0	(15.4)	**(15.4)**	0	(8.3)	(8.3)
	0	**66.9**	**66.9**	**0**	**18.8**	**18.8**

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	2009/10	Source	2010/11	2009/10
	£m	**£m**		**£m**	**£m**
Council dwellings	105.9	122.9	Borrowing	10.8	48.9
Other land and buildings	139.6	95.1	Prudential borrowing	374.6	331.3
Vehicles and equipment	22.1	22.2	Capital receipts	28.6	38.1
Infrastructure	115.9	44.4	Grants and contributions	244.7	222.0
Community assets	6.9	2.5	Revenue	5.3	0.1
Investment properties	0.0	0			
Assets under construction	105.4	27.6			
Intangible assets	55.2	6.4			
Total capital expenditure on fixed assets	**551.1**	**321.1**			
Gross revenue expenditure funded from capital under statute	99.9	315.6			
Long Term Loans	12.8	0			
Acquisition of share capital	0.2	3.7			
Total expenditure	**664.0**	**640.4**	**Total**	**664.0**	**640.4**

The Capital Financing Requirement at the 31st March 2011 is £3,294.2m (31st March 2010 £3,021.7m)

Note 15
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 2010 £m	1 April 2009 £m	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Investments						
Loans and receivables	273.7	285.3	331.5	184.1	89.8	173.5
Unquoted equity investment at cost	8.4	8.2	7.2	0	0	0
Total	**282.1**	**293.5**	**338.7**	**184.1**	**89.8**	**173.5**
Investments that are not financial instruments	26.5	26.5	26.5	0	0	0
Total investments	**308.6**	**320.0**	**365.2**	**184.1**	**89.8**	**173.5**
Debtors						
Loans and receivables	48.7	38.5	37.9	2.1	1.3	0
Financial assets carried at contract amounts	0	0	0	139.6	157.7	177.9
Total	**48.7**	**38.5**	**37.9**	**141.7**	**159.0**	**177.9**
Debtors that are not financial instruments	64.6	69.1	78.0	129.4	144.4	112.6
Total debtors	**113.3**	**107.6**	**115.9**	**271.1**	**303.4**	**290.5**
Cash						
Loans and receivables				69.4	65.1	70.6
Total cash: asset				69.4	65.1	70.6
Financial liabilities at amortised cost				(56.2)	(63.7)	(72.1)
Total cash: liability				(56.2)	(63.7)	(72.1)
Borrowings						
Financial liabilities at amortised cost	(2,257.6)	(2,261.3)	(2,106.7)	(405.5)	(177.9)	(316.3)
Total borrowings	**(2,257.6)**	**(2,261.3)**	**(2,106.7)**	**(405.5)**	**(177.9)**	**(316.3)**
Other Long Term Liabilities						
PFI and finance lease liabilities	(264.1)	(141.1)	(144.1)			
Total	(264.1)	(141.1)	(144.1)			
Other long term liabilities.	(78.8)	(80.9)	(82.8)			
Total long term liabilities	**(342.9)**	**(222.0)**	**(226.9)**			
Creditors						
Financial liabilities carried at contract amount	0	0	0	(137.2)	(210.7)	(259.3)
Total	0	0	0	(137.2)	(210.7)	(259.3)
Creditors that are not financial instruments	0	0	0	(191.7)	(139.5)	(176.6)
Total creditors	**0**	**0**	**0**	**(328.9)**	**(350.2)**	**(435.9)**

Income, Expenses, Gains and Losses

	Financial liabilities: Measured at amortised cost 2010/11 £m	Financial liabilities: Measured at amortised cost 2009/10 £m	Financial assets: Loans and receivables 2010/11 £m	Loans and receivables 2009/10 £m	Available for sale 2010/11 £m	Available for sale 2009/10 £m	Fair value through profit and loss 2010/11 £m	Fair value through profit and loss 2009/10 £m	Total 2010/11 £m	Total 2009/10 £m
Interest expense	142.3	139.4			0	0			**142.3**	**139.4**
Losses on derecognition	0.1	0	0	0	0	0	0	0	**0.1**	**0**
Loss on recognition.	3.7	0.7	0	0	0	0	0	0	**3.7**	**0.7**
Total expense in Surplus or Deficit on the Provision of Services	**146.1**	**140.1**	**0**	**0**	**0**	**0**	**0**	**0**	**146.1**	**140.1**
Interest income			(15.9)	(24.1)					**(15.9)**	**(24.1)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**0**	**(15.9)**	**(24.1)**	**0**	**0**	**0**	**0**	**(15.9)**	**(24.1)**
Net gain / (loss) for the year	**146.1**	**140.1**	**(15.9)**	**(24.1)**	**0**	**0**	**0**	**0**	**130.2**	**116.0**

The fair values are calculated as follows:

	31 March 2011 Carrying amount £m	31 March 2011 Fair value £m	31 March 2010 Carrying amount £m	31 March 2010 Fair value £m	1 April 2009 Carrying amount £m	1 April 2009 Fair value £m
Financial liabilities	(3,199.5)	(3,458.0)	(2,935.5)	(3,115.9)	(2,981.4)	(3,348.6)
Long-term creditors	0	0	0	0	0	0

The fair value of the liabilities is lower than the carrying amount because the Authority’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 2011) arising from a commitment to pay interest to lenders below current market rates.

	31 March 2011 Carrying amount £m	31 March 2011 Fair value £m	31 March 2010 Carrying amount £m	31 March 2010 Fair value £m	1 April 2009 Carrying amount £m	1 April 2009 Fair value £m
Loans and receivables	529.3	529.3	441.5	441.5	575.6	575.6
Long-term debtors	48.7	43.6	38.5	31.4	37.9	32.2

The fair value of the assets is lower than the carrying amount because the Authority’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 2011) attributable to the commitment to receive interest below current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

Note 16
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 Authority;
- liquidity risk – the possibility that the Authority 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.

<u>Credit risk</u>

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:

Investments:	**Lending limit**	**FITCH individual and support rating**	**FITCH short term rating**
Banks and Building Societies	£25m	A1, A2, A/B1	F1
Banks and Building Societies	£20m	A/B2, B1	F1
Banks and Building Societies	£15m	A3, B2, B3, B/C1	F1
Money Market Funds	£40m	The highest possible rating only	
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 2010		31 March 2011
£m		**£m**
(595.0)	Less than 1 year	(733.8)
(8.1)	Between 1 and 2 years	(35.3)
(259.7)	Between 2 and 5 years	(173.1)
(624.5)	Between 5 and 20 years	(1,112.4)
(1,011.1)	Between 20 and 40 years	(790.0)
(576.7)	Over 40 years	(546.7)
(3,075.0)		**(3,391.2)**

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 2011:

	£m
Increase in interest payable on variable rate borrowings	0.1
Increase in interest receivable on variable rate investments	(1.8)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	(1.7)
Share of overall impact debited to the HRA	(0.5)
Decrease in fair value of fixed rate investment assets	2.1
Impact on Other Comprehensive Income and Expenditure	2.1
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)	266.6

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

Price risk

The Council's holdings of shares are summarised in Note 36; 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 17
Long-Term Debtors

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
35.3	35.6	Trade debtors	43.9
1.5	1.7	Employee loans	1.6
0.5	0.4	Mortgages: former Council House tenants	0.4
78.6	69.9	Other debtors	67.4
115.9	**107.6**	**Total**	**113.3**

Note 18
Inventories

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m	£m	£m	£m	£m
Balance outstanding at start of year	2.4	2.4	0.0	0.0	0	0.8	2.4	3.2
Purchases	17.5	19.5	0.3	0.3	0	0	17.8	19.8
Recognised as an expense in the year	(18.4)	(19.5)	(0.3)	(0.3)	0	(0.8)	(18.7)	(20.6)
Balance outstanding at year-end	**1.5**	**2.4**	**0.0**	**0.0**	**0**	**0**	**1.5**	**2.4**

Note 19
Short-Term Debtors

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
86.6	115.1	Central government bodies	97.7
10.2	7.3	Other local authorities	5.8
2.2	7.3	NHS bodies	1.2
9.0	14.3	Public corporations and trading funds	8.6
182.5	159.4	Other entities and individuals	157.8
290.5	**303.4**	**Total**	**271.1**

Note 20
Cash and Cash Equivalents

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

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
1.2	1.8	Cash held by the Council	1.1
(2.8)	(0.3)	Bank current accounts	12.1
(1.6)	**1.5**	**Total**	**13.2**

Note 21
Assets Held for Sale

	Current		Non-Current	
	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m
Balance outstanding at start of year	**12.4**	6.3	**0**	0
Assets newly classified as held for sale:				
Property, plant and equipment	3.7	14.9	0	0
Intangible assets	0	0	0	0
Revaluation losses	0	(2.8)	0	0
Revaluation gains	0	0.3	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, plant and equipment	0	0	0	0
Intangible assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(12.4)	(6.3)	0	0
Transfers from non-current to current	0	0	0	0
Balance outstanding at year end	**3.7**	**12.4**	**0**	**0**

Note 22
Creditors

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
(41.3)	(151.0)	Central government bodies	(50.9)
(4.7)	(9.4)	Other local authorities	(9.7)
(2.1)	(2.1)	NHS bodies	(4.1)
(66.1)	(59.0)	Public corporations and trading funds	(20.0)
(321.7)	(128.6)	Other entities and individuals	(244.2)
(435.9)	**(350.2)**	**Total**	**(328.9)**

Note 23
Provisions

	Current				Non-current			
	NEC Limited Loan Debt	Equal Pay	Other Provisions	**Total**	NEC Limited Loan Debt	Equal Pay	Other Provisions	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2010	0.3	165.1	11.8	**177.2**	3.8	0	3.2	**7.0**
Additional provisions made in 2010/11	0	127.8	1.3	**129.1**	0.4	0	3.9	**4.3**
Amounts used in 2010/11	0	(1.1)	(1.7)	**(2.8)**	(0.3)	0	(0.9)	**(1.2)**
Unused amounts reversed in 2010/11	0	0	0	**0**	0	0	0	**0**
Unwinding of discounting in 2010/11	0	0	0	**0**	0	0	0	**0**
Balance at 31 March 2011	**0.3**	**291.8**	**11.4**	**303.5**	**3.9**	**0**	**6.2**	**10.1**
Balance at 1 April 2009	0.3	0	13.2	13.5	9.6	0	0	9.6

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 City 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. Payments are envisaged in future years.

Note 24
Usable Reserves

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

Note 25
Unusable Reserves

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
79.3	196.9	Revaluation Reserve	262.7
2,983.9	2,681.6	Capital Adjustment Account	1,791.1
(34.8)	(31.4)	Financial Instruments Adjustment Account	(32.9)
(1,068.9)	(1,659.3)	Pensions Reserve	(1,406.0)
82.7	75.2	Deferred Capital Receipts Reserve	67.5
(0.0)	4.2	Collection Fund Adjustment Account	0.1
0	0	Equal Pay Back Pay Account	(127.8)
(28.9)	(25.9)	Accumulated Absences Account	(36.3)
2,013.2	**1,241.3**	**Total Unusable Reserves**	**518.4**

<u>Revaluation Reserve</u>

The Revaluation Reserve contains the gains made by the Authority 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:

- revalue 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			2010/11	
	£m		**£m**	
	79.3	**Balance at 1 April**		**196.9**
255.6		Upward revaluation of assets	81.4	
(122.9)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6.7)	
	132.7	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		74.7
(15.1)		Difference between fair value depreciation and historical cost depreciation	(7.8)	
0		Accumulated gains on assets sold or scrapped	(1.1)	
	(15.1)	Amount written off to the Capital Adjustment Account		(8.9)
	196.9	**Balance at 31 March**		**262.7**

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 Authority 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 Authority.

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			2010/11	
	£m		**£m**	
	2,983.9	**Balance at 1 April**		**2,681.6**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
(149.7)		Charges for depreciation and impairment of non current assets	(314.0)	
(181.0)		Revaluation losses on Property, Plant and Equipment	(666.8)	
(5.1)		Amortisation and impairment of intangible assets	(7.1)	
(315.6)		Revenue expenditure funded from capital under statute	(99.9)	
(17.6)		Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(190.1)	
	(669.0)			(1,278.0)
	15.1	Adjusting amounts written out of the Revaluation Reserve		8.9
	(653.9)	Net written out amount of the cost of non-current assets consumed in the year		(1,269.1)
		Capital financing applied in the year:		
38.1		Use of the Capital Receipts Reserve to finance new capital expenditure	28.6	
65.7		Use of the Major Repairs Reserve to finance new capital expenditure	14.9	
166.6		Capital grants and contributions credited to the CIES that have been applied to capital financing	228.9	
3.0		Application of capital receipts to repay debt	3.0	
89.8		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	107.8	
0.1		Capital expenditure charged against the General Fund and HRA balances	5.3	
	363.3			388.5
	(11.6)	Amortisation of Investments debited to the CIES		(9.9)
	2,681.6	**Balance at 31 March**		**1,791.0**

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 2011 will be charged to the General Fund over the next 45 years.

2009/10	2009/10		2010/11	2010/11
	£m		**£m**	
	(34.8)	**Balance at 1 April**		**(31.4)**
0		Premia incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(3.8)	
3.4		Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	2.3	
	3.4	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		(1.5)
	(31.4)	**Balance at 31 March**		**(32.9)**

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 Authority 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 Authority 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 Authority 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.

2009/10		2010/11
£m		£m
(1,068.9)	**Balance at 1 April**	**(1,659.3)**
(540.2)	Actuarial gains/(losses) on pensions assets and liabilities	67.3
(162.6)	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	71.7
112.4	Employer's pensions contributions and direct payments to retirees payable in the year	114.3
(1,659.3)	**Balance at 31 March**	**(1,406.0)**

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 Authority 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.

2009/10		2010/11
£m		**£m**
82.7	**Balance at 1 April**	**75.2**
(5.8)	Transfer of deferred sale proceeds credited to the General Fund under capital finance regulations	**(5.8)**
(1.7)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(1.9)**
75.2	**Balance at 31 March**	**67.5**

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.

2009/10		2010/11
£m		**£m**
(0.0)	**Balance at 1 April**	**4.2**
4.2	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)**
4.2	**Balance at 31 March**	**0.1**

Equal Pay Back Pay Account

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

2009/10			2010/11	
	£m		**£m**	
	0	**Balance at 1 April**		**0**
0		Increase in provision for back pay in relation to Equal Pay cases	(127.8)	
0		Cash settlements paid in the year	0	
	0	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)
	0	**Balance at 31 March**		**(127.8)**

Accumulated Absences Account

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

2009/10			2010/11	
	£m		**£m**	
	(28.9)	**Balance at 1 April**		**(25.9)**
3.0		Settlement or cancellation of accrual made at the end of the preceding year	(10.4)	
0		Amounts accrued at the end of the current year	0	
	3.0	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)
	(25.9)	**Balance at 31 March**		**(36.3)**

Note 26
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2009/10		2010/11
£m		**£m**
24.1	Interest received	15.9
(139.4)	Interest paid	(142.3)
0	Dividends received	0

Note 27
Cash Flow Statement - Investing Activities

2009/10		2010/11
£m		**£m**
(315.2)	Purchase of property, plant and equipment, investment property and intangible assets	(495.9)
(2,689.4)	Purchase of short-term and long-term investments	(2,635.4)
0	Other payments for investing activities	0
6.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12.4
2,818.3	Proceeds from short-term and long-term investments	2,552.6
0	Other receipts from investing activities	0
(180.0)	**Net cash flows from investing activities**	**(566.4)**

Note 28
Cash Flow Statement - Financing Activities

2009/10		2010/11
£m		**£m**
0	Other receipts from financing activities	0
738.5	Cash receipts of short-term and long-term borrowing	1,428.4
(4.1)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(9.8)
(724.4)	Repayments of short-term and long-term borrowing	(1,203.4)
0	Other payments for financing activities	0
10.0	**Net cash flows from financing activities**	**215.2**

Note 29
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 Best Value Accounting Code of Practice. 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:

Portfolio / Committee	Gross Expenditure	Gross Income	Net Expenditure
	£m	£m	£m
Leader	51.5	(31.4)	20.1
Deputy Leader	180.1	(50.2)	129.8
Adults and Communities	422.4	(129.3)	293.1
Children, Young People and Families	1,698.9	(1,438.6)	260.4
Equalities and Human Resources	30.9	(24.1)	6.8
Housing General Fund	357.7	(347.5)	10.3
Leisure, Sport and Culture	87.0	(37.4)	49.7
Local Services and Community Safety	192.1	(192.4)	(0.4)
Transport, Environment and Regeneration	309.0	(210.9)	98.1
Finance	783.5	(729.7)	53.8
Charities and Trusts	0.3	(0.1)	0.2
Council Business Management	10.5	(0.5)	10.0
Planning	11.9	(7.2)	4.7
Licensing	4.1	(3.7)	0.4
Public Protection	21.2	(8.8)	12.4
Constituencies	128.4	(24.4)	104.0
Total Committee/Portfolio	**4,289.7**	**(3,236.2)**	**1,053.5**

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

	2010/11
	£m
Net expenditure in Portfolio Analysis	**1,053.5**
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	691.3
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	135.6
Cost of Services in Comprehensive Income and Expenditure Statement	**1,880.4**

Reconciliation to subjective analysis

2010/11	**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)	10.8	0	171.5	**(593.5)**	0	**(593.5)**
Support service recharges	(425.4)	0	0	425.4	**0**	0	**0**
Trading Accounts	0	(174.4)	0	0	**(174.4)**	0	**(174.4)**
Interest and investment income	0	0	0	0	**0**	(15.9)	**(15.9)**
Income from Council Tax	0	0	0	0	**0**	(332.7)	**(332.7)**
Government grants and contributions	(2,035.0)	89.1	190.5	0	**(1,755.4)**	(1,132.0)	**(2,887.4)**
Total income	(3,236.2)	(74.5)	190.5	596.9	**(2,523.3)**	(1,480.6)	**(4,003.9)**
Employee expenses	1,488.0	(108.6)	0	(156.3)	**1,223.1**	0	**1,223.1**
Other service expenses	2,359.7	(93.0)	(54.9)	(154.7)	**2,057.1**	0	**2,057.1**
Support service recharges	285.9	0	0	(285.9)	**0**	0	**0**
Trading Accounts	0	156.3	0	0	**156.3**	0	**156.3**
Depreciation, amortisation and impairment	156.1	811.1	0	0	**967.2**	0	**967.2**
Interest payments					**0**	204.5	**204.5**
Precepts and levies					**0**	55.0	**55.0**
Payments to Housing Capital Receipts pool					**0**	7.6	**7.6**
Gain or loss on disposal of non-current assets					**0**	162.2	**162.2**
Total expenditure	4,289.7	765.8	(54.9)	(596.9)	**4,403.7**	429.3	**4,833.0**
Net Expenditure	1,053.5	691.3	135.6	0	**1,880.4**	(1,051.3)	**829.1**

Note 30
Trading Operations

The Authority has established 25 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 Authority or other organisations. Details of those units with a turnover of greater than £1 million are as follows:

2009/10 Turnover	2009/10 Expenditure	2009/10 (Surplus) / deficit	Trading activity	2010/11 Turnover	2010/11 Expenditure	2010/11 (Surplus) / deficit
£m	£m	£m		£m	£m	£m
(6.8)	6.5	(0.3)	Highways and Sewers	(1.1)	1.0	(0.1)
(22.5)	11.7	(10.8)	Property Services	(18.9)	4.9	(14.0)
(12.0)	10.5	(1.5)	Legal Services	(11.3)	10.7	(0.6)
(7.8)	6.4	(1.4)	Markets	(8.1)	7.5	(0.6)
(3.7)	3.7	0.0	Non-Schools Cleaning	(3.5)	3.7	0.2
(2.1)	2.0	(0.1)	Catering	(2.0)	2.0	0.0
(3.5)	3.5	0.0	Street Lighting	(0.7)	0.7	0.0
(5.0)	4.6	(0.4)	Vehicle Maintenance	(4.6)	4.5	(0.1)
(31.5)	30.6	(0.9)	Education Catering	(30.6)	30.6	0.0
(4.7)	4.7	0.0	Education Staff Agency	(9.1)	8.9	(0.2)
(6.3)	5.2	(1.1)	Trade Refuse	(6.6)	5.4	(1.2)
(52.7)	50.8	(1.9)	Urban Design	(51.2)	49.6	(1.6)
(8.0)	7.7	(0.3)	Grounds Maintenance	(8.0)	7.8	(0.2)
(8.4)	8.1	(0.3)	Education Cleaning	(8.1)	8.1	0.0
(3.1)	3.1	0.0	Design and Print	(2.8)	3.1	0.3
(2.4)	2.4	0.0	Meals Direct	(1.1)	1.1	0.0
(2.4)	2.3	(0.1)	Birmingham City Laboratories	(1.9)	1.8	(0.1)
(1.4)	1.2	(0.2)	Landscape Practice	(1.1)	1.0	(0.1)
(1.7)	1.6	(0.1)	Community Day Nurseries	(1.4)	1.4	0.0
(3.3)	3.3	0.0	Other Trading Activities	(2.3)	2.5	0.2
(189.3)	**169.9**	**(19.4)**		**(174.4)**	**156.3**	**(18.1)**

Details of Trading Undertakings

Highways and Sewers
Highways carries out highway functions including highway maintenance and structures, land drainage and new street works. (All of these functions are procured via in-house contracting and externally tendered contracts).

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
The Legal Services Office of the Legal and Democratic Services Department 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 worth approximately £4.0m and covers some 316 locations employing a team of 311 full and part-time staff.

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

Street Lighting
Street lighting is the lighting on all roads - main roads, side roads, residential roads, city centre squares, footpaths, tunnels, and subways. The lights can vary in height from small side road ones to tall high masts at main junctions.

Vehicle Maintenance
The Fleet and Waste Management Division operates a service, from several workshops around the City, carrying out major repairs and servicing for vehicles and items of plant and equipment. This service covers the entire City fleet, including holding the Operators 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
Education Staff Agency supply high quality temporary workers to both schools and education offices and other Birmingham City Council Directorates.

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
Meals Direct Service produce 1,300 individual meals a day. The Meals Direct Service provided a home delivery service of frozen or hot meals to meet the needs of our customers.The 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. 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, general works - sign shops DLO, gully emptying, other education catering, and outdoor educational centres.

Note 31
Members' Allowances

Allowances paid to Members of the Council in 2010/11 totalled £3.1m (2009/10: £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

Note 32
Officers' Remuneration

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

	2010/11				2009/10			
	Salary, fees and allowances £	Expense allowances £	Pension contributions £	**Total £**	Salary, fees and allowances £	Expense allowances £	Pension contributions £	**Total £**
Chief Executive - Stephen Hughes	198,925	0	29,565	**228,490**	204,810	0	28,287	**233,097**
Strategic Director (Housing and Constituencies)	145,814	94	23,622	**169,530**	143,251	33	22,204	**165,488**
Strategic Director ** (Development)	74,013	0	11,990	**86,003**	0	0	0	**0**
Strategic Director (Environment and Culture)	145,814	0	23,141	**168,955**	146,837	0	22,760	**169,597**
Strategic Director * (Children, Young People and Families)	110,134	51	17,842	**128,027**	143,251	0	22,204	**165,455**
Strategic Director (Adults and Communities)	145,814	0	23,622	**169,436**	143,251	0	22,204	**165,455**
Strategic Corporate Director of Resources	142,999	11	23,166	**166,176**	140,798	0	21,824	**162,622**

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 has been filled subsequently on an interim basis.
** Part year only.

The Authority'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	2009/10		
BCC Employed Teaching	Other BCC Employees	Total		Total	Other BCC Employees	BCC Employed Teaching
215	178	393	£50,000 - £54,999	443	239	204
149	140	289	£55,000 - £59,999	283	117	166
133	62	195	£60,000 - £64,999	159	76	83
66	72	138	£65,000 - £69,999	101	67	34
29	22	51	£70,000 - £74,999	34	17	17
15	30	45	£75,000 - £79,999	36	19	17
16	26	42	£80,000 - £84,999	33	21	12
12	6	18	£85,000 - £89,999	20	11	9
10	20	30	£90,000 - £94,999	22	14	8
3	6	9	£95,000 - £99,999	4	2	2
2	2	4	£100,000 - £104,999	5	3	2
1	2	3	£105,000 - £109,999	1	1	0
0	1	1	£110,000 - £114,999	0	0	0
0	0	0	£115,000 - £119,999	1	1	0
0	0	0	£120,000 - £124,999	0	0	0
1	0	1	£125,000 - £129,999	0	0	0
0	0	0	£130,000 - £134,999	0	0	0
0	0	0	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	0	0	0
0	1	1	£145,000 - £149,999	0	0	0
652	568	1,220		1142	588	554

Note 33
Auditor Remuneration

The Authority 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 Authority's external auditors:

2009/10		2010/11
£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	0.7
0.1	Fees payable to the Audit Commission in respect of statutory inspections	0.0
0.4	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	0.3
1.2	**Total**	**1.0**

Note 34
Dedicated Schools Grant

The Council’s expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). 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 2010/11 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
Final DSG for 2010/11	69.8	718.5	**788.3**
Brought forward from 2009/10	(0.2)	0	**(0.2)**
Agreed budgeted distribution in 2010/11	**69.6**	**718.5**	**788.1**
Actual central expenditure	(67.8)	0	**(67.8)**
Actual ISB deployed to schools	0	(718.5)	**(718.5)**
Carry forward to 2011/12	**1.8**	**0**	**1.8**

Note 35
Grant Income

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

2009/10		2010/11
£m		£m
	Credited to Taxation and Non Specific Grant Income	
536.3	Redistributed non-domestic rates	592.0
123.8	Revenue Support Grant	86.0
104.3	Area Based Grant inc. Working Neighbourhoods Fund	141.2
8.7	Schools PFI Grant	9.3
0.0	Highways Management and Maintenance PFI Grant	39.8
773.1	**Total Revenue Grants**	**868.3**
59.5	Capital Grant - DSCF Standards Fund	128.1
7.7	Capital Grant - Lottery	6.2
5.7	Capital Grant - Section 106/278	8.6
34.2	Capital Grant - AWM	21.0
12.5	Capital Grant - Section 31	23.5
14.7	Capital Grant - Single Capital Pot	18.5
84.2	Capital Grant - Gateway	6.5
70.2	Capital Grant - Other Grants	52.6
288.7	**Total Capital Grants**	265.0

2009/10 £m		2010/11 £m
	Credited to Cost of Services	
4.6	Social Care Reform Grant	5.6
21.2	PCT Contributions including Transfer of Care	35.1
12.8	Adult Education (Skills Funding Agency)	11.9
51.9	Supporting People (Moved to ABG in 2010/11)	0.0
0.0	Future Jobs Fund	3.1
3.5	Future Jobs Fund DWP	7.2
3.7	Revenue Grant HGF	3.9
66.3	Subsidy and Flood Repair Grant	15.9
7.9	Transport, Environment and Regeneration Grants	5.1
13.9	Benefit Service HB/CTB Admin Grant	12.7
517.2	HB/CTB Subsidy Grant Claim	557.2
47.4	Surestart Early Years and Childcare Grant	54.3
3.5	Youth Justice Grant/Youth Justice Board	3.6
39.8	Children Young People and Families general grants	0.0
740.9	Dedicated Schools Grant	788.1
44.3	Young People Learning Agency	44.9
102.5	Standards Fund Grant	134.2
27.3	Schools Standards Grant	27.7
12.6	Schools Standards Fund Personalisation	12.7
0.0	Young People's Learning Agency grants for Further Educn	37.0
64.1	Revenue grants less than £3m	25.1
1.0	Various Contributions less than £3m	46.2
1786.4	**Total Revenue Grants**	1831.5

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 2010/11. The Capital Grants received have been credited to the Taxation and Non Specific Grant Income line on the Comprehensive Income and Expenditure Statement. There are no capital grants credited to services.

Note 36

Related Parties

The Authority 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 Authority. In addition to the companies included in the Council's Group Accounts (see below) the Authority has had material transactions with the following companies in which it has an interest:

- BXL Services Ltd
- Birmingham Research Park Ltd
- Chinese Community Centre
- Local Leagues Ltd
- Marketing Birmingham Ltd
- Optima Community Association

<u>Central Government</u>

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority 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 29 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 19.

<u>Members</u>

Members of the Authority have direct control over the Council's financial and operational policies. The total of Members' allowances paid in 2010/11 is shown in note 31. During 2010/11, works and services to the value of £150.30m were commissioned from companies in which Members had an interest. Additionally £71.7m was received during 2010/11 from companies in which Members had an interest.

<u>Officers</u>

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.

<u>Other Public Bodies - Pooled Budgets</u>

The Authority has entered into a pooled budget arrangement with all 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 is to improve services for users through closer working and co-operation when commissioning 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 Birmingham East and North PCT the host in relation to Mental Health. The partners agreed that during the first year of the Pool (2010/11), each would contain respective pressures/benefits and have made a commitment to develop appropriate risk sharing further during 2011/12. The table below summarises the financial activity for the year:

		2010/11 £m
Funding provided to the pooled budget:		
Birmingham City Council	132.4	
Primary Care Trusts	181.4	
		313.8
Expenditure met from the pooled budget:		
Birmingham City Council	132.4	
Primary Care Trusts	181.4	
		313.8
Net surplus arising on the pooled budget during the year		0

<u>Entities Controlled or Significantly Influenced by the Authority</u>

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 2010/11 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.

II. The National Exhibition Centre (Developments)

III. Birmingham Technology 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

Other interests

In total, the City Council has an interest in 81 Companies. The six largest interests including all subsidiaries (21 in total) are consolidated into the Group Financial Statements as set out above. The City Council holds a sharehoding in six other Companies but they have been excluded from consolidation on the grounds of materiality. The remaining 54 Companies are limited by guarantee, ultimately owned by a company limited by guarantee or limited by shares with the City holding no shares and consequently there is no requirement to reflect financial information in respect of these Companies in these Accounts.

Note 37
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:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
37.6	37.6	Other Land and Buildings	37.6
3.5	5.3	Vehicles, Plant, Furniture and Equipment	7.2
41.1	**42.9**		**44.8**

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
		Future lease liabilities (net present value of minimum lease payments):	
0.9	1.6	current	2.2
3.0	3.8	non-current	4.4
3.2	3.5	Costs payable in future years	3.8
7.1	**8.9**	**Minimum lease payments**	**10.4**

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

	Minimum lease payments			Finance lease liabilities		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Not later than one year	3.0	2.1	1.3	2.2	1.6	0.9
Later than one year and not later than five years	5.4	4.6	3.5	4.1	3.5	2.7
Later than five years	2.0	2.2	2.3	0.3	0.3	0.3
Total	**10.4**	**8.9**	**7.1**	**6.6**	**5.4**	**3.9**

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 2010/11 and 2009/10, no contingent rents were payable by the Authority.

The Authority has not sub-let 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:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
6.7	5.7	Not later than one year	5.9
8.7	6.3	Later than one year and not later than five years	6.0
3.3	3.0	Later than five years	3.0
18.7	**15.0**		**14.9**

The Authority 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:

2009/10		2010/11
£m		**£m**
5.9	Minimum lease payments	4.6
(0.0)	Contingent rents	0.0
5.9		**4.6**

Authority as the lessor

Finance leases

The Authority 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 Authority 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 Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
		Finance lease debtor (net present value of minimum lease payments):	
5.2	5.6	current	6.0
69.1	63.8	non-current	59.3
255.4	251.3	Unearned finance income	253.4
(30.8)	(32.0)	Less - Unguaranteed residual value of property	(32.0)
298.9	**288.7**	**Gross investment in the lease**	**286.7**

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 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£m	£m	£m	£m	£m	£m
Not later than one year	5.9	5.6	5.2	10.6	10.5	10.5
Later than one year and not later than five years	22.4	22.2	22.1	37.1	38.2	39.6
Later than five years	36.9	41.6	47.0	239.0	240.0	248.8
Total	**65.2**	**69.4**	**74.3**	**286.7**	**288.7**	**298.9**

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 2010/11 £0.23m contingent rents were receivable by the Authority (2009/10 £0.23m).

Operating leases

The Authority 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:

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
18.9	18.5	Not later than one year	17.9
60.1	57.4	Later than one year and not later than five years	55.4
144.0	137.1	Later than five years	132.9
223.0	**213.0**		**206.2**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £1.52m contingent rents were receivable by the Authority (2009/10 £1.52m).

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 38
Private Finance Initiatives and Similar Contracts

The Authority 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 years period. The payments made are indexed on an annual basis based on the RPI. The Authority has the right to use the school for educating the children in Birmingham. The PFI providers are responsible for the maintenance and cleaning of the building. At the end of the 25 year period the asset will pass over to the Authority. 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 Authority. This includes managing and operating the Authority'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 Authority 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 Authority has a right to place children in the schools. It is anticipated that Authority 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 Authority 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 Authority 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 Authority. 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 2011	Interest	Repayment of liability	Payment for services	**Total**
	£m	**£m**	**£m**	**£m**
Payable in 2011/12	27.0	(59.8)	67.8	**35.0**
Payable within 2 to 5 years	148.7	(118.1)	275.0	**305.6**
Payable within 6 to 10 years	177.4	57.3	284.9	**519.6**
Payable within 11 to 15 years	153.8	74.9	209.7	**438.4**
Payable within 16 to 20 years	112.7	125.0	248.0	**485.7**
Payable within 21 to 25 years	48.9	163.1	227.2	**439.2**
Payable within 26 to 30 years	3.6	19.0	16.0	**38.6**
Total	672.1	261.4	1,328.6	**2,262.1**

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:

2009/10		2010/11
£m		**£m**
143.6	Liability outstanding at start of year	140.2
9.9	Interest	16.4
(14.5)	Repayment	(24.9)
1.2	Lifecycle and further capital expenditure	129.7
140.2	**Liability outstanding at end of year**	261.4

Note 39
Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority 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 Authority 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 Authority 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 2010/11, the Authority paid £54.5m to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £54.5m and 14.1%. There were no contributions remaining payable at the year-end

The Authority 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 40.

Note 40
Defined Benefit Pension Schemes

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

The Authority 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 Authority 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 2010/11, 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 Authority 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	2009/10	2010/11	2009/10
	£m	**£m**	**£m**	**£m**
Comprehensive Income and Expenditure Statement (not including Other Comprehensive Income and Expenditure)				
Cost of Services:				
current service cost	110.7	70.5	0	0
past service cost	(248.1)	0.8	(3.8)	0.1
curtailments and settlements	7.2	5.7	0.1	0
Financing and investment income and expenditure:				
interest cost	229.6	205.0	3.7	4.2
expected return on scheme assets	(171.1)	(123.6)	0	0
Total post employment benefit charged to the Surplus/Deficit on the provision of services	**(71.7)**	**158.4**	**(0.0)**	**4.3**
Movement in Reserves Statement				
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	(51.9)	5.8	1.6
Net charge against the General Fund balance for pensions in the year comprising:				
employer's contributions payable to scheme	**108.6**	**106.5**		
retirement benefits payable to retirees			**5.8**	**5.9**

	Local Government Pension Scheme		Unfunded Teachers' Pension Scheme (discretionary benefits)	
	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement				
Total post employment benefit charged to the surplus or deficit on the provision of services (shown above)	(71.7)	158.4	(0.0)	4.3
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
actuarial (gains) and losses	(68.7)	529.1	1.3	11.1
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**(140.4)**	**687.5**	**1.3**	**15.4**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a gain of £582.8m.

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	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m	£m	£m	£m	£m
Obligations as at 1 April	(4,003.9)	(2,815.9)	(87.1)	(73.3)	(70.9)	(61.5)	**(4,161.9)**	**(2,950.7)**
Current service cost	(110.7)	(70.5)	0	0	0	0	**(110.7)**	**(70.5)**
Past service cost	243.7	(0.8)	4.3	0	3.9	(0.1)	**251.9**	**(0.9)**
Curtailments	(7.2)	(5.6)	0	0	(0.1)	0	**(7.3)**	**(5.6)**
Settlements	0	0	0	0	0	0	**0**	**0**
Interest on pension liabilities	(224.9)	(200.1)	(4.7)	(5.0)	(3.7)	(4.1)	**(233.3)**	**(209.2)**
Actuarial gains/(losses) on liabilities	27.8	(978.2)	4.1	(14.5)	(1.3)	(11.1)	**30.6**	**(1,003.8)**
Benefits/transfers paid	127.0	107.0	5.6	5.7	5.8	5.9	**138.4**	**118.6**
Member contributions	(38.7)	(39.8)	0	0	0	0	**(38.7)**	**(39.8)**
Obligations as at 31 March	**(3,986.9)**	**(4,003.9)**	**(77.8)**	**(87.1)**	**(66.3)**	**(70.9)**	**(4,131.0)**	**(4,161.9)**

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2010 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Authority's liabilities in the West Midlands Pension Fund by £248.4m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48,since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

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

	Local Government Pension Scheme				Unfunded Teachers' Pension Scheme		Total	
	Funded		Unfunded					
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Fair value of assets as at 1 April	2,502.6	1,881.8	0	0	0	0	**2,502.6**	**1,881.8**
Employer contributions	102.9	100.8	5.7	5.7	0	5.9	**108.6**	**112.4**
Expected return on assets	171.1	123.6	0	0	0	0	**171.1**	**123.6**
Actuarial gains/(losses) on assets	36.7	463.6	0	0	0	0	**36.7**	**463.6**
Benefits/transfers paid	(127.0)	(107.0)	(5.7)	(5.7)	0	(5.9)	**(132.7)**	**(118.6)**
Settlements	0	0	0	0	0	0	**0**	**0**
Member contributions	38.7	39.8	0	0	0	0	**38.7**	**39.8**
Fair value of assets as at 31 March	**2,725.0**	**2,502.6**	**0**	**0**	**0**	0	**2,725.0**	**2,502.6**

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 £161.1m (2009/10: £587.2m)

Scheme History

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

	2006/07	2007/08	2008/09	2009/10	2010/11
	£m	**£m**	**£m**	**£m**	**£m**
Present value of liabilities:					
Local Government Pension Scheme	(3,080.6)	(3,410.2)	(2,889.2)	(4,091.0)	(4,064.5)
Unfunded Teachers' Scheme	(66.1)	(72.6)	(61.5)	(70.9)	(66.5)
Total present value of liabilities	**(3,146.7)**	**(3,482.8)**	**(2,950.7)**	**(4,161.9)**	**(4,131.0)**
Fair value of assets in the Local Government Pension Scheme	2,339.9	2,342.0	1,881.8	2,502.6	2,725.0
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme	(740.7)	(1,068.2)	(1,007.4)	(1,588.4)	(1,339.5)
Unfunded Teachers' Scheme	(66.1)	(72.6)	(61.5)	(70.9)	(66.5)
Total	**(806.8)**	**(1,140.8)**	**(1,068.9)**	**(1,659.3)**	**(1,406.0)**

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

The total liability of £1406.0m has a substantial impact on the net worth of the Authority. However statutory arrangements for funding the deficit means that the financial position of the Authority 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 2012 is £91.2m . Expected contributions for the unfunded teachers' (discretionary benefits) scheme in the year to 31 March 2012 are £5.9m.

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	2009/10	2010/11	2009/10
Long-term expected rate of return on assets:				
Equities	7.5%	7.5%	n/a	n/a
Government bonds	4.4%	4.5%	n/a	n/a
Other bonds	5.1%	5.2%	n/a	n/a
Property	6.5%	6.5%	n/a	n/a
Cash/liquidity	0.5%	0.5%	n/a	n/a
Other	7.5%	7.5%	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men (years)	21.6	21.2	21.6	21.2
Women (years)	24.2	24.1	24.2	24.1
Longevity at 65 for future pensioners:				
Men (years)	23.0	22.2	n/a	n/a
Women (years)	25.8	25.0	n/a	n/a
Rate of inflation	3.4%	3.3%	3.3%	3.2%
Rate of increase in salaries	4.7%	5.1%	n/a	n/a
Rate of increase in pensions	2.9%	3.3%	2.8%	3.2%
Rate for discounting of scheme liabilities	5.5%	5.6%	5.4%	5.5%
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 2011	31 March 2010	1 April 2009
	%	**%**	**%**
Equities	59.1	53.7	55.7
Government bonds	8.2	7.9	12.4
Other bonds	5.9	6.0	4.1
Property	8.5	7.2	7.3
Cash/liquidity	2.1	1.4	4.0
Other	16.2	23.8	16.5
Total	**100.0**	**100.0**	**100.0**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	0.9	(8.1)	34.4	18.5	1.3
Experience gains and losses on liabilities:	0	(1.8)	0	0	1.0
LGPS	*0*	*(1.8)*	*0*	*0*	*1.0*
Unfunded Teachers Pension Scheme	*0.0*	*0.0*	*0.0*	*0.0*	*2.2*

Note 41
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 (2009/10: £73m), due in 2027.

2 The Council has an on-going Accountable Body role for a range of grant funding regimes including New Deal for Communities and European Funding. This role can be project specific, such as New Street Gateway, where the Council accesses funding directly for itself or on behalf of another organisation; 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, ineligible expenditure, or disposal of assets. The Council has quantified this potential liability at 31 March 2011 of £482.7m and future commitments of £104.0m. To minimise the impact of these possible liabilities the Council has introduced various controls and mechanisms such as legal agreements, charges on assets and detailed expenditure verification and monitoring procedures.

3 The Council's final Housing Benefit claims for 2008/09 and 2009/10 are still being considered by the Department of Work and Pensions. There may be clawback of subsidy from the Council, above the level provided for in the accounts, which would reduce the level of benefit income shown and also reduce the General Fund balance carried forward.

4 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 £291.8m has been made on the balance sheet for future potential liabilities.

Note 42
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 2011, based upon the figures within the table below, were £26.2m (2009/10: £26.1m). In addition, the Council held £2.4m (2009/10: £2.4m) of Social 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 1 April 2010	Income	Expenditure	Balance at 31 March 2011
	£m	**£m**	**£m**	**£m**
Alderson - To let dwelling houses to ex-servicemen and other persons in need.	0.2	0.1	0.0	0.3
Bodenham Trust - For children with special educational needs	0.5	0.1	0.0	0.6
Centre for the Child - To promote the education of children and their carers	0.1	0.0	0.0	0.1
Charles Baker Trust - For the elderly and disabled	0.3	0.0	0.0	0.3
Clara Martineau Trust - For children with special educational needs	3.1	0.2	0.1	3.2
Cropwood Estate – Management of Estate	12.1	0	0	12.1
Elford Trust Healthy recreation for Birmingham Citizens	3.1	0.3	0.3	3.1
Harriet Louisa Loxton Charity - For the aged and infirm	1.4	0.0	0.1	1.3
Highbury Trust- To use the bequest for the benefit of the citizens of Birmingham	4.0	0.2	0.2	4.0
Holinsworth Fund- To further the work of voluntary hospitals	0.2	0.0	0.0	0.2
The Lord Mayor's Charity Appeal - For charitable purposes	0.2	0.1	0.2	0.1
Museum and Art Gallery Development Trust - Enhancement of city museums	0.6	0.4	0.7	0.3
Moseley Road Friends Institute- Provision and maintenance of Institute	**(0.1)**	**0.5**	**0.2**	**0.2**
Other	0.4	0.0	0.0	0.4
Total	**26.1**	**1.9**	**1.8**	**26.2**

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

	Restricted funds at 31 March 2011 £m	Unrestricted funds at 31 March 2011 £m	Total funds at 31 March 2011 £m
Alderson - To let dwelling houses to ex-servicemen and other persons in need.	0.0	0.3	0.3
Bodenham Trust - For children with special educational needs	0.6	0	0.6
Centre for the Child - To promote the education of children and their carers	0.1	0	0.1
Charles Baker Trust - For the elderly and disabled	0.1	0.2	0.3
Clara Martineau Trust - For children with special educational needs	3.2	0	3.2
Cropwood Estate – management of the estate	11.9	0.2	12.1
The Elford Trust - Healthy recreation for Birmingham citizens	2.9	0.2	3.1
The Harriet Louisa Loxton Charity - For the aged and infirm	0.2	1.2	1.3
Highbury Trust - To use the bequest for the benefit of the citizens of Birmingham	4.0	0	4.0
Holinsworth Fund - To further the work of voluntary hospitals	0.1	0.0	0.2
The Lord Mayor's Charity Appeal - For charitable purposes	0.0	0.1	0.1
Museum and Art Gallery Development Trust - Enhancement of city museums	0.1	0.2	0.3
Moseley Road Friends Institute- Provision and maintenance of Institute	0.2	0	0.2
Other	0	0.4	0.4
Total	**23.4**	**2.8**	**26.2**

Note 43

Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Note	Balance sheet at 31/3/2009	31/3/2009 under the SORP	Non-IFRS change	Restated amounts under SORP	IFRS Reclassification changes	IFRS Change	31/3/2009 under the Code
		£m	£m	£m	£m	£m	£m
1,8	Property, Plant and Equipment	5,458.8	(216.1)	5,242.8	405.7	(113.0)	5,535.5
8	Investment and Surplus Property	405.7	0	405.7	(405.7)	0	0
	Intangible Assets	17.5	0	17.5	0	0	17.5
	Assets Held for Sale	0	0	0	0	0	0
	Long Term Investments	365.2	0	365.2	0	0	365.2
2	Long Term Debtors	44.4	0	44.4	0	69.6	115.9
	Total Long Term Assets	**6,291.6**	**(216.1)**	**6,075.5**	**0.0**	**(43.4)**	**6,034.0**
	Short Term Investments	173.5	0	173.5	0	0	173.5
	Assets Held for Sale	0	0	0	0	6.3	6.3
	Inventories	3.2	0	3.2	0	0	3.2
2	Short Term Debtors	287.7	(2.5)	285.2	0	5.1	290.4
	Cash and Cash Equivalents	71.8	(1.2)	70.6	0	0	70.6
	Total Current Assets	**536.2**	**(3.7)**	**532.5**	**0**	**11.4**	**544.0**
	Cash and Cash Equivalents	(72.1)	0	(72.1)	0	0	(72.1)
	Short Term Borrowing	(316.3)	0	(316.3)	0	0	(316.3)
3,4	Short Term Creditors	(420.7)	3.3	(417.4)	0	(18.5)	(435.9)
7	Provisions	0	0	0	(13.5)	0	(13.5)
3	Capital contributions unapplied	(29.4)	0	(29.4)	0	29.4	0
	Total Current Liabilities	**(838.5)**	**3.3**	**(835.2)**	**(13.5)**	**10.9**	**(837.9)**
	Long Term Creditors	0	0	0	0	0	0
7	Provisions	(23.1)	0	(23.1)	13.5	0	(9.6)
6	Long Term Borrowing	(2,246.9)	0	(2,246.9)	140.2	0	(2,106.7)
2,6	Other Long Term Liabilities	(73.9)	0	(73.9)	(140.2)	(12.8)	(226.9)
	Net liability on defined benefit pension scheme	(1,068.9)	0	(1,068.9)	0	0	(1,068.9)
	Donated Assets Account	0	0	0	0	0	0
3	Capital Grants Receipts in Advance	(148.5)	0	(148.5)	0	148.5	0
	Total Long Term Liabilities	**(3,561.3)**	**0**	**(3,561.3)**	**13.5**	**135.7**	**(3,412.1)**
	Net Assets	**2,428.0**	**(216.5)**	**2,211.5**	**0.0**	**114.6**	**2,328.1**

Note	Reserves at 31/3/2009	£m	£m	£m	£m	£m	£m
	General Fund Balance	21.1	1.5	22.6			22.6
	Earmarked General Fund Reserves	182.7		182.7			182.7
	Housing Revenue Account (HRA)	3.4		3.4			3.4
	Capital Receipts Reserve	51.6	(5.3)	46.3			46.3
3	Capital Grants Unapplied			0		60.0	60.0
9	Revaluation Reserve	180.1	(100.8)	79.3			79.3
	Capital Adjustment Account	3,086.4	(112.0)	2,974.4		9.4	2,983.9
	Financial Instruments Adjustment Account	(34.8)		(34.8)			(34.8)
	Pensions Reserve	(1,068.9)		(1,068.9)			(1,068.9)
2	Deferred Capital Receipts Reserve	6.5		6.5		74.3	82.7
	Collection Fund Adjustment Account	(0.0)		(0.0)			(0.0)
4	Accumulated Absences Account	0		0		(29.0)	(28.9)
		2,428.0	**(216.6)**	**2,211.5**	**0**	**114.7**	**2,328.1**

Note	Balance sheet at 31/3/2010	31/3/2010 under the SORP £m	Non-IFRS change £m	Restated amounts under SORP £m	IFRS Reclassification changes £m	IFRS Change £m	31/3/2010 under the Code £m
1,7	Property, Plant and Equipment	5,565.4	(321.0)	5,244.4	393.3	(8.7)	5,629.0
1,7	Investment and Surplus Property	393.3		393.3	(393.3)		0
	Intangible Assets	18.4		18.4		0.4	18.8
	Assets Held for Sale	0		0			0
5	Long Term Investments	361.2		361.2		(41.2)	320.0
2	Long Term Debtors	43.3		43.3		64.3	107.6
	Total Long Term Assets	**6,381.6**		**6,060.6**			**6,075.4**
	Short Term Investments	89.8		89.8			89.8
	Assets Held for Sale	0		0		12.4	12.4
	Inventories	2.3		2.3			2.3
	Short Term Debtors	298.2	(2.3)	295.9		5.6	303.4
	Cash and Cash Equivalents	68.4	(3.3)	65.1			65.1
	Total Current Assets	**458.7**		**453.1**			**473.0**
	Cash and Cash Equivalents	(63.7)	0	(63.7)			(63.7)
	Short Term Borrowing	(177.9)		(177.9)			(177.9)
3,4	Short Term Creditors	(468.9)	14.7	(454.2)		104.0	(350.2)
8	Provisions	0		0	(177.2)		(177.2)
3	Capital contributions unapplied	(27.1)		(27.1)		27.1	0
	Total Current Liabilities	**(737.6)**		**(722.9)**			**(768.9)**
	Long Term Creditors	0		0			0
8	Provisions	(184.2)		(184.2)	177.2		(7.0)
6	Long Term Borrowing	(2,396.4)		(2,396.4)	135.1		(2,261.3)
2,6	Other Long Term Liabilities	(71.6)		(71.6)	(135.1)	(15.3)	(222.0)
	Net liability on defined benefit pension scheme	(1,659.3)		(1,659.3)			(1,659.3)
	Donated Assets Account	0		0			0
3	Capital Grants Receipts in Advance	(249.0)		(249.0)		249.0	0
	Total Long Term Liabilities	**(4,560.5)**		**(4,560.5)**			**(4,149.6)**
	Net Assets	**1,542.2**	**(311.9)**	**1,230.3**	**0**	**397.6**	**1,629.9**

Note	Reserves at 31/3/2010	£m	£m	£m	£m	£m	£m
	General Fund Balance	11.4	1.5	12.9		(0.1)	12.8
	Earmarked General Fund Reserves	132.4	9.7	142.1			142.1
	Housing Revenue Account (HRA)	1.6		1.6			1.6
	Capital Receipts Reserve	58.8	(8.3)	50.5		(0.4)	50.1
3	Capital Grants Unapplied	0		0		182.1	182.1
9	Revaluation Reserve	303.1	(100.8)	202.3		(5.4)	196.9
	Capital Adjustment Account	2,676.0	(213.9)	2,462.1		219.5	2,681.6
	Financial Instruments Adjustment Account	(32.1)		(32.1)		0.7	(31.4)
	Pensions Reserve	(1,659.3)		(1,659.3)			(1,659.3)
	Deferred Capital Receipts Reserve	4.8		4.8		68.5	75.2
	Collection Fund Adjustment Account	4.2		4.2			4.2
4	Accumulated Absences Account	0		0		(25.9)	(25.9)
5	Available for sale Financial instruments	41.3		41.3		(41.3)	0
		1,542.2	**(311.8)**	**1,230.4**	**0**	**397.7**	**1,629.9**

Note	CIES for the year 2009/10	31/3/2010 under the SORP £m	31/3/2010 under the Code £m	Movement £m
3	Cost of services	1,384.3	1,419.6	(35.3)
3	Other costs	(859.6)	(1,128.8)	269.2
	Surplus on revaluation of non current assets	(138.0)	(132.7)	(5.3)
5	Revaluation of financial instruments	(41.3)		41.3
	Actuarial (gains) / losses on pension assets / liabilities	540.2	540.2	0.0
	Deficit for the year	**885.6**	**698.2**	**187.4**

Notes

1 The £222.0m Cr non IFRS change at 31 March 2009 arises from: the completion of the fixed assets data improvement programme (£130.9m Cr); improving valuation estimates of Voluntary Aided schools (concession agreements) used for the first time (£88.0m Dr) and improving valuation estimates of other concession agreements used for the first time (£74.7m Dr) ; and the elimination from the Authority's own accounts of elements of the National Exhibition Centre assets which are deemed to be properly included in the Group Accounts (£253.8m Cr).

2 In accordance with its accounting policy, the Council had not previously recognised property finance leases in its accounts. As a result of the implementation of IFRS as at 1/4/2009 £74.8m Dr of lessor finance leases have been recognised, with a corresponding amount of deferred capital receipts. £0.4m Dr of lessee finance leases have also been recognised. The £11.1m Dr adjustment to other long term liabilities relates to rentals received in advance for operating leases where the Authority is lessor.

3 In accordance with IFRS, the Council recognises all grants which do not have material conditions attached to them in the year they arise. The Council considered all grants received in 2009/10 and 2010/11 to be unconditional. £188.3m of grants were treated as expensed as at 1/4/2009 including £10.5m within short term creditors. Of this amount £60.0m of capital grants has not yet been applied to a capital project and has been added to the Capital Grants Unapplied Reserve. During 2010/11 £288.7m of capital grants has been expensed in the Comprehensive Income and Expenditure Statement. Of this amount a further £122.1m of capital grants has not yet been applied to a capital project and has been added to the Capital Grants Unapplied Reserve.

4 In accordance with IFRS, the Council has accounted for unpaid accumulated absences as at 1/4/2009 of £53.3m and as at 1/4/2010 of £52.5m.

5 As a result of the implementation of IFRS Birmingham City Airport has been restated at cost rather than estimated value. This has resulted in a reduction of the carrying amount of the Airport by £41.3m.

6 PFI obligations have been reclassified as other long term liabilities rather than borrowing.

7 Provisions are now presented with a split between those likely to be paid within the next 12 months and those that will be paid after that time.

8

8i - Under The Code investment assets classified as investment properties have to be held solely for financial gain. All investment properties are now classified as Plant Property and Equipment as the Authority considers that all such property is not held solely for financial gain and each property is held for the general benefit of the taxpayer. As a result of the reclassification the values have been reduced by £86.2m.

8ii - Under the code assets held for sale are carried at estimated sale value. As a result of the reclassification the values have been reduced by £26.9m.

9 The adjustment to the Revaluation Reserve of £100.8m Cr arises as a result of the fixed assets data improvement programme and detailed revisions to the balances held in the Reserve for each asset.

Housing Revenue Account Income and Expenditure Statement

2009/10 £000		2010/11 £000
	Income	
(203,314)	Dwellings rents	(210,008)
(5,716)	Non-dwellings rents	(5,470)
(23,024)	Charges for services and facilities	(18,711)
(7,799)	HRA subsidy receivable	0
(239,853)	**Total Income**	**(234,189)**
	Expenditure	
66,323	Repairs and maintenance	64,680
65,750	Supervision and management	54,781
4,644	Rent, rates, taxes and other charges	4,408
0	Negative HRA subsidy payable	48,399
40,722	Depreciation and impairment charge	665,800
118	Debt management costs	206
2,997	Movement in the allowance for bad debts (not specified by the Code)	3,033
180,554	**Total Expenditure**	**841,307**
(59,299)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**607,118**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
32,560	Interest payable and similar charges	33,632
1,773	Amortisation of premia and discounts	1,442
(230)	HRA interest and investment income	(107)
3,995	(Gains)/ Losses on the disposal of HRA non-current assets	(4,183)
5,036	Pensions interest cost and expected return on pensions assets	2,345
(16,165)	**(Surplus)/Deficit for the Year on HRA Services**	**640,247**

Movement on the Housing Revenue Account Statement

2009/10 £000		2010/11 £000
(16,165)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	640,247
17,925	Adjustments between accounting basis and funding basis under statute (note 7)	(643,279)
1,760	Net (increase) or decrease before transfers to or (from) reserves	**(3,032)**
0	Transfers to or (from) reserves	0
1,760	(Increase) or decrease for the year on HRA balance	**(3,032)**
(3,351)	HRA Balance Brought Forward	(1,591)
(1,591)	HRA Balance Carried Forward	**(4,623)**

Notes to the Housing Revenue Account

H1. Housing Stock

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

1 April 2009	31 March 2010		31 March 2011
3,753	3,758	1 bedroom bungalows	3,741
15,858	15,805	1 bedroom flats	15,787
26	30	1 bedroom houses	31
302	297	2 bedroom bungalows	297
11,464	11,387	2 bedroom flats	11,372
8,406	8,374	2 bedroom houses	8,363
33	32	3 or more bedroom bungalows	32
4,535	4,425	3 or more bedroom flats	4,399
20,704	20,574	3 or more bedroom houses	20,520
65,081	**64,682**	**Total housing stock**	**64,542**

The change in the property numbers is analysed below:

2009/10		2010/11
65,081	Stock at 1 April	64,682
(135)	Sales	(171)
(264)	Demolitions / transfers	(42)
0	New Build	73
64,682	**Stock at 31 March**	**64,542**

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

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
2,008.9	2,081.2	Council dwellings	1,508.0
10.4	8.9	Other land and buildings	9.1
2,019.3	**2,090.1**	**Total operational assets**	**1,517.1**
46.7	40.7	Non-operational assets	38.3
2,066.0	**2,130.8**	**Total**	**1,555.4**

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% in previous years). This led to a reduction in the Council's stock valuation of £532.7m which has been charged to the HRA in 2010/11.

The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £105.879m was spent on HRA dwellings during the year of which £97.989m was impaired as not adding value to the dwellings. An impairment of £6.7m has been charged to the revaluation reserve and the balance was charged to the to the HRA.

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

	31 March 2011
	£m
Land	360.0
Kitchens	28.6
Bathrooms	37.5
Heating	51.5
Windows	61.8
Roofs	58.5
Remaining Structure	910.1
Total	**1,508.0**

H2. Value of Dwellings on Vacant Possession

(a) The vacant possession value of dwellings within the Authority's HRA, valued in accordance with the Guidance, as at 1 April 2010 is £4,240.9m
(b) The difference between the above figure and the figure of £1555.4m 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.

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 none in the financial year 2010/11.

H4. Impairment Charges

Impairment charges reflect a 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 a reduction in Stock valuation of £532.7m, and an impairment of £97.989m made to the carrying value of HRA dwellings to reflect the fact that this expenditure did not add equivalent value. Together with the Depreciation disclosed in Note H8 below, these amounts make up the £665.8m shown in the HRA. These impairments did not impact on the HRA balance.

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 figure for 2009/10 included an advance of £25m from the 2010/11 allocation that was agreed by the DCLG. This reduced the amount available in 2010/11 by £25m.

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

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

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 Authority for this financial year and the prior year in accordance with the regulations of the General Determination of Housing Revenue Account Subsidy:

2009/10 £m		2010/11 £m
(44.8)	Allowance for management	(45.9)
(67.1)	Allowance for maintenance	(68.0)
(65.7)	Allowance for Major Repairs	(15.9)
(34.8)	Capital charges	(32.3)
207.7	Rental income	212.9
(3.1)	Other - Caps and Limits	(2.4)
(7.8)	**HRA subsidy (receivable) / payable**	**48.4**

H7. Capital Expenditure on HRA Assets

Expenditure on HRA assets was funded from the following sources:

2009/10 £m		2010/11 £m
10.7	Supported borrowing (Regional Housing Executive)	0
33.3	Prudential borrowing	73.4
7.0	Usable Capital Receipts (Right to Buy / land)	0
65.7	Major Repairs Reserve	14.9
0.1	Revenue contributions	5.3
6.2	Other resources	12.3
123.0		**105.9**

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £12.8m (land £2.0m, houses £10.8m). The values for 2009/10 were £13.1m (land £4.3m and houses £8.8m). The Government has introduced a capital receipts pooling framework and of these amounts £7.6m was paid to Central Government (2009/10: £5.9m).

H8. Depreciation Charges

The total charge for depreciation for the land, houses, and other property within the Authority's HRA is £40.9m (2009/10: £40.7m). 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. In 2009/10, an advance payment of £25m from the 2010/11 MRA was made as set out in Note H5 above. This was ignored for the purpose of estimating depreciation.

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 40 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 2011 totalled £8.2m (2009/10: £8.6m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £12.1m at 31 March 2011 (2009/10: £11.8m).

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 £15.0m at 31 March 2011 (2009/10: £15.4m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
11.2	8.6	Current tenants	8.2
7.7	6.1	Housing benefit overpayment	6.2
5.1	5.7	Other debt (services/leaseholders)	5.9
24.0	**20.4**	**Total arrears**	**20.3**
18.2	15.4	Provision for bad debts	15.0

Collection Fund Income and Expenditure Account

2009/10 £000		Note	2010/11 £000	£000
	Income			
	Council Tax:			
(275,681)	Income	C1	(279,112)	
(2,115)	Council Tax written back		0	
	Transfers from General Fund:			
(98,889)	Council Tax Benefit		(99,862)	
(376,685)				**(378,974)**
	Business Ratepayers:	C2		
(363,192)	Income collectable		(362,148)	
	Community Charge:			
(1)	Income collected resulting in a reduction to provision for bad debts		0	
(363,193)				**(362,148)**
(739,878)	**Total Income**			**(741,122)**
	Expenditure			
	Demands on the Collection Fund:	C3		
323,874	Birmingham City Council		332,663	
86	Frankley in Birmingham Parish		90	
13,898	West Midlands Fire and Rescue Authority		14,288	
29,035	West Midlands Police Authority		29,706	
366,893				**376,747**
	Contribution from previous year's surplus:			
0	Birmingham City Council		2,649	
0	West Midlands Fire and Rescue Authority		114	
0	West Midlands Police Authority		237	
0				**3,000**
	Council Tax:			
5,056	Increase in Provision for Bad Debts	C4	357	
0	Debts written off		3,469	
	Business Rates:			
361,219	Payment to National Pool		360,207	
1,974	Cost of Collection Allowance		1,941	
368,249				**365,974**
735,142	**Total Expenditure**			**745,721**
(4,736)	**(Surplus)/Deficit For the Year**			**4,599**
27	(Surplus)/Deficit Brought Forward			(4,709)
(4,709)	**(Surplus)/Deficit Carried Forward**			**(110)**

Notes to the Collection Fund

C1. Contributions from Council Taxpayers

The Council's tax base at January 2011 (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	235	5/9	131
A	132,036	6/9	88,024
B	108,206	7/9	84,160
C	64,762	8/9	57,566
D	31,433	1	31,433
E	18,083	11/9	22,101
F	7,772	13/9	11,226
G	5,249	15/9	8,748
H	708	18/9	1,416
Total	**368,484**		**304,805**
	Less: adjustment for collection rate		(6,096)
			298,709

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 dwellings
AR	4	5/9	2
A	1,301	6/9	868
B	1,450	7/9	1,128
C	94	8/9	84
D	55	1	55
E	1	11/9	1
F	0	13/9	0
G	0	15/9	0
H	0	18/9	0
Total	**2,905**		**2,138**
	Less: adjustment for collection rate		(43)
			2,095

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 (41.4p for 2010/11 : 48.5p for 2009/10). The total non-domestic rateable value at 31 March 2011 was £1,044.3m (31 March 2010: £928.8m). The total amount, less certain reliefs and deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

2009/10 £m	Contribution to the NNDR pool: Non-domestic rates	2010/11 £m
516.8	Contribution to the NNDR pool	520.7
0.8	Add: transitional relief adjustments	11.9
(156.4)	Less: allowances and adjustments	(172.4)
361.2	**Net contribution to NNDR pool**	**360.2**
405.2	Amount actually paid during the year	361.9
(44.0)	Payment to / (refund due from) pool	(1.7)
361.2		**360.2**

2009/10 £m	Re-distribution from NNDR pool:	2010/11 £m
536.3	Net income to City Council	**592.0**

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/Community Tax and Business Ratepayers. However, where it has been proved impossible to recover unpaid charges, such amounts are written off to the Collection Fund Account.

In 2010/11 unpaid Council Tax of £3.5m was written off, (2009/10: £2.9m) which represents 0.77% of the amount of Council Tax due as at 1 April 2010 including amounts brought forward from earlier years, (2009/10: 0.50%).

Unpaid NNDR of £0.4m was written off, (2009/10: £0.2m written off). This represented 0.10% of NNDR due as at 1 April 2010 including amounts brought forward from earlier years, (2009/10: 0.06%).

Statement of Accounts 2010/11

Group Accounts

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (ie 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 authority'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	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 Authority Reserves**	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures	MI Reserves	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2009	**22,577**	**182,654**	**3,351**	**0**	**46,298**	**0**	**59,985**	**314,865**	**2,013,228**	**2,328,093**	359,921	301,333	**2,989,346**
<u>Movement in reserves during 2009/10</u>													
Surplus or (deficit) on the provision of services	(276,864)	0	16,165	0	0	0	0	**(260,699)**	0	**(260,699)**	(30,604)		**(291,303)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(407,466)	**(407,466)**	(17,352)	4,003	**(420,815)**
Total Comprehensive Income and Expenditure	**(276,864)**	**0**	**16,165**	**0**	**0**	**0**	**0**	**(260,699)**	**(407,466)**	**(668,165)**	**(47,956)**	**4,003**	**(712,118)**
Adjustments between group accounts and authority accounts (Note G19)	(30,038)	0	0	0	0	0	0	**(30,038)**	0	**(30,038)**	30,038	0	**0**
Increase in Group Authority reserves accounted for through equity (Note G6)	0	0	0	0	0	0	0	**0**	0	**0**	301,136	(301,157)	**(21)**
Net Increase/Decrease before Transfers	**(306,902)**	**0**	**16,165**	**0**	**0**	**0**	**0**	**(290,737)**	**(407,466)**	**(698,203)**	**283,218**	**(297,154)**	**(712,139)**
Adjustments Between Accounting Basis and Funding Basis Under Statute	256,480	0	(17,925)	0	3,809	0	122,110	**364,474**	(364,474)	**0**	0	0	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(50,422)**	**0**	**(1,760)**	**0**	**3,809**	**0**	**122,110**	**73,737**	**(771,940)**	**(698,203)**	**283,218**	**(297,154)**	**(712,139)**
Transfers to/from earmarked reserves	40,597	(40,597)	0	0	0	0	0	0	0	0	0		0
Increase/Decrease in 2009/10	**(9,825)**	**(40,597)**	**(1,760)**	**0**	**3,809**	**0**	**122,110**	**73,737**	**(771,940)**	**(698,203)**	**283,218**	**(297,154)**	**(712,139)**
Balance at 31 March 2010 carried forward	**12,753**	**142,057**	**1,591**	**0**	**50,107**	**0**	**182,095**	**388,602**	**1,241,287**	**1,629,890**	**643,139**	**4,179**	**2,277,207**

	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 Authority Reserves**	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures	MI Reserves	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**		**£000**
Balance at 1 April 2010	**12,753**	**142,057**	**1,591**	**0**	**50,107**	**0**	**182,095**	**388,602**	**1,241,287**	**1,629,890**	**643,139**	**4,179**	**2,277,207**
Movement in Reserves during 2010/11													
Surplus or (deficit) on the provision of services	(187,062)	0	(640,247)	0	0	0	0	**(827,309)**	0	**(827,309)**	(21,473)	0	**(848,782)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	141,971	**141,971**	24,726		**166,697**
Total Comprehensive Income and Expenditure	**(187,062)**	**0**	**(640,247)**	**0**	**0**	**0**	**0**	**(827,309)**	**141,971**	**(685,338)**	**3,253**	**0**	**(682,085)**
Adjustments between group accounts and authority accounts (Note G19)	(1,734)	0	0	0	0	0	0	**(1,734)**	0	**(1,734)**	1,734	0	**0**
Increase in Group Authority reserves accounted for through equity (Note G6)	0	0	0	0	0	0	0	**0**	0	**0**	4,169	(4,169)	**0**
Net Increase/Decrease before Transfers	**(188,796)**	**0**	**(640,247)**	**0**	**0**	**0**	**0**	**(829,043)**	**141,971**	**(687,072)**	**9,156**	**(4,169)**	**(682,085)**
Adjustments Between Accounting Basis and Funding Basis Under Statute	194,528	0	643,279	0	(10,112)	1,000	36,174	**864,870**	(864,870)	**0**	0	0	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**5,732**	**0**	**3,032**	**0**	**(10,112)**	**1,000**	**36,174**	**35,827**	**(722,898)**	**(687,072)**	**9,156**	**(4,169)**	**(682,085)**
Transfers to/from earmarked reserves	15,593	(15,593)	0	0	0	0	0	**0**	0	**0**	0	0	**0**
Increase/Decrease in 2010/11	**21,325**	**(15,593)**	**3,032**	**0**	**(10,112)**	**1,000**	**36,174**	**35,827**	**(722,898)**	**(687,072)**	**9,156**	**(4,169)**	**(682,085)**
Balance at 31 March 2011 carried forward	**34,078**	**126,464**	**4,623**	**0**	**39,995**	**1,000**	**218,269**	**424,429**	**518,389**	**942,818**	**652,295**	**10**	**1,595,123**

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.

2009/10					2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
127,205	(111,516)	15,689	Central services to the public		125,522	(110,821)	14,701
529,609	(226,128)	303,481	Cultural, environmental, regulatory and planning services		525,462	(251,603)	273,860
1,747,503	(1,179,654)	567,850	Education and children's services		1,785,279	(1,227,533)	557,746
144,709	(64,138)	80,571	Highways and transport services		222,284	(30,360)	191,924
180,554	(239,853)	(59,299)	Local authority housing (HRA)		841,307	(234,189)	607,118
596,882	(513,782)	83,100	Other housing services		630,292	(517,897)	112,395
475,329	(132,323)	343,006	Adult social care		425,921	(98,928)	326,993
116,672	(43,915)	72,756	Corporate and democratic core		47,993	(1,399)	46,594
169,900	(189,342)	(19,442)	(Surplus)/Deficit on trading operations		156,300	(174,415)	(18,115)
6,480	3,739	10,219	Non distributed costs		(250,457)	3,663	(246,793)
4,094,843	**(2,696,913)**	**1,397,930**	**Cost Of Services**		**4,509,903**	**(2,643,482)**	**1,866,422**
60,226	0	60,226	Other Operating Expenditure		224,812	0	224,812
249,295	(23,351)	225,944	Financing and Investment Income and Expenditure	G5	234,538	(15,281)	219,258
0	(1,389,962)	(1,389,962)	Taxation and Non-Specific Grant Income		0	(1,464,717)	(1,464,717)
		294,138	**(Surplus) or Deficit on Provision of Services**				**845,774**
		(4,080)	Share of the surplus or deficit on the provision of services by associates				1,529
		(3)	Tax expense of subsidiaries				1
		1,248	Tax expense of associates				1,477
		291,303	**Group (surplus)/deficit**				**848,782**
		(132,713)	(Surplus) or deficit on revaluation of non current assets				(74,655)
		557,991	Actuarial (gains) / losses on pension assets / liabilities				(89,000)
		(3,958)	Other (gains)/losses				0
		(484)	Share of other comprehensive income and expenditure of associates and joint ventures				(3,042)
		420,836	**Other Comprehensive (Income) and Expenditure**				**(166,697)**
		712,139	**Total Comprehensive (Income) and Expenditure**				**682,085**

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

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority 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 authority 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 2009	31 March 2010		Note	31 March 2011
£000	**£000**			**£000**
6,380,136	6,555,751	Property, Plant & Equipment	G7	5,941,285
0	0	Investment Property		0
18,438	19,557	Intangible Assets		69,860
0	0	Assets Held for Sale		0
139,459	94,321	Long Term Investments		82,831
98,234	88,755	Long Term Debtors		94,881
77,685	66,589	Investments in Associates and Joint Ventures		66,624
6,713,952	**6,824,973**	**Total Long Term Assets**		**6,255,481**
200,650	109,950	Short Term Investments		214,713
6,304	12,386	Assets Held for Sale		3,726
3,562	3,791	Inventories		2,935
295,461	321,957	Short Term Debtors		285,123
73,723	88,510	Cash and Cash Equivalents		82,031
579,701	**536,594**	**Total Current Assets**		**588,528**
(72,138)	(63,661)	Cash and Cash Equivalents		(56,245)
(316,326)	(177,876)	Short Term Borrowing		(405,533)
(465,961)	(407,710)	Short Term Creditors	G9	(384,613)
(13,500)	(177,209)	Provisions		(303,542)
(867,925)	**(826,456)**	**Total Current Liabilities**		**(1,149,932)**
0	(73,100)	Long Term Creditors		(73,100)
(9,974)	(2,845)	Provisions		(6,360)
(2,106,718)	(2,261,265)	Long Term Borrowing		(2,257,637)
(226,875)	(221,995)	Other Long Term Liabilities		(342,886)
(1,092,814)	(1,698,699)	Net liability on defined benefit pension scheme		(1,418,971)
(3,436,381)	**(4,257,904)**	**Total Long Term Liabilities**		**(4,098,954)**
2,989,346	**2,277,208**	**Net Assets**		**1,595,123**
318,034	396,595	Usable Reserves	G10	428,097
2,671,312	1,880,613	Unusable Reserves	G11	1,167,026
2,989,346	**2,277,208**	**Total Reserves**		**1,595,123**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2009/10		Note	2010/11
£000			**£000**
(291,303)	Net surplus or (deficit) on the provision of services		(848,782)
587,206	Adjustments to net surplus or deficit on the provision of services for non cash movements		1,226,459
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
295,903	Net cash flows from Operating Activities	G12	**377,677**
(282,653)	Investing Activities	G13	(591,908)
10,015	Financing Activities	G14	215,167
23,264	Net increase or (decrease) in cash and cash equivalents		**936**
1,585	Cash and cash equivalents at the beginning of the reporting period		24,849
24,849	**Cash and cash equivalents at the end of the reporting period**		**25,786**

Note G1
Accounting Policies

The Group Statement of Accounts summarises the Council's and group's transactions for the 2010/11 financial year. The Group financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, 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 2. 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 Authority's entity accounts. Where there are not material differences, the notes to the Authority 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 accounts are consistent with those set out in note 1 to the entity financial statements, with additional policies specific to the group accounts 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 2011 NEC Limited had entered into forward contracts totaling €1,655,000 all of which mature within 24 months (31/03/2010: €1,741,000; 31/03/2009: €477,000).

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 Authority 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 Authority entity accounts.

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

Note G4

Event After the Balance Sheet Date

Details of events after the Balance Sheet date that relate to the Authority are provided in note 6 to the Authority entity accounts.

There are no events to report in respect of the remaining Group entities.

Note G5

Financing and Investment Income and Expenditure

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

2009/10				2010/11		
Gross expenditure	Income	Net		Gross expenditure	Income	Net
£m	£m	£m		£m	£m	£m
163.7		163.7	Interest payable and similar charges	172.3		172.3
85.6	0	85.6	Pensions interest cost and expected return on pensions assets	62.2	0	62.2
	(23.4)	(23.4)	Interest receivable and similar income		(15.3)	(15.3)
249.3	**(23.4)**	**225.9**	**Total**	**234.5**	**(15.3)**	**219.2**

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.

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
0	301.1	Increase in ownership share of NEC Limited (1)	0
0	0	Increase in ownership share of NEC Developments plc (2)	4.0
0	(0.0)	Minority Interest within Birmingham Technology Group (3)	0.2
0	**301.1**	**Total**	**4.2**

(1) In 2009/10, Birmingham City Council Group increased its ownership share of NEC Limited from 50% 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.

(2) In 2010/11, Birmingham City Council Group 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.

(3) Reduction in Minority Interest within Birmingham Technology Group in 2010/11

Note G7
Property, Plant and Equipment

Movements on Balances: 2010/11

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	PFI / Service Concession assets Included in Property, Plant and Equipment £m
Cost or Valuation									
At 1 April 2010	2,244.8	3,832.9	193.8	839.8	77.1	0	205.3	**7,393.8**	*568.7*
Additions	105.9	114.4	21.5	105.9	5.8	0	145.1	**498.6**	*134.1*
Assets reclassified between catagories	0	26.1	2.4	10.0	1.2	0	(39.7)	**0**	*0*
Assets reclassified (to)/from Held for Sale	0	(4.0)	0	0	0	0	0	**(4.0)**	*0*
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(170.3)	40.4	0	0	0	0	0	**(129.9)**	*0*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(526.9)	(139.9)	(0.2)	0	0	0	0	**(667.1)**	*(0.3)*
Derecognition - Disposals	(6.6)	(53.5)	0	0	0	0	0	**(60.1)**	*(1.7)*
Derecognition - of components	0	(25.1)	0	(252.4)	0	0	0	**(277.4)**	*0*
At 31 March 2011	**1,646.9**	**3,791.4**	**217.4**	**703.4**	**84.1**	**0**	**310.7**	**6,754.0**	***700.9***
Accumulated Depreciation and Impairment									
At 1 April 2010	(163.6)	(194.0)	(76.1)	(404.4)	0	0	0	**(838.0)**	*(15.9)*
Depreciation charge	(40.9)	(102.5)	(17.5)	(86.8)	0	0	0	**(247.7)**	*(19.6)*
Depreciation written out to the Revaluation Reserve	40.7	40.9	0	0	0	0	0	**81.6**	*0*
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	8.3	0	0	0	0	0	**8.3**	*1.8*
Impairment losses/ (reversals) recognised in the Revaluation Reserve	122.9	0	0	0	0	0	0	**122.9**	*0*
Impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	(98.0)	0	0	0	0	0	0	**(98.0)**	*0*
Derecognition - Disposals	0	6.2	0.2	0	0	0	0	**6.4**	*0.0*
Derecognition - of components	0	4.1	0	147.8	0	0	0	**151.9**	*0*
At 31 March 2011	**(138.9)**	**(237.0)**	**(93.3)**	**(343.5)**	**0**	**0**	**0**	**(812.7)**	**(33.6)**
Net Book Value									
At 31 March 2011	**1,508.0**	**3,554.4**	**124.2**	**359.9**	**84.1**	**0**	**310.7**	**5,941.3**	**667.3**
At 31 March 2010	**2,081.2**	**3,639.0**	**117.7**	**435.4**	**77.1**	**0**	**205.3**	**6,555.8**	**552.8**

Movements on Balances: 2009/10

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Surplus assets £m	Assets under construction £m	Total Property, Plant and Equipment £m	PFI / Service Concession assets Included in Property, Plant and Equipment £m
Cost or Valuation									
At 1 April 2009	2,044.1	3,750.1	169.0	795.4	73.6	0	177.8	7,010.0	567.5
Additions	122.9	165.6	23.3	29.5	4.4	0	72.8	418.5	1.2
Assets reclassified between catagories	0	30.2	1.5	14.9	(1.9)	0	(45.2)	(0.5)	0
Assets reclassified (to)/from Held for Sale	0	(14.2)	0	0	(0.7)	0	0	(14.9)	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	88.6	82.3	0	0	1.7	0	0	172.6	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(181.0)	(0.1)	0	0	0	0	(181.1)	0
Derecognition - Disposals	(10.8)	0	0	0	0	0	0	(10.8)	0
At 31 March 2010	**2,244.8**	**3,832.9**	**193.8**	**839.8**	**77.1**	**0**	**205.3**	**7,393.8**	**568.7**
Accumulated Depreciation and Impairment									
At 1 April 2009	(41.0)	(155.0)	(58.1)	(375.7)	0	0	0	(629.9)	(7.1)
Depreciation charge	(40.7)	(86.4)	(18.1)	(28.7)	0	0	0	(173.9)	(8.8)
Depreciation written out to the Revaluation Reserve	41.0	42.0	0	0	0	0	0	83.0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	5.5	0	0	0	0	0	5.5	0
Impairment losses/ (reversals) recognised in the Revaluation Reserve	(122.9)	0	0	0	0	0	0	(122.9)	0
Derecognition - Disposals	0	0	0.1	0	0	0	0	0.1	0
At 31 March 2010	**(163.6)**	**(194.0)**	**(76.1)**	**(404.4)**	**0**	**0**	**0**	**(838.0)**	**(15.9)**
Net Book Value									
At 31 March 2010	**2,081.2**	**3,639.0**	**117.7**	**435.4**	**77.1**	**0**	**205.3**	**6,555.8**	**552.8**
At 1 April 2009	**2,003.1**	**3,595.0**	**110.9**	**419.7**	**73.6**	**0**	**177.8**	**6,380.1**	**560.4**

Further details on the Authority's policies for fixed asset revaluations and depreciation are provided in note 12 to the Authority 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 accounts compared to the Authority 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 2010	1 April 2009
	£m	**£m**	**£m**
Investments			
Loans and receivables	225.8	225.8	225.8

The following short term investments are brought into the Group accounts upon group consolidation:

	Short-term		
	31 March 2011	31 March 2010	1 April 2009
	£m	**£m**	**£m**
Investments			
Loans and receivables	30.6	20.1	27.1

Debtors and cash

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

Creditors

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

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

	Long-term		
	31 March 2011	31 March 2010	1 April 2009
	£m	**£m**	**£m**
Creditors			
Financial liabilities at amortised cost	(73.1)	(73.1)	0

These amounts are not consolidated at 1 April 2009 as NEC Developments plc is accounted for as an associate at this point.

Income, Expense, Gains and Losses

These amounts in the Group accounts are not considered materially different from those in the Authority entity accounts.

Fair Values of Assets and Liabilities

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

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 2011 NEC Limited had entered into forward contracts totaling €1,655,000 all of which mature within 24 months (31/03/2010: €1,741,000; 31/03/2009: €477,000).

Nature and extent of risks arising from financial instruments

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

Note G9
Short Term Creditors

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
(41.3)	(151.0)	Central government bodies	(50.9)
(4.7)	(9.4)	Other local authorities	(9.7)
(2.1)	(2.1)	NHS bodies	(4.1)
(66.1)	(59.0)	Public corporations and trading funds	(20.0)
(351.8)	(186.1)	Other entities and individuals	(299.9)
(465.9)	**(407.7)**	**Total**	**(384.6)**

Note G10
Group Usable Reserves

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
22.6	42.8	General Fund	65.8
46.3	50.1	Capital Receipts Reserve	40.0
182.7	142.1	Earmarked General Fund Reserves	126.5
3.4	1.6	Housing Revenue Account (HRA)	4.6
0	0	Earmarked HRA Reserves	0
0	0	Major Repairs Reserve	1.0
60.0	182.1	Capital Grants Unapplied	218.3
(2.4)	(26.0)	Profit and Loss Reserve	(31.0)
0.8	(0.8)	Designated Funds	(1.9)
0.0	0.0	Other Charitable Funds	0.1
4.8	4.8	Merger Reserve	4.8
318.0	**396.6**		**428.1**

The balances above reflect those shown within the Group Balance Sheet and include amounts attributable to subsidiaries and associates of the Authority and adjustments resulting from their consolidation. These total £3.6m 2010/11 (£8.0m 2009/10, £3.2m 2008/09).

The balances and movements attributable to the Authority are set out in the Group Movement in Reserves Statements, further supported by Note 7 to the Authority entity accounts. Differences arising on group consolidation are set out in Note G19 to the group accounts.

<u>Profit and Loss Reserve</u>

The Profit and Loss Reserve consolidates the in-year results for subsidiaries. In the Group accounts 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
£m		£m
(2.4)	**Balance at 1 April**	**(26.0)**
(23.6)	In year profit and loss result for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	(5.0)
(26.0)	**Balance at 31 March**	**(31.0)**

Note G11
Group Unusable Reserves

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
442.2	871.9	Revaluation Reserve	929.5
0	0	Available for sale financial instrument reserve	0
2,983.9	2,681.6	Capital Adjustment Account	1,791.1
(34.8)	(31.4)	Financial instrument adjustment account	(32.9)
(1,084.9)	(1,709.0)	Pensions Reserve	(1,434.0)
82.7	75.2	Deferred Capital Receipts	67.5
(0.0)	4.2	Collection Fund Adjustment Account	0.1
0	0	Unequal Pay Reserve	(127.8)
(28.9)	(25.9)	Accumulated Absenses Account	(36.3)
301.3	4.2	Minority Interest	0.0
0.6	0.6	Called up share capital	0.6
1.1	1.1	Restricted Funds	1.1
8.2	8.2	Share Premium Account	8.2
2,671.3	**1,880.6**		**1,167.0**

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

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its Property, Plant 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.

For amounts arising in the Authority, 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		2010/11	
£m		£m	
442.2	**Balance at 1 April**		**871.9**
255.6	Authority: Upward revaluation of assets	81.4	
(122.9)	Authority: Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6.7)	
132.7	Authority: Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		74.7
(15.1)	Authority: Difference between fair value depreciation and historical cost depreciation	(7.8)	
0	Authority: Accumulated gains on assets sold or scrapped	(1.1)	
(15.1)	Authority: Amount written off to the Capital Adjustment Account		(8.9)
313.0	Increase in Group's share of revaluation reserve resulting from increased stake in entity		4.2
(0.9)	Other movements in reserve in Group entities		(12.4)
871.9	**Balance at 31 March**		**929.5**

Pensions Reserve

For the Authority. 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 Authority 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 Authority 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 Authority 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.

2009/10		2010/11
£m		£m
(1,084.8)	**Balance at 1 April**	**(1,709.0)**
(573.9)	Actuarial gains or (losses) on pensions assets and liabilities	**89.0**
(162.6)	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	**71.7**
112.4	Employer’s pensions contributions and direct payments to retirees payable in the year	**114.3**
(1,709.0)	**Balance at 31 March**	**(1,434.0)**

Note G12
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2009/10		2010/11
£m		**£m**
(23.4)	Interest received	(15.3)
163.7	Interest paid	172.3
0	Dividends received	0

Note G13
Cash Flow Statement - Investing Activities

2009/10		2010/11
£m		**£m**
(418.5)	Purchase of property, plant and equipment, investment property and intangible assets	(498.6)
(2,689.4)	Purchase of short-term and long-term investments	(2,635.4)
0	Other payments for investing activities	
6.3	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12.4
2,818.9	Proceeds from shot-term and long-term investments	2,529.7
	Other receipts from investing activities	
(282.7)	**Net cash flows from investing activities**	**(591.9)**

Note G14
Cash Flow Statement - Financing Activities

2009/10		2010/11
£m		**£m**
0	Other receipts from financing activities	0
738.5	Cash receipts of short- and long-term borrowing	1,428.4
(4.1)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(9.8)
(724.4)	Repayments of short- and long-term borrowing	(1,203.4)
0	Other payments for financing activities	0
10.0	**Net cash flows from financing activities**	**215.2**

Note G15

Amounts Reported for Resource Allocation Decisions (Segmental Analysis)

Details of the Authority's Segmental Analysis are provided in note 29 to the Authority entity accounts.

Net expenditure reported to the Cabinet, Committees and Portfolios detailed within note 29 to the Authority 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 Authority's Subjective Analysis are as follows:

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

	2010/11
	£m
Net expenditure in Committee / Portfolio Analysis	1,053.5
Net expenditure of services and support services not included in the Analysis	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to Committee / Portfolio in the Analysis	691.3
Amounts in the Comprehensive Income and Expenditure Statement related to Group Accounts Consolidation not reported to Committee / Portfolio in the Analysis	(13.9)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	135.6
Cost of Services in Group Comprehensive Income and Expenditure Statement Statement	**1,866.4**

Reconciliation to subjective analysis

2010/11	Net expenditure in Portfolio Analysis	Additional segments not in Analysis	Amounts not included in the Analysis but included within the CIES	Amounts included in the Analysis but not included within the CIES	Allocation of lines in the analysis that include items from more than one line of the analysis of total income and expenditure	**Net Cost of Services in CIES**	Amounts reported below the net cost of services in CIES	**Total**
	£m	£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	**0.0**		**0.0**
Group consolidation subsidiary adjustments			(120.2)			**(120.2)**	0.6	**(119.6)**
Surplus on associates and joint ventures						**0.0**		**0.0**
Trading Account			(174.4)			**(174.4)**	0.0	**(174.4)**
Interest and investment income						**0.0**	(15.9)	**(15.9)**
Income from council tax						**0.0**	(332.7)	**(332.7)**
Government grants and contributions	(2,035.0)		89.1	190.5		**(1,755.4)**	(1,131.9)	**(2,887.3)**
Total income	**(3,236.2)**	**0.0**	**(194.7)**	**190.5**	**596.9**	**(2,643.5)**	**(1,479.9)**	**(4,123.4)**

Employee expenses	1,488.0		(108.6)		(156.3)	**1,223.1**		**1,223.1**
Other service expenses	2,359.7		(93.0)	(54.9)	(154.7)	**2,057.1**		**2,057.1**
Support service recharges	285.9				(285.9)	**0.0**		**0.0**
Group consolidation subsidiary adjustments			106.2			**106.2**	30.0	**136.2**
Deficit on associates and joint ventures						**0.0**	3.0	**3.0**
Trading Account			156.3			**156.3**	0.0	**156.3**
Depreciation, amortisation and impairment	156.1		811.1			**967.2**		**967.2**
Interest payments						**0.0**	204.6	**204.6**
Precepts and levies						**0.0**	54.9	**54.9**
Payments to Housing Capital Receipts pool						**0.0**	7.6	**7.6**
Gain or loss on disposal of non-current assets						**0.0**	162.2	**162.2**
Total expenditure	**4,289.7**	**0.0**	**872.0**	**(54.9)**	**(596.9)**	**4,509.9**	**462.3**	**4,972.2**
Group (Surplus) or deficit	**1,053.5**	**0.0**	**677.3**	**135.6**	**0.0**	**1,866.4**	**(1,017.6)**	**848.8**

Note G16

Related Parties

Details of the Authority's material transactions with related parties are provided in note 36 to the Authority entity accounts.

In addition to the related parties detailed within Note 36 to the Authority entity accounts those included below are deemed to be related parties of the group – bodies or individuals that have the potential to control or influence the group entities or to be controlled or influenced by the group entities. The group entities and their relationships with the Authority are detailed in Note G21.

National Exhibition Centre (Ireland) Limited

MPM Catering Limited

NEC Finance Plc
NEC Pension Trustee Company Limited

Global Spectrum-NEC D.O.O.

PBEL

Capita Business Services Limited

The Capita Group Plc

Capita Registrars Limited

Capita Insurance Services Limited

Capita Symonds Limited

Capita L&P Limited

Capita Specialist Insurance Solutions Limited

Capita L&P Regulated Services Limited

Capita Resourcing Limited

Capita Health Solutions Ltd

Capita Financial Software Limited

ComputerLand UK Limited

Capita Hartshead Limited

Capita IT Services Limited

Capita IT Services BSF

Note G17

Leases

Group as the lessee

Finance leases

Details of the Authority's leases are provided in note 37 to the Authority entity accounts.

Operating leases

Details of the Authority's leases are provided in note 37 to the Authority entity accounts.

Group as the lessor

Finance leases

Details of the Authority's leases are provided in note 37 to the Authority 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:

1 April 2009	31 March 2010		31 March 2011
£m	£m		£m
		Finance lease debtor (net present value of minimum lease payments):	
0.0	0.0	current	0.0
1.5	1.5	non-current	1.5
7.4	7.4	Unearned finance income	7.3
(0.1)	(0.1)	Unguaranteed residual value of property	(0.1)
8.8	**8.7**	**Gross investment in the lease**	**8.6**

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 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£m	£m	£m	£m	£m	£m
Not later than one year	0.0	0.0	0.0	0.1	0.1	0.1
Later than one year and not later than five years	0.0	0.0	0.0	0.4	0.4	0.4
Later than five years	1.5	1.5	1.5	8.1	8.2	8.3
Total	**1.5**	**1.5**	**1.5**	**8.6**	**8.7**	**8.8**

Operating leases

Details of the Authority's leases are provided in note 37 to the Authority 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 consistant 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 Authority's leasing note 37.

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

1 April 2009	31 March 2010		31 March 2011
£m	**£m**		**£m**
2.0	2.0	Not later than one year	1.7
5.0	4.2	Later than one year and not later than five years	2.5
1.2	0.8	Later than five years	0.1
8.2	**7.0**		**4.3**

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

Note G18

Defined Benefit Pension Schemes

Details of the Authority's involvement in the Teachers' Pensions Sceheme and Local Government Pension Scheme are provided in notes 39 and 40 to the Authority entity accounts.

In the Group accounts, The NEC Limited group operates a contributory group personal pension plan and two defined benefit schemes in the UK covering many of its employees. On the 26 April 2010 the company concluded consultation around the provision of pension benefits from the final salary pension schemes. The outcome of this process was that with effect from 30 June 2010 active members of the scheme moved to deferred member status and future service accrual ceased. The company has worked with the trustees of the NEC Limited Pension Fund to secure a recovery plan which includes additional employer contributions of £2.1m per annum (£2.1m from 2011/12) and has secured a limited direct guarantee to the scheme from Birmingham City Council. The last triennial actuarial valuation of the NEC Limited Pension Fund was performed by Mercer Human Resource Consulting as at 5 April 2007 and was approved on12 June 2008. The 2010 valuation was in progress at the 2010/11 year end.

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

	2010/11	2009/10
	%	**%**
Rate of increase in pensionable salaries	-	4.1
Rate of increase in pensions in payment (accrued prior to 6 April 2005)	3.4	3.6
Rate of increase in pensions in payment (accrued post 6 April 2005)	2.2	2.3
Discount rate	5.5	5.7
Inflation assumption	3.4	3.6
Returns on equities	7.9	8.0
Returns on bonds and cash	4.9	5.0
Return on other assets	4.4	4.5
Return on property	5.4	5.5

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 is shown below. The life expectancy reflects the revised assumptions used in the 2010 Pension Fund triennial valuation. The basis was changed to reflect an analysis of the fund membership in the light of the Code.

	2010/11	2009/10
	Years	**Years**
Male: member aged 65 (current life expectancy)	22.0	23.7
Male: member aged 45 (life expectancy at age 65)	23.4	25.0
Female: member aged 65 (current life expectancy)	24.3	26.9
Female: member aged 45 (life expectancy at age 65)	25.9	28.2

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

	31 March 2011	31 March 2010
	£000	**£000**
Present value of funded obligations	(122,743)	(140,200)
Fair value of plan assets	109,779	100,803
Total	(12,964)	(39,397)

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

	2010/11	2009/10
	%	**%**
Equities, GTAA and hedge funds	59	59
Bonds	24	25
Real estate	12	12
Other	5	4

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

	2010/11	2009/10
	£000	**£000**
Current service cost	570	1,394
Interest cost	7,906	6,845
Expected return on plan assets	(6,795)	(4,887)
Effect of curtailments	(3,235)	(600)
Total included in employee benefit costs	**(1,554)**	**2,752**

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

	2010/11	2009/10
	£000	**£000**
Present value of obligation at 1 April	140,200	98,283
Current service cost	570	1,394
Interest cost	7,906	6,845
Member contributions	41	166
Actuarial (gains) / losses	(19,169)	36,536
Curtailment	(3,235)	(600)
Benefits paid	(3,570)	(2,424)
Present value of obligation at 31 March	**122,743**	**140,200**

Changes in fair value of plan assets are as follows:

	2010/11	2009/10
	£000	**£000**
Fair value of plan assets at 1 April	100,803	74,411
Expected return on scheme assets	6,795	4,887
Actuarial gains	2,515	18,724
Employer contributions	3,195	5,039
Member contributions	41	166
Benefits paid	(3,570)	(2,424)
Fair value of plan assets at 31 March	**109,779**	**100,803**

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

	2010/11	2009/10
	£000	**£000**
Present value of wholly or partly funded obligations	122,513	140,200
Deficit (surplus) for funded plans	12,734	39,397
Present value of wholly unfunded obligations	230	0
Net liability	**12,964**	**39,397**

Analysis of the movement in the balance sheet liability:

	2010/11	2009/10
	£000	**£000**
1 April	(39,397)	(23,872)
Total income / (expenses) as above	1,554	(2,752)
Employer contribution	3,195	5,039
Net actuarial gains / (losses) recognised in year	21,684	(17,812)
31 March	**(12,964)**	**(39,397)**

Cumulative actuarial gains and losses recognised in NEC Limited entity:

	2010/11	2009/10
	£000	**£000**
1 April	(27,571)	(9,759)
Net actuarial gains / (losses) recognised in year	21,684	(17,812)
31 March	**(5,887)**	**(27,571)**

The actual profit on plan assets was £9m (2010/10: £24m).

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

	2011	2010	2009	2008	2007
Present value of scheme liabilities (£000)	(122,743)	(140,200)	(98,283)	(121,780)	(120,724)
Fair value of scheme assets (£000)	109,779	100,803	74,411	91,960	92,782
Deficit (£000)	**(12,964)**	**(39,397)**	**(23,872)**	**(29,820)**	**(27,942)**
Experience adjustments on scheme assets (£000)	2,515	18,724	(27,518)	(10,742)	958
Expressed as a percentage of scheme assets (%)	2	19	(37)	(12)	1
Experience adjustments on scheme liabilities (£000)	3,526	0	0	(5,437)	(385)
Expressed as a percentage of scheme liabilities (%)	3	0	0	(4)	0

Note G19
Adjustments between group accounts and authority accounts

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

	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 Authority Reserves**	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2009/10												
Intra group loans	896	0	0	0	0	0	0	**896**	0	**896**	(896)	**0**
Provision of goods and services to subsidiaries	8,714	0	0	0	0	0	0	**8,714**	0	**8,714**	(8,714)	**0**
Purchases of goods and services from subsidiaries	(39,648)	0	0	0	0	0	0	**(39,648)**	0	**(39,648)**	39,648	**0**
Total adjustments between group accounts and authority accounts	**(30,038)**	**0**	**0**	**0**	**0**	**0**	**0**	**(30,038)**	**0**	**(30,038)**	**30,038**	**0**
2010/11												
Intra group loans	877	0	0	0	0	0	0	**877**	0	**877**	(877)	**0**
Provision of goods and services to subsidiaries	7,464	0	0	0	0	0	0	**7,464**	0	**7,464**	(7,464)	**0**
Purchases of goods and services from subsidiaries	(10,075)	0	0	0	0	0	0	**(10,075)**	0	**(10,075)**	10,075	**0**
Total adjustments between group accounts and authority accounts	**(1,734)**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,734)**	**0**	**(1,734)**	**1,734**	**0**

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:

2009/10 Authority £m	2009/10 Minority interests £m	2009/10 Total £m		2010/11 Authority £m	2010/11 Minority interests £m	2010/11 Total £m
(261.7)	(32.4)	(294.1)	Surplus or (deficit) on the provision of services	(845.8)	0	(845.8)
2.8	0	2.8	Share of associates	(3.0)	0	(3.0)
(408.4)	(12.4)	(420.8)	Other Comprehensive Income and (Expenditure)	166.7	0	166.7
(667.3)	(44.8)	(712.1)	**Total Comprehensive Income and (Expenditure)**	(682.1)	0	(682.1)

In 2009/10, Birmingham City Council increased its stake in NEC Developments plc from 45% to 87.5%, with accounting changing from being an associate to a subsidiary. This change resulted in a gain which was credited (as negative goodwill) to the Group CIES, and the subsequent recognition of a minority interest. Recognising this minority interest for the first time does not represent a gain for the Group. As a subsidiary, balances and reserves, (inclusive of minority interests), are fully recognised in the Group balance sheet.

This analysis is not intended to show 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 2010/11 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

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 11th 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 hold 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.

Prior to 11 December 2009, Birmingham City Council accounted for its 50% ownership of NEC Ltd as a subsidiary as Council acts as guarantor of the company's borrowing and underwrites its operating losses. The acquisition of the remaining share capital did therefore not constitute a change in control and so was accounted for through reserves:

1 April 2009		31 March 2010
£m		£m
301.1	Total reserves attributable to Authority	537.9
301.1	Minority interest share of reserves	0
602.3	Total reserves	**537.9**

The Council guarantees the group's solvency and provides grant funding. At 31 March 2011, the Council was guaranteeing loans of £200 million (2009/10: £200 million) to the Company. During 2010/11 the Council made reimbursements totalling £0.13 million to the Company (2009/10: £15.621 million). The group made a profit after tax of £4.45 million during the year to 31 March 2011 (2009/10: profit of £2.703 million). The group's net liabilities at 31 March 2011 amounted to £12.828 million (2009/10: £38.963 million).

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 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 the 31 March 2011 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 the 31 March 2011 the amount owed by the Council to the National Exhibition Centre Limited Group totalled £1.9 million (2009/10: £1.0 m) consisting of trading balances of £0.2 million and agency balances of £1.7 million (2009/10 £0.1 million, £0.9 million) . The amount owed by the National Exhibition Centre Limited Group to the Council totalled £2.2 million (2009/10: £0.7 million) consisting of trading balances of £0.3 million and agency balances of £1.9 million (2009/10 £nil, £0.7 million).

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 £73 million 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 £1.568 million. The loan notes are repayable in instalments commencing on 31 March 2014. The Council has also agreed to make available additional loans of £3.1 million should the Company require further funds. The loss before and after tax for the year to 31 March 2011, amounted to £0.264 million (2009/10: £0.132 million). The net liabilities at 31 March 2011 amounted to £1.693 million (2009/10: £1.430 million).

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 Council's increase in its ownership from 87.5% to 100% in September 2010 did not constitute a change in control and so was accounted for through reserves:

31 March 2010		31 March 2011
£m		£m
28.0	Total reserves attributable to Authority	23.9
4.0	Minority interest share of reserves	0
32.0	Total reserves	**23.9**

The year end of the company is the 31 March 2011 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 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 2011 of £17.28 million (2009/10: £17.68 million). 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 2011, amounted to £0.67 million (2009/10: £0.01 million), with the net assets at the 31 March 2011 amounting to £0.40 million (2009/10: £0.49 million)

The year end of the company is the 31 March 2011 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 Bimingham Technology Group prohibits the distribution of profits and as such dividends.

At the 31 March 2011 the amount owed by the Council to Birmingham Technology Ltd totalled £0.25 million (2009/10: £0.04 million). The amount owed by Birmingham Technology Ltd to the Council totalled £17.37 million (2009/10: £17.70 million).

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 income for the year for the group to 31 March 2011, amounted to £0.06 million (2009/10: £0.48 million), with the net assets at the 31 March 2011 amounting to £2.39 million (2009/10: £2.33 million).

The year end of the charity is the 31 March 2011 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 the 31 March 2011 the amount owed by the Council to Performances (Birmingham) Limited totalled £0.03 million (2009/10: £nil). The amount owed by Performances (Birmingham) Limited to the Council totalled £nil (2009/10: £0.02 million).

<u>The associates that have been consolidated into the group financial statements are listed below.</u>

I. Birmingham Airport Holdings Ltd (BAH)

The main ordinary shareholders of BAH are the seven West Midland Districts. The Seven Districts together own 49% of BAH's 324 million ordinary shares of 1p each (Birmingham City Council owns 18.7% i.e. 60,535,200 shares). 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 Midland Districts together own all £15.4 million 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 the 31 March 2011 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 2011 is as follows:

31 March 2010 £000		31 March 2011 £000
456,710	Total assets	475,655
199,667	Total liabilities	197,574
104,127	Revenues	103,275
592	Profit/(loss)	5,276

Birmingham Airport Holdings Ltd at the 31 March 2011 have disclosed within their financial statements 3 contingent liabilities. The potential liability at the 31 March 2011 in respect of the three contingent liabilities disclosed was £nil.

II. Service Birmingham Limited

The company was incorporated on the 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 the Capita Group plc. Trading commenced on the 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 2011 showed a profit before tax of £1.2 million (2010: £1.7 million) and the net assets at that time amounted to £4.9 million (2010: £19.2 million).

The year end of the company is the 31 December 2010 for the purposes of the consolidation these accounts have been used due to that 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 2010 is as follows:

31 December 2009 £000		31 December 2010 £000
53,143	Total assets	45,151
35,692	Total liabilities	41,455
183,603	Revenues	147,808
4,317	Profit/(loss)	4,244

Glossary

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

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

CIES
Comprehensive 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
An amount 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.

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 arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Materiality
An item is material if its omission, non-disclosure or mis-statement in 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

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 Party
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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIRMINGHAM CITY COUNCIL

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Birmingham City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Birmingham City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Birmingham City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007.

Under section 11 of the Audit Commission Act 1998, I may designate any audit recommendation as one that requires the Authority to consider it at a public meeting held within one month of the issue of the relevant report and to decide what action to take in response.

On 20 March 2012 I issued a report containing recommendations designated under section 11.

Conclusion on Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

In considering the Council's arrangements to secure value for money:

- I am concerned over the impact of Equal Pay claims on the Council's wider delivery of value for money; and
- have concluded there are inadequate arrangements to ensure the quality of financial statements.

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, with the exception of the matter reported in the basis for qualified conclusion paragraph above, I am satisfied that in all significant respects Birmingham City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

I certify that I have completed the audit of the Authority and Group accounts of Birmingham City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Stocks
Engagement Lead
(Officer of the Audit Commission)
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