Birmingham City Council

Statement of Accounts 2013/14

Index

Foreword to the Accounts

1 Introduction

1.1 This document presents the statutory financial statements for Birmingham City Council for the period from 1 April 2013 to 31 March 2014. The financial statements have been prepared in accordance with the 2013/14 Code of Practice on Local Authority Accounting (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.2 This foreword provides a summary of the Council's financial position and details of material items that have impacted on the accounts during the year.

1.3 The financial statements contain a number of technical accounting terms and concepts. A glossary of the major accounting terms has been provided at the end of the financial statements to help the reader's understanding.

2 Background to 2013/14

2.1 The management of the Council's finances continues to be set in the context of reducing resources as a consequence of the Government's policy of reducing expenditure in order to assist in addressing the deficit in the national public finances. The associated reduction in Government grants to local authorities has a particular impact on authorities such as Birmingham which are dependent on those grants for a significant proportion of their funding.

2.2 These grant reductions, when taken together with cost pressures arising from inflation, changing population needs, meeting Government requirements and the costs of borrowing, have meant that the Council has already needed to make savings of over £375m in the three year period up to 31 March 2014, with further savings of another £86m being required in 2014/15.

2.3 Despite all of this, the Council has secured real achievements during the year, including:

- The Library of Birmingham opened in Centenary Square on 3 September 2013
- The Sports and Leisure Transformation Programme was agreed, with proposals to transform the leisure service including six new leisure facilities, a new Health and Wellbeing Service, Community Sports Hubs and the Active Parks programme
- We have developed Ageing Well plans to identify priority health and care issues in each district
- We prevented 10,712 cases that could have become homeless through effective case management and advice – a 46% improvement
- The new Social Lettings Agency -Let2Birmingham - was launched in January
- We launched a Victim's Directory of Services and promoted the Victim's Charter launched last year
- We established a Community Safety Small Grants Programme to help community groups respond to environmental anti-social behaviour
- We launched the Domestic Violence Zero Tolerance Campaign and awareness programme targeted at young people

- We have implemented a marketing strategy based on robust customer knowledge, to improve the take up of adoption and fostering
- We hosted the National Inclusion symposium and launched the Birmingham Declaration, committing 17 councils to work together to tackle social exclusion
- We promoted the Business Charter for Social Responsibility through awards ceremonies and the Find it in Birmingham website and modernised our commissioning approach to include social value principles
- We have successfully supported the transition to universal credit for social housing tenants and created a network of Digital Champions to support vulnerable and excluded citizens to gain the skills to access digital services
- We introduced full web streaming for our public meetings.

3 Changes in the Funding of Local Government

National Non Domestic Rates Retention Scheme

3.1 The Local Government Finance Act 2012 introduced significant changes to the funding of local government under the Government's Localisation Programme. One of these changes, which came into effect for the 2013/14 financial year, was to allow local authorities to retain a proportion of any National Non Domestic Rate (NNDR) generated in their area. Prior to 1 April 2013 Central Government held 100% of the financial responsibility and risk for NNDR.

3.2 With effect from 1 April 2013 the total NNDR raised each year will be allocated proportionately on the following basis:

- 50% Central Government;
- 1% The West Midlands Fire and Rescue Authority and
- 49% Birmingham City Council.

3.3 The collection and distribution of NNDR based on the new regime will be accounted for under statute through the Collection Fund.

3.4 In addition there are special arrangements that apply to areas designated as Enterprise Zones (EZs), which allow for the retention of 100% of any NNDR growth achieved within the EZ area, above a certain pre-determined baseline level.

Council Tax Support Scheme

3.5 From 1 April 2013 the Government abolished council tax benefit and replaced it with a local discount scheme that was to be designed and delivered by local Councils.

3.6 Previously the Council issued bills to households in receipt of council tax benefit up to a maximum of 100% of their council tax liability dependent upon their income and circumstances. The Government would then reimburse the Council in respect of the level of council tax benefit awarded as part of the Housing Benefit and Council Tax Benefit Subsidy claim.

3.7 From 1 April 2013 the Council has had to design its own Council Tax Support Scheme and determine the associated eligibility criteria. Council Tax Support is now awarded to eligible households as a discount to the total council tax bill up to a maximum of 80% of their council tax liability still dependent upon their income and circumstances. There is some built in protection within the Birmingham scheme for vulnerable claimants such as pensioners, disabled, war widows, carers and families with children under 6 who can still claim council tax support up to 100% of their liability.

3.8 Government grant received by the Council to meet the cost of discounts given is awarded as part of Start-Up Funding that has been reduced by 10% nationally, which has meant a reduction in support from £89.5m in 2012/13 to £79.5m in 2013/14.

Public Health

3.9 As part of the reforms to the National Health Service, on 1 April 2013 the Council became responsible for a range of Public Health services that were previously managed by the City's Primary Care Trusts. These services have been funded in 2013/14 by a ring-fenced Public Health Grant of £80.1m from the Department of Health.

4 The Financial Statements

4.1 The pages which follow contain the Council's Financial Statements for the year ended 31 March 2014, with comparative figures for the previous financial year, and comprise:

The Main Financial Statements

4.2 Movement in Reserves Statement (MiRS) – provides a reconciliation of the movement in year on the different reserves of the Council and how the balance of resources generated or used in the year links to the statutory requirements for raising Council Tax or for setting rents for Council dwellings.

The Surplus/(Deficit) on the Provision of Services shows the true economic cost of providing the Council's services, more detail of which is shown in the Comprehensive Income and Expenditure Statement.

4.3 The Comprehensive Income and Expenditure Statement (CIES) – provides the accounting cost in year of delivering services, in a specified format, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or from rents for Council dwellings. Details of the Council's management accounts have been provided in the Financial Outturn Report to Cabinet on 16 June 2014, which is summarised in paragraph 6 below.

The Housing Revenue Account position is shown in a separate statement within these accounts.

The 2013/14 CIES shows a reduction of £188.0m in the net cost of services compared to 2012/13. There continues to be an underlying reduction in net expenditure on services due to the tightening of public expenditure in conjunction with a reduction in the in-year contribution to the provision required for equal pay settlements from £226.5m in 2012/13 to £95.8m in 2013/14

4.4 Balance Sheet – shows the value of assets and liabilities recognised by the Council at 31 March 2014 and the level of reserves, split between usable, that is those that may be used to provide services, and unusable, that is those that may not be used to provide services. Unusable reserves include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were to be sold and reserves that hold timing differences.

The net liability has reduced to £903.8m, mainly as a result of:

- A reduction of £379.1m in the pension liability,
- A reduction of £27.2m in the level of provisions set aside

  which have been offset by
- A net decrease in the value of assets held, falling from £5,305.3m in 2012/13 to £5,251.9m in 2013/14, which is a result of reductions due to asset disposals, including schools gaining Academy status, and increases as a result of revaluations of assets.

In each of these circumstances, the Council is addressing the liability in accordance with external requirements and its accounting policies, over both the medium and longer term.

Notwithstanding the net liability position, the Council can continue to meet its financial commitments as they occur due via the delivery of its financial strategy and achievement of its budget as set out in the Council's Business Plan 2014+.

4.5 Cash Flow Statement – shows how the Council generates and uses cash during the year and the impact this has on the balances of cash and cash equivalents. Cash flows are classified into operating, investing and financing activities.

Supplementary Statements

4.6 Housing Revenue Account (HRA) – records the financial position of the Council's statutory obligation to account separately for the costs of its housing provision.

4.7 Collection Fund – records the transactions in respect of the collection and distribution of National Non Domestic Rates and Council Tax, for which the Council acts as agent and has a statutory obligation to provide.

Group Accounts

4.8 The Council operates through a variety of undertakings, either exercising full control of an organisation (subsidiary undertakings) or in partnership with other organisations (associate undertakings). To provide a full picture of the activities of the Council, Group Accounts have been prepared which include those organisations where the interest is considered material. The Group Accounts consolidate the Council's accounts with those of:

Subsidiaries
Acivico Limited
Birmingham Museums Trust
Innovation Birmingham Limited (name changed from Birmingham Technology Limited on 2 May 2013)
National Exhibition Centre Limited Group (including NEC Finance Plc)
National Exhibition Centre (Developments) Plc
Performances (Birmingham) Limited

Associates
Birmingham Airport Holdings Limited
Service Birmingham Limited

5 Accountable Body Roles

5.1 In addition to the activities reflected in the Council's CIES and Balance Sheet, the Council also acts as an agent for other funds, the most significant being the Greater Birmingham and Solihull Local Enterprise Partnership (LEP). Further details are contained in Note 49.

6 Summary of the Council's Financial Performance for the year ended 31 March 2014

6.1 Revenue Expenditure

6.1.1 The Council's revenue and capital budgets are allocated between three directorates with some other budgets being managed corporately. Spending against these budgets is carefully monitored throughout the year and reported to Cabinet monthly. The year-end outturn position was reported to Cabinet on 16 June 2014.

6.1.2 Following net appropriations to grant reserves of £18.3m and to other reserves of £9.3m, the Directorate net underspend was £2.5m. The table below gives a summary of the General Fund year-end outturn variation by Directorate

Directorate	Outturn Variation over/(under) spend	Year-end Transfers to/(from) reserves			In Year Variation (to)/from balances
		Grant	Other	Total	
	£m	£m	£m	£m	£m
People Directorate					
Adults & Communities	(6.2)	4.7	1.5	6.2	-
Children, Young People & Families	(12.7)	12.2	(0.6)	11.6	(1.1)
Sub-total People Directorate	**(18.9)**	**16.9**	**0.9**	**17.8**	**(1.1)**
Economy Directorate					
Corporate Resources	(14.0)	(0.7)	10.4	9.7	(4.3)
Development & Culture	1.3	0.5	(0.1)	0.4	1.7
Sub-total Economy Directorate	**(12.7)**	**(0.2)**	**10.3**	**10.1**	**(2.6)**
Place Directorate					
Place Directorate (excluding HRA)	(1.1)	1.6	(0.5)	1.1	-
Place Directorate - HRA	2.6	-	(1.4)	(1.4)	1.2
Sub-total Place Directorate	**1.5**	**1.6**	**(1.9)**	**(0.3)**	**1.2**
Total Directorate Expenditure	**(30.1)**	**18.3**	**9.3**	**27.6**	**(2.5)**

6.1.3 A net underspending of £59.1m on corporate accounts has been added to reserves and balances for future years contingencies and a net underspend of £2.8m on Policy Contingency has been carried forward within balances. The net underspend on corporate accounts reflects a saving of £51.5m arising from a revision to the Council's policy for Minimum Revenue Provision for 2013/14, which was agreed by Council on 16 September 2014.

6.2 Capital Expenditure

6.2.1 Total reported expenditure on Directorate capital schemes in 2013/14 was £262.3m (2012/13: £553.9m), compared to the revised capital budget of £510.7m (2012/13: £745.8m). The reported variance of £248.4m is mainly as a result of delays in expenditure on a number of capital schemes (£232.1m). Details of this slippage are given in the Council's Capital Outturn report for 2013/14. 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.

Directorate	**Capital Revised Budget**	**Capital Outturn**	**Capital Variance**
	£m	**£m**	**£m**
People Directorate			
Adults & Communities	13.1	2.2	(10.9)
Children, Young People & Families	78.5	41.0	(37.5)
Sub-total People Directorate	**91.6**	**43.2**	**(48.4)**
Economy Directorate			
Corporate Resources	40.4	21.3	(19.1)
Development & Culture	156.6	57.1	(99.5)
Sub-total Economy Directorate	**197.0**	**78.4**	**(118.6)**
Place Directorate			
Place Directorate (excluding HRA)	76.1	52.0	(24.1)
Place Directorate - HRA	146.0	88.7	(57.3)
Sub-total Place Directorate	**222.1**	**140.7**	**(81.4)**
Total Directorate Capital Expenditure	**510.7**	**262.3**	**(248.4)**
PFI and Finance Lease Assets		105.2	
Total Capital Expenditure		**367.5**	

6.3 Material Assets Acquired

6.3.1 During the year, work was completed on a number of projects, including the Library of Birmingham and a number of schools through the Building Schools for the Future (BSF) programme. Work was also progressed on a number of major projects including the New Street Station (Gateway) redevelopment, Southside development and the refurbishment of the National Indoor Arena.

6.4 Capital Financing

6.4.1 The financing arrangements in respect of capital expenditure in 2013/14 are summarised below:

Financing Method	£m
Borrowing	100.2
Government Grants	69.0
Other Grants and Contributions	13.9
Use of Capital Receipts – HRA	15.8
Use of Revenue Resources – HRA	63.4
PFI and Finance Leases	105.2
Total Financing	**367.5**

6.4.2 During the financial year ended 31 March 2014, the Council took £2.4m of long term loans. The Council also maintained a significant short term loan debt portfolio during the year, taking advantage of very low short term interest rates. Total debt remained within the Council's authorised limit.

6.4.3 Further details of the Council's financial liabilities are given in Notes 39 and 40 to these financial statements. Full details regarding the financing of capital expenditure and the acquisition and disposal of non-current assets are given in Notes 21 to 23 to these financial statements.

6.5 Private Finance Initiative (PFI) and Similar Contracts

6.5.1 The Council has entered into a number of Private Finance Initiatives and similar contracts across Schools, Waste Management and Highways services to deliver improvements in infrastructure and future service delivery. As a result of the schemes, the Council has a future liability to the end of the contracts of £448.6m as at 31 March 2014.

6.5.2 In 2013/14, 33 schools have gained Academy status, of which three were included within PFI schemes and whilst the assets are removed from the Council's Balance Sheet, the ongoing contractual obligation between the service provider and the Council remains. As part of the agreement for the transfer of assets to academies, which have been included within the PFI contracts, a recognition of the facilities management charges to be reimbursed by the academies to the Council is included.

6.5.3 Details of the arrangements and timings of future liabilities are set out in Note 43 to these financial statements.

6.6 Pension Liabilities

6.6.1 For the Local Government Pension Scheme, there is currently a net pension liability that is reviewed periodically by the West Midlands Metropolitan Authorities Pension Fund Actuary. The Council's share of the total pension shortfall is £1,804.6m at 31 March 2014. Whilst the figure is substantial it should be remembered that:

- It is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement and of future expected investment performance;

- There is a 22 year recovery plan which has been built into the Council's financial plans;

- It is not unique to Birmingham City Council as this is in common with the national position for pension funds. Details of the pension liability and assets are set out in Notes 11 and 12 to these financial statements.

6.7 Provisions

Equal Pay

6.7.1 The Council has continued to receive claims in respect of the Equal Pay Act 1970 up to the sign off of these financial statements and has, as a result, made provision in its accounts for these potential future liabilities. The Council has continued to negotiate with claimants' representatives and settle where it is recognised that a claim would be successful. These accounts include the expected costs of settlement for claims received up to 31 August 2014.

National Non Domestic Rates

6.7.2 As a result of the change introduced through the Local Government Finance Act 2012, local authorities assumed part of the liability for funding rate payers who successfully appeal against the rateable value of their properties on the rating list. This liability includes amounts that were collected in respect of both the current and prior years.

6.7.3 The Council, as Billing Authority, is required to make a provision for this liability. The financial statements include a provision to cover the Council's share of the estimated liability for the settlement of all appeals received up to 31 March 2014 but which remained unsettled. However, regulations permit local authorities to spread the impact over a period of 5 years up to 2017/18. A share of the liability is attributable to Central Government and the West Midlands Fire and Rescue Authority in the proportions described in paragraph 3.2.

6.8 Reserves

6.8.1 The Council maintains two types of reserves:

- Usable reserves – where the Council sets aside specific amounts for future policy purposes or to cover contingencies
- Unusable reserves, which are not available to support the provision of services and include:
  - Unrealised gains and losses, particularly in relation to changes in valuation of non-current assets
  - Adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

6.8.2 Details of the reserves are set out below

	31 March 2013 £m	31 March 2014 £m
Usable Reserves	514.4	651.5
Unusable Reserves	(1,708.1)	(1,555.3)
Total	**(1,193.7)**	**(903.8)**

6.8.3 Taking the usable and unusable reserves together the Council's net liabilities at 31 March 2014 have reduced by £289.9m to £903.8m. The deficit is primarily due to liabilities for pensions and equal pay claims which will mainly fall due over the medium to longer term.

6.8.4 The Council has included financial assumptions for resourcing these liabilities in its long term financial plan, Business Plan 2014+.

7 Changes in Accounting Policy

7.1 The introduction of International Accounting Standard (IAS) 19, Employee Benefits, has meant that the accounting treatment of certain transactions within the financial statements has changed. The changes have been put in place to show greater transparency on the constituent elements of pension fund movements. Details of the changes are set out in Note 5, Prior Period Adjustments. There is no net impact on the Balance Sheet or on the levels of reserves held.

8 Future Revenue and Capital Expenditure Plans

8.1 National announcements, including recent ones in the March 2014 Budget and also in the Spending Round for 2015/16, indicate that there will continue to be a need to make a significant level of savings up to 2017/18.

8.2 The Council has a strong track record in the effective management of savings programmes, with a clear process for decision-making and monitoring delivery. There is active engagement by both Members and senior officers, including monthly meetings chaired by the Deputy Leader as well as formal revenue budget monitoring reports considered by Cabinet.

8.3 However, the Council has recognised that the on-going need to make such large savings means that it is no longer sufficient simply to consider efficiency savings and to make marginal changes. Therefore, a programme of in-depth service reviews is underway to inform the business planning process, involving the consideration of radical new ways of delivering services, and with the potential for decommissioning some services altogether.

8.4 The Council's key capital priorities are addressed through the three-year capital programme, totalling £1,010m in the Business Plan 2014+. The Council continues to pursue major initiatives taking advantage of the availability of external capital resources, with the programme including £341m of Government grants and other external contributions. The programme also incorporates borrowing proposals set out in the approved Enterprise Zone Investment Plan, the cost of which will be supported from projected business rates growth in the Enterprise Zone area.

8.5 On 5th March 2014 the Council announced its intention to seek offers for the NEC Group. Principal objectives of the proposed sale are to secure an investor who shares the vision and strategic ambitions of the NEC Group and to maximise the proceeds for Birmingham City Council. Bringing the NEC Group under private ownership will enable the business to take full advantage of its growth opportunities and reach the next stage of its development. The NEC Group accounts are consolidated with those of the Council in the Group Accounts. Further details can be found in the Group Accounts Foreword.

8.6 The major assets of the NEC have historically been accounted for in the Council's Group and entity financial statements as specialist assets on a valuation basis of depreciated replacement cost (DRC) as there was no comparable market evidence on which the assets could be valued. In light of more information relevant to a market valuation now being available the carrying value of the assets, anticipated to be disposed of and retained, in the financial statements reflects this information.

8.7 Full details of the 2014/15 Revenue and Capital Budgets can be found within the Business Plan 2014+ approved by Council on 4 March 2014, via www.birmingham.gov.uk

CORE FINANCIAL STATEMENTS 2013/14

Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 31 March 2012	**30.6**	**180.0**	**9.2**	**44.9**	**15.0**	**210.9**	**490.6**	**(665.3)**	**(174.7)**
Movement in Reserves during 2012/13									
Surplus/(Deficit) on the provision of services	(665.4)		(18.3)				**(683.7)**		**(683.7)**
Other Comprehensive Income and Expenditure							**-**	(335.3)	**(335.3)**
Total Comprehensive Income and Expenditure	**(665.4)**	**-**	**(18.3)**	**-**	**-**	**-**	**(683.7)**	**(335.3)**	**(1,019.0)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	739.3		11.6	1.5	37.0	(81.9)	**707.5**	(707.5)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**73.9**	**-**	**(6.7)**	**1.5**	**37.0**	**(81.9)**	**23.8**	**(1,042.8)**	**(1,019.0)**
Transfers to/(from) Earmarked Reserves (Note 8)	(77.6)	77.6					**-**		**-**
Increase/Decrease in 2012/13	**(3.7)**	**77.6**	**(6.7)**	**1.5**	**37.0**	**(81.9)**	**23.8**	**(1,042.8)**	**(1,019.0)**
Balance at 31 March 2013	**26.9**	**257.6**	**2.5**	**46.4**	**52.0**	**129.0**	**514.4**	**(1,708.1)**	**(1,193.7)**
Movement in Reserves during 2013/14									
Surplus/(Deficit) on the provision of services	(395.2)		33.2				**(362.0)**		**(362.0)**
Other Comprehensive Income and Expenditure							**-**	651.9	**651.9**
Total Comprehensive Income and Expenditure	**(395.2)**	**-**	**33.2**	**-**	**-**	**-**	**(362.0)**	**651.9**	**289.9**
Adjustments between accounting basis and funding basis under regulations (Note 7)	543.1		(31.2)	(18.9)	(7.4)	13.5	**499.1**	(499.1)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**147.9**	**-**	**2.0**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**152.8**	**289.9**
Transfers to/(from) Earmarked Reserves (Note 8)	(89.0)	89.0					**-**		**-**
Increase/Decrease in 2013/14	**58.9**	**89.0**	**2.0**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**152.8**	**289.9**
Balance at 31 March 2014	**85.8**	**346.6**	**4.5**	**27.5**	**44.6**	**142.5**	**651.5**	**(1,555.3)**	**(903.8)**

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. The detail for 2012/13 has been restated to reflect the impact of the changes arising from the implementation of *IAS 19, Employee Benefits*.

2012/13 (Restated)					2013/14		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m	**Continuing Operations**		£m	£m	£m
126.3	(111.7)	14.6	Central Services to the Public		24.2	(20.5)	3.7
193.9	(45.1)	148.8	Cultural and Related Services		184.3	(48.1)	136.2
131.3	(28.8)	102.5	Environmental and Regulatory Services		123.0	(31.9)	91.1
76.4	(53.7)	22.7	Planning Services		66.5	(48.7)	17.8
1,584.5	(1,072.8)	511.7	Children's and Education Services		1,403.0	(956.4)	446.6
214.9	(63.4)	151.5	Highways and Transport Services		173.7	(41.0)	132.7
234.0	(271.5)	(37.5)	Housing Revenue Account (Local Authority Housing)		191.3	(280.6)	(89.3)
656.0	(588.3)	67.7	Housing General Fund		668.2	(571.8)	96.4
421.1	(86.2)	334.9	Adult Social Care		402.8	(82.9)	319.9
43.8	(0.9)	42.9	Corporate and Democratic Core		47.4	(6.2)	41.2
(11.8)	-	(11.8)	Non Distributed Costs		(27.6)	-	(27.6)
69.0	(61.9)	7.1	Trading Operations		70.7	(64.0)	6.7
3,739.4	**(2,384.3)**	**1,355.1**	**Total Continuing Operations excluding acquired services**		**3,327.5**	**(2,152.1)**	**1,175.4**
			Acquired Services				
-	-	-	Public Health		71.3	(79.6)	(8.3)
3,739.4	**(2,384.3)**	**1,355.1**	**Total Cost Of Services**		**3,398.8**	**(2,231.7)**	**1,167.1**
398.4		398.4	Other Operating Expenditure	14	220.4		220.4
247.2	(22.1)	225.1	Financing and Investment Income and Expenditure	15	260.1	(35.3)	224.8
5.2	(1,300.1)	(1,294.9)	Taxation and Non-Specific Grant Income	16	16.9	(1,267.2)	(1,250.3)
		683.7	**(Surplus) / Deficit on Provision of Services**				**362.0**
			Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(66.6)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	21 & 22			(285.4)
		12.1	Impairment losses on non-current assets charged to the revaluation reserve	21 & 22			91.7
		389.8	Remeasurement of the net defined benefit liability	12			(457.8)
		335.3					**(651.5)**
			Items that may be reclassified to the (Surplus)/Deficit on the Provision of Services				
		-	(Surplus) / deficit on revaluation of available for sale financial assets				(0.4)
		-					**(0.4)**
		335.3	**Other Comprehensive (Income) / Expenditure**				**(651.9)**
		1,019.0	**Total Comprehensive (Income) / Expenditure**				**(289.9)**

Exceptional Items

A major reason for the reduction in the Cost of Services is the sum included as a provision for potential liabilities under Equal Pay legislation, £95.8m in 2013/14 (2012/13: £226.5m). Further details of the provision are given in Note 32. The impact of this provision is reversed out through the Movement in Reserves Statement so that it does not fall as a charge to Council Tax until payment is made.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

2012/13 £m		Note	2013/14 £m
4,677.4	Property, Plant and Equipment	21	4,622.8
245.3	Heritage Assets	22	245.7
43.6	Intangible Assets	23	49.3
268.2	Long Term Investments	24	257.0
70.8	Long Term Debtors	25	77.1
5,305.3	**Total Long Term Assets**		**5,251.9**
103.0	Short Term Investments	26	83.0
14.8	Assets Held for Sale	27	11.8
1.3	Inventories	28	1.0
243.9	Short Term Debtors	29	228.4
69.1	Cash and Cash Equivalents	30	42.3
432.1	**Total Current Assets**		**366.5**
(72.7)	Cash and Cash Equivalents	30	(24.7)
(466.2)	Short Term Borrowing	34	(569.8)
(283.0)	Short Term Creditors	31	(289.7)
(145.4)	Provisions	32	(191.6)
(967.3)	**Total Current Liabilities**		**(1,075.8)**
(555.7)	Provisions	32	(482.3)
(2,787.2)	Long Term Borrowing	34	(2,646.2)
(437.2)	Other Long Term Liabilities	39	(513.3)
(2,183.7)	Net liability on defined benefit pension scheme	12	(1,804.6)
(5,963.8)	**Total Long Term Liabilities**		**(5,446.4)**
(1,193.7)	**Net Assets**		**(903.8)**
514.4	Usable Reserves	9	651.5
(1,708.1)	Unusable Reserves	10	(1,555.3)
(1,193.7)	**Total Reserves**		**(903.8)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The figures for 2012/13 have been restated to reflect the impact of the introduction of IAS 19, Employee Benefits.

2012/13 (Restated)		Note	2013/14
£m			£m
(683.7)	Net Surplus/(Deficit) on the provision of services		(362.0)
580.0	Adjustments to net Surplus/Deficit on the provision of services for non cash movements		626.2
(148.9)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities		(137.9)
(252.6)	**Net cash flows from Operating Activities**		**126.3**
(18.7)	Investing Activities	36	(136.3)
247.4	Financing Activities	37	31.2
(23.9)	**Net increase/(decrease) in cash and cash equivalents**		**21.2**
20.3	Cash and cash equivalents at the beginning of the reporting period		(3.6)
(3.6)	**Cash and cash equivalents at the end of the reporting period**	**30**	**17.6**

Note 1
Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Accounts and Audit regulations 2011, requires the Council to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

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

iii. Exceptional Items

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

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

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

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

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

v. Employee Benefits

Benefits Payable During Employment

<u>Short Term Benefits</u>

Short term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits, for example cars, for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of annual leave entitlements 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.

<u>Other Long Term Benefits</u>

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

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Cost line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

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

Post Employment Benefits

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

- The Local Government Pension Scheme, administered by the West Midlands Pension Fund offices at Wolverhampton City Council
- The Teachers’ Pension Scheme administered on behalf of the Department for Education (DfE)
- The NHS Pensions Scheme for those employees who transferred to the Council as part of the transfer of Public Health responsibilities.

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

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

The arrangements for the NHS Pensions Scheme, for those staff transferred to the Council on the transfer of Public Health responsibilities, is an unfunded, defined benefit scheme and as such means that the liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is, therefore, accounted for as it if were a defined contribution scheme and not liability for future payments is recognised in the Balance Sheet. The Public Health line in the Comprehensive Income and Expenditure Statement is charged with the employer’s contributions payable to the NHS Pensions Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the West Midlands Local Government Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 4.4% based on the indicative rate of return on AA rated corporate bond yields
- The assets of West Midlands Local Government Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

- The change in the net pensions liability is analysed into the following elements:
    - 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
    - net interest on the net defined benefit liability/(asset), that is the net interest expense for the Council – the change during the year in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments
    - re-measurement of the return on plan asset – excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserves as Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
    - contributions paid to the West Midlands Local Government Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Pensions Reserve thereby measures the beneficial impact to the General Fund arising from the requirement to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council 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 and public health employees, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vi. Revenue Expenditure Funded from Capital under Statute

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

vii. 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 non-current assets during the year:

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

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

viii. Government Grants and Contributions

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

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

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

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

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

ix. 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 SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

x. Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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. In addition, where the historic cost of the old component is not readily determinable, it has been estimated by comparing the remaining useful economic life of the component to the original useful economic life and the cost of the replacement component. A pro rata of both the depreciation and any applicable Revaluation Reserve is also derecognised.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- where cleared land has been designated for social housing use that land is valued using the basis of EUV-SH
- 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 there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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, the accounting treatment is:

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

Where impairment losses are identified, the accounting treatment is:

- 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 the depreciation that would have been charged if the loss had not been recognised.

Useful Life

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

- Council Dwellings – separated into the key components
    - Land – indefinite life
    - Kitchens – 20 years
    - Bathrooms – 40 years
    - Doors/Windows/Rainwater, Soffits and Facias – 35 years
    - Central Heating/Boilers – 15 to 30 years
    - Roofs – 25 to 60 years
    - Remaining components (Host) – 30 to 60 years
- Buildings – up to 50 years
- Vehicles, Plant, Furniture and Equipment – 4 to 40 years
- Infrastructure – 10 to 40 years

The useful lives of each asset are reviewed annually by the Directorate user through their service review and as part of the Council's five year cycle of revaluation by an appropriately qualified valuer.

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings and components therein – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over their useful lives
- 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.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less the cost of sale. Where there is a subsequent decrease to fair value less the cost of sale, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in 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.

Where assets are no longer used by a Directorate, these assets are offered to another Directorate for use. Those assets which are surplus are made available for sale and will be classified as Assets Held for Sale. The Council has no surplus assets that would fall within the classification as defined in the Code.

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

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

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

Amounts received from a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (for 2013/14, 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.

xi. Heritage Assets

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

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

Where historic cost information is available, the Council has used this when compiling the balance sheet; otherwise insurance valuations have been used, where applicable. Where there is evidence of a movement in valuations as a result of material acquisitions or disposals, or a significant movement in comparable market values, a revaluation will be considered. In some cases, reliable valuation information is not available due to a lack of comparable market data and the diverse nature of the individual items, and where the historical cost information cannot be obtained, the asset has been excluded from the balance sheet.

The Council is custodian of a number of scheduled monuments, including burial mounds and archaeological remains, and owns a significant number of public art works, including statues, sculpture and fountains. With a couple of minor exceptions, historic cost information is not available; for the majority, there is no insurance valuation available and the Council does not consider that reliable information can be obtained at a cost that is commensurate with the benefits to users of the financial statements. Consequently the Council does not recognise these assets in the balance sheet.

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

xii. Intangible Assets

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

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

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

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

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

xiii. Investment Properties

Whilst discharging its role the Council works to ensure that the stewardship of all property assets is such that they are managed in a way that is economic, efficient and effective. The Council does not have a policy for holding property (land or building, or part of a building, or both), which at inception or subsequently was acquired or constructed specifically with the sole purpose of generating rental income or capital appreciation or both. The Council has a number of lease arrangements with subsidiary companies that are not treated as investment properties in line with *IAS 40, Investment Property*. As a result the Council holds no property assets on its balance sheet that fall to be classified under the Code and International Financial Reporting Standards as 'Investment Properties'.

xiv. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

The amounts payable to the 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 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 an addition to Property, Plant and Equipment when the relevant works are eventually carried out.

xv. Leases

Leases are classified as either finance or operating leases at the inception of the lease. Classification as a finance lease occurs where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset from lessor to lessee and where the lease term is for the major part of the economic life of the asset in question, whether or not title is eventually transferred. Those leases not classified as finance leases are deemed to be operating leases.

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

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

The Council as Lessee

<u>Finance Leases</u>

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

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 Council at the end of the lease period).

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

<u>Operating Leases</u>

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

The Council as Lessor

<u>Finance Leases</u>

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

Lease rentals receivable are apportioned between:

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

<u>Operating Leases</u>

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

xvi. Interests in Companies and Other Entities

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

xvii. Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

Available-for-sale assets are typically recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at cost. Where a fair value of those assets that do not form part of the Group Accounts can be determined the carrying value of the asset is adjusted to the fair value. Where a fair value cannot be measured reliably, the asset is carried at cost less any impairment losses.

Instruments Entered Into Before 1 April 2006

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

xviii. Cash and Cash Equivalents

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

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

xix. 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 and 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.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties, and are not discounted to their value at current prices unless material.

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

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

Provision for Back Pay Arising from Equal Pay Claims

The Council has made a provision for the costs of back pay arising from claims made under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003. The Council bases the estimate of its provision on the expected costs of settlement for claims received up to the point of production of its financial statements.

The Council has received capitalisation directions to support an element of the provision made. However, statutory arrangements allow settlements to be financed from the General Fund and HRA in the year that the payments actually take place, not when the provision is established. The additional provision made above the capitalisation directions given is, therefore, balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund and HRA balances in the year that the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund and HRA balances in the Movement in Reserves Statement in future financial years as payments are made.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 33 to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in Note 33 to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by 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/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

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

xxii. Council Tax and National Non Domestic Rates

Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR). The Fund's key features relevant to the accounting for Council Tax and NNDR in the core financial statements are:

- In its capacity as a Billing Authority the Council acts as an agent, collecting and distributing Council Tax on behalf of the major preceptors and as principal for itself

- While the Council Tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus/(less) the Council's share of any surplus/(deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Comprehensive Income and Expenditure Statement

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. In addition, that part of NNDR retained as the cost of collection allowance under regulation is treated as the Council's income and appears in the CIES as are any costs added to NNDR in respect of recovery action.

Balance Sheet

Since the collection of Council Tax and NNDR are in substance agency arrangements, any year end balances relating to arrears, impairment allowances for doubtful debts, overpayment and prepayments are apportioned between the major preceptors and the Council by the creation of a debtor/creditor relationship. Similarly, the cash collected by the Council belongs proportionately to itself and the major preceptors. There will therefore be a debtor/creditor position between the Council and the major preceptors since the cash paid to the latter in the year will not be equal to their share of the total cash collected. If the net cash paid to the major preceptors in the year is more than their proportionate share of the cash collected the Council will recognise a debit adjustment for the amount overpaid. Conversely, if the cash paid to the major preceptors in the year is less than their proportionate share of the amount collected then the Council will recognise a credit adjustment for the amount underpaid.

Cash Flow Statement

The Council's Cash Flow Statement includes in 'Operating Activities' cash flows only its own share of the Council Tax and NNDR collected during the year, and the amount included for precepts paid excludes amounts paid to the major preceptors. In addition that part of NNDR retained as the cost of collection allowance under regulation appears in the Council's Cash Flow Statement. The difference between the major preceptors' share of the cash collected and that paid to them as precepts and settlement of the previous year's surplus or deficit on the Collection Fund, is included as a net increase/decrease in cash and cash equivalents.

xxiii. Business Improvement Districts

In accordance with the provisions of the Business Improvement District (BID) Regulations 2004 a ballot of local businesses within ten areas, namely Broad Street, the city centre's principal retail area, Erdington Town Centre and King's Heath Town Centre, Colmore Row, the Jewellery Quarter, Acocks Green, Sutton Coldfield, Northfield and Southside has resulted in the creation of ten 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.

xxiv. Events After the Reporting Period

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

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

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

xxv. Jointly Controlled Operations and Jointly Controlled Assets

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

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, 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.

xxvi. Council Acting as Agent

The Council does not include transactions which relate to its role in acting as an agent on behalf of other bodies. In such cases the Council is acting as an intermediary and does not have exposure to significant risks and rewards from the activities being undertaken.

xxvii. Value Added Tax (VAT)

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

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

IMPACT OF THE ADOPTION OF NEW STANDARDS ON THE 2013/14 FINANCIAL STATEMENTS

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new or amended standard that has been issued, but is not yet required to be adopted by the Council. For these financial statements the relevant standards are detailed:

- IFRS 10, *Consolidated Financial Statements* (May 2011)
- IFRS 11, *Joint Arrangements* (May 2011)
- IFRS 12, *Disclosure of Interests in Other Entities (*May 2011*)*
- IAS 27, *Separate Financial Statements* (as amended in 2011)
- IAS 28, *Investments in Associates and Joint Ventures* (as amended in May 2011)
- IAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (as amended in December 2011)
- IAS 1, *Presentation of Financial Statements* (as amended in May 2011)
- Annual Improvement to IFRS's 2009-2011 Cycle

<u>IFRS 10, *Consolidated Financial Statements*</u>

This standard introduces a new definition of control that is used to determine which entities are consolidated in the Council's Group Accounts. The Council has a number of subsidiary and associate companies and those that are considered to be material are consolidated in the Group Accounts included in these financial statements. The Council does not believe that the implementation of the new standard will have a material impact on the Council's Group Accounts.

IFRS 11, *Joint Arrangements*

This standard amends the definition of 'joint ventures' to ensure a consistent approach to the definition of joint control set out in IFRS 10 above. The impact of the standard will be to extend the consideration of the Council's group boundary to include arrangements other than those where the Council has an investment. The Council does not have any material joint venture arrangements.

IFRS 12, *Disclosure of Interests in Other Entities*

This standard will require the Council to provide disclosures about its involvement with subsidiaries, associates, joint arrangements and other entities. The Council does not believe that this standard will have an impact on its financial statements as material activities are consolidated with the Council's Group Accounts.

IAS 27, *Separate Financial Statements* (as amended in 2011)

This standard has been amended to reflect the impact of the introduction of IFRS 10. The Council does not believe that this will have a material impact on its financial statements.

IAS 28, *Investments in Associates and Joint Ventures* (as amended in 2011)

This standard will require, where it consolidates joint venture arrangements, to use the equity method of consolidation. The Council consolidates all material activities within the Council Group Accounts and this will therefore have no material impact.

IAS 32, *Financial Instruments: Presentation*

This standard relates to the offsetting of financial assets and financial liabilities. The Council currently identifies gains and losses separately and, therefore, no further disclosure will be required.

IAS 1, *Presentation of Financial Statements*

The change clarifies disclosure requirements in respect of comparative information on previous periods. The Financial Statements disclose comparative information and this will therefore have no material impact.

Annual Improvement to IFRS's 2009-2011 Cycle

The change clarifies the disclosure requirements where comparative information for a prior period is required. The changes will be presentational and will therefore not have a material impact on the Financial Statements.

Note 3
Critical Judgements in Applying Accounting Policies

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

Going Concern
The Council is continuing to face financial challenges as a result of the ongoing reduction in central government support and the need to fund budget pressures, including those arising from equal pay claims. The Council has developed its medium to long term financial strategy, detailed in the Business Plan and Budget 2014+, and is meeting these budget challenges by developing multi-year savings plans and through the generation of capital receipts. The Council has successfully delivered significant savings plans previously and has appropriate contingency plans in place to provide protection against any timing differences in the generation of capital receipts or any shortfall in the delivery of savings plans. As such the Council has identified that it has general fund balances and can redesignate earmarked reserves to meet any shortfall or it can delay the timing of MRP contributions and equal pay settlements. On this basis, the Council considers that it can continue to meet its liabilities as they fall due and the financial statements have been prepared on a going concern basis.

Schools
The Council has assessed the legal framework underlying each type of school and determined the treatment within the financial statements on the basis of whether it owns or has some responsibility for the premises occupied.

For Community schools, the associated land and buildings are included within the Council's balance sheet.

For Foundation Schools, Voluntary Controlled Schools and Voluntary Aided Schools, the 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. Land values for these schools are not included as the Council does not consider that it has control over those assets.

The Council has not included either land or buildings in respect of Academy Schools on the balance sheet as the Council does not consider that it has control over the assets.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued a consultation document on the treatment of schools in local government accounts and is currently considering the responses. Specific guidance may be issued in a future Code of Practice on Local Authority Accounting that may change the Council's current treatment of school assets.

The Council includes income and expenditure in these financial statements for all schools within the City, with the exception of Academy schools, which maintain their own financial records and statements.

The staff of Academy, Foundation Trust and Voluntary Aided schools are considered to be employed by the relevant governing body and are, therefore, excluded from the notes on employee numbers in Note 45 to these financial statements.

The table below shows the number and type of schools within Birmingham.

Type of School	Primary	Secondary	Nursery	Special	Pupil Referral Unit	**Total**
Community	155	17	26	22	1	**221**
Voluntary Controlled	7	0	0	0	0	**7**
Voluntary Aided	63	10	0	0	0	**73**
Foundation Trust	9	8	0	3	0	**20**
Academy (formerly Council school)	65	40	0	2	0	**107**
Academy (not formerly Council school)	1	7	0	0	0	**8**
Total	**300**	**82**	**26**	**27**	1	**436**

Where a school proposes to transfer to Academy Status, the Council will continue to retain any asset subject to transfer on the basis of its last revaluation, which maintains both the asset value and the anticipated useful life until the date of transfer. The Council has taken the view that any asset transferring will continue, on the basis of the permitted use within the lease agreements, to be used for the provision of education services thus supporting the Council's statutory obligation for the provision of education. On transfer to an Academy, assets are derecognised in the Council's financial statements for nil consideration.

National Exhibition Centre

The Council announced on 5 March 2014, that it would seek offers for the National Exhibition Centre Group Limited (NEC) to enable it to deliver the next stage of strategic development.

The Council has considered the criteria within IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and has determined that the tests for inclusion of the assets within the balance sheet as Assets Held for Sale were not met at the 2013/14 Balance Sheet Date. The Council has, therefore, continued to include the NEC assets within Property, Plant and Equipment in the balance sheet.

Specialist Assets

The Council includes the value of assets on the Balance Sheet in line with its accounting policy set out in section x. of Note 1. However, the Council has a number of assets that it considers to be specialist assets for which an Existing Use Value, defined as 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, cannot be determined. This is because the assets are considered to be specialist in nature or are rarely sold. In such circumstances, the Code allows the use of Depreciated Replacement Cost as the basis of valuation.

Highways PFI

The Council 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.

Business Transformation programme

The Council has been 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 has provided 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.

Investment Properties

IPSAS 16, *Investment Property*, defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. The Council does not have a policy for holding property, which at inception or subsequently was acquired or constructed specifically with the sole purpose of generating rental income or capital appreciation but holds assets to achieve strategic policy objectives. As a result the Council does not hold any property that would fall into the classification of an Investment Property under the Code or International Financial Reporting Standards.

The Council acting as Agent

The Council acts as agent for a range of funding resources. In its role as agent, resources are not included in the Council's financial statements. Two of the largest schemes are identified below:

Growing Places Fund
Regional Growth Fund - Advanced Manufacturing Supply Chain Initiative

These resources are under the control of the Local Enterprise Partnership with decisions taken by impartial and independent Investment Boards and Committees. All governance processes are overseen by the Council.

Whilst the Council has received the funding, it is on the basis of an Accountable Body to ensure that resources are spent in compliance with the grant offer letters. Decisions in respect of the use of funds are not in the hands of the Council. The Council can only obtain use of the resources as a recipient of the normal resource allocation process.

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

Details of the Council's role as agent for external resources are included in Note 49 to these financial statements.

Note 4

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

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

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management has used an expert	Underlying assumptions	Has there been a change in accounting method in-year?
Heritage Asset Valuations (Museum and Art Gallery Collections, Archives)	Insurance valuations have been used for Museum and Art Gallery Collections.	Management review of reasonable-ness and compliance with accounting requirements.	Insurance Experts	The insurance valuation is a reasonable proxy.	No
Measure 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 reasonable-ness 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.	No
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 reasonable-ness 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

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?
Equal Pay	Estimates have been based on historic information on settlements of similar claims, current negotiations with claimants' representatives and with reference to legal advice on outcomes	Review of information by Legal, Finance and Human Resources for reasonable-ness	Support of Queen's Counsel for opinion on Equal Pay Liability	There is a reasonably high level of uncertainty due to the volume, materiality and complexity of claims. The final sum due and the timing of payments is uncertain, and will be influenced by court judgements, claim numbers, outcomes of negotiations and associated oncosts.	No
NNDR Appeals	Estimates have been based on experience and historic rateable value appeals lodged and the impact of associated settlements. This experience is then applied to current outstanding appeals.	Review of information by Finance and Revenues and Benefits experts for reasonable-ness.	Support of the Valuation Office Agency, in the provision of current and historic information for rateable value appeals.	For appeals lodged the final settlements due and the timing of payments is uncertain. In addition the nature and size of the NNDR population and the availability of suitable forecasting information mean there is a reasonably high level of uncertainty regarding the volume, timing and value of future appeals.	Yes. 2013/14 is the first year of accounting under the NNDR retention regime, under which the Council assumes and accounts for its share of the liability for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list.

Note 5
Prior Period Adjustments

The International Accounting Standards Board issued its revised version of IAS 19, Employee Benefits in June 2011, which came into effect for financial years starting on or after January 2013. The standard has introduced changes to the presentation of transactions for pension fund movements. There is no impact on the Council's Balance Sheet or the level of reserves. The major change relates to the determination of the expected return on assets where the previous approach of advance credit for anticipated outperformance of return seeking assets, for example equities, is no longer permitted. The approach now adopted uses an equivalent figure calculated using a discount rate. There are also a number of presentational changes in the disclosure notes to make the information easier to understand for the user. The impact of the changes in the Accounting Standard are summarised below.

	Original 2012/13 IAS19	Revised 2012/13 IAS19	Change in reporting
	£m	£m	£m
Comprehensive Income and Expenditure Statement 2012/13			
Current service cost	86.7	88.8	2.1
Curtailments and settlements	(15.2)	(15.2)	-
Administration expenses		1.4	1.4
Charge to Cost of Services	**71.5**	**75.0**	**3.5**
Interest on pension liabilities	214.5	-	(214.5)
Expected return on assets	(164.0)	-	164.0
Net interest on the net defined benefit liability		79.0	79.0
Charge to Other Operating Expenditure	**50.5**	**79.0**	**28.5**
Total Charge to surplus/(deficit) on the provision of services	**122.0**	**154.0**	**32.0**
Actuarial (gains)/losses	413.3		(413.3)
Remeasurement of the net defined benefit liability		381.3	381.3
Total charge to CIES	**535.3**	**535.3**	**-**

The cashflow statement in the 2012/13 financial statements included assets obtained through its PFI projects as a cash item in investing activities when the change in other long term liabilities should be classed as a non-cash adjustment and had excluded capital grant payments from financing activities. The changes impact only on the constituent elements of the cashflow statement.

Details of the impact of the changes on the specific disclosures are set out below.

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

The CIES will no longer record the Interest on Pension Liabilities, Expected Return on Assets and Actuarial Gains/(Losses) but instead is now subject to re-presentation, with new components of Net Interest Cost, Administration Expenses and Re-measurements of Liabilities and Assets. In addition these changes will impact on the calculation of the Current Service Cost.

The main effect on the figures for the Council is a worsening of the Surplus/(Deficit) on the Provision of Services as the Rate of Return on Assets is replaced by the Net Interest Cost, (the latter being based upon the discount rate). The impact of these changes on the CIES are shown below.

	Original 2012/13 IAS19	Impact of IAS 19 Change	Revised 2012/13 IAS19
	£m	£m	£m
Comprehensive Income and Expenditure Statement 2012/13			
Service Costs (excluding HRA)	1,402.5	2.0	1,404.5
Housing Revenue Account	(37.7)	0.1	(37.6)
Non Distributed Costs	(13.2)	1.4	(11.8)
Cost of Services	**1,351.6**	**3.5**	**1,355.1**
Other Operating Expenditure	398.4	-	398.4
Financing and Investment Income and Expenditure	196.6	28.5	225.1
Taxation and Other Non-Specific Grant Income	(1,294.9)	-	(1,294.9)
(Surplus)/Deficit on Provision of Services	**651.7**	**32.0**	**683.7**
(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets	(26.3)	-	(26.3)
Impairment losses on non-current assets charged to the revaluation reserve	(28.2)	-	(28.2)
Actuarial (gains)/losses on pension assets/liabilities	421.8	(421.8)	-
Remeasurement of the net defined benefit liability	-	389.8	389.8
Other Comprehensive (Income)/Expenditure	**367.3**	**(32.0)**	**335.3**
Total Comprehensive (Income)/Expenditure	**1,019.0**	**-**	**1,019.0**

Movement in Reserves Statement

Under Statute the Council has to reverse out the IAS 19 costs to ensure that there is no net impact on Council Tax.

	Original 2012/13 IAS19		Impact of IAS 19 Change		Revised 2012/13 IAS19	
	Usable Reserve	Unusable Reserve	Usable Reserve	Unusable Reserve	Usable Reserve	Unusable Reserve
	£m	£m	£m	£m	£m	£m
Movement in Reserves Statement 2012/13						
Balance at 31 March 2012	**490.6**	**(665.3)**	**-**	**-**	**490.6**	**(665.3)**
Surplus/(Deficit) on the provision of services	(651.7)		(32.0)		(683.7)	
Other Comprehensive Income and Expenditure		(367.3)		32.0		(335.3)
Total Comprehensive Income and Expenditure	**(651.7)**	**(367.3)**	**(32.0)**	**32.0**	**(683.7)**	**(335.3)**
Adjustments between accounting basis and funding basis under regulation	675.5	(675.5)	32.0	(32.0)	707.5	(707.5)
Net Increase/(Decrease) before transfers to Earmarked Reserves	**23.8**	**(1,042.8)**	**-**	**-**	**23.8**	**(1,042.8)**
Transfers to/(from) Earmarked Reserves	-	-	-	-	-	-
Increase/(Decrease) in 2013/14	**23.8**	**(1,042.8)**	**-**	**-**	**23.8**	**(1,042.8)**
Balance at 31 March 2013	**514.4**	**(1,708.1)**	**-**	**-**	**514.4**	**(1,708.1)**

Cash Flow Statement

The components of the Benefit Obligation remain unchanged, however there are differences in the values calculated for Current Service Cost and Interest on Pension Liabilities under the revised IAS 19.

The impact of the cashflow changes as a result of the reclassification of PFI and capital grant activities activities have a net nil impact on the position.

	Original 2012/13 IAS19	Impact of IAS 19 Change	Impact of PFI and grants	Revised 2012/13 IAS19
	£m	£m	£m	£m
Cash Flow Statement 2012/13				
Net Surplus/(Deficit) on the provision of services	(651.7)	(32.0)		(683.7)
Adjustments to net Surplus/(Deficit) on the provision of services for non-cash movements	619.9	32.0	(71.9)	580.0
Adjustments for items included in the Net Surplus/(Deficit) on the provision of services that are investing and financing activities	(43.9)	-	(105.0)	(148.9)
Net Cash Flows from operating activities	**(75.7)**	**-**	**(176.9)**	**(252.6)**
Investing Activities	(89.6)	-	70.9	(18.7)
Financing Activities	141.4	-	106.0	247.4
Net Increase/(Decrease) in cash and cash equivalents	**(23.9)**	**-**	**-**	**(23.9)**
Cash and cash equivalents at the beginning of the period	20.3	-	-	20.3
Cash and cash equivalents at the end of the reporting period	**(3.6)**	**-**	**-**	**(3.6)**

Note 6
Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Asset Disposals and use of Capital Receipts

The Secretary of State for Communities and Local Government has issued regulations allowing Local Authorities to use capital receipts received on or after 1 April 2013 to meet back payments associated with implementing the Equal Pay Act 1970. In light of the regulations, the Council is expecting to use new capital receipts to meet Equal Pay costs unless those receipts have already been identified for use within the capital programme budget.

The Council is currently exploring strategic options for its property portfolio including asset disposals that could generate capital receipts whilst protecting the long term interests of the Council. The Council has valued some of its assets as specialised assets because of their specialist nature and because the assets are rarely sold. The assets have been valued on this basis as a reliable market valuation of the assets is not available. The amount received for these assets depends on a number of underlying variables including current market conditions, and the package of assets sold. The Council may not receive the current balance sheet estimate of the value of these assets if they are sold. In accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14*, the Council has performed an impairment review, and concluded that no impairment is required as the value in use is assumed to equal the cost of replacing the service potential provided by the assets as there has been no reduction in service potential. The financial statements, therefore, have not been adjusted.

Transfer of Academy Schools

Academy Schools are not accounted for within the Council's financial statements. Where a school transfers to Academy status, it is deemed to be disposed of within the financial statements for nil consideration. Between 1 April 2014 and 30 June 2014, 2 schools, with assets having a net book value of £5.9m, have transferred to Academy School Trust status. A further 10 schools, with assets having a net book value of £64.4m have announced their proposals to transfer to Academy School Trust status.

Transfer of Council Services

The Council Cabinet determined, at its meeting on 28 July 2014, to outsource Civic Catering, Building Cleaning, Security Services and Birmingham City Laboratories to Acivico (Design Construction and Facilities Management) Limited, with effect from November 2014, subject to the acceptance of the transfer by the Acivico Board. For further information on Acivico Limited is set out in G22 in the Group Accounts section of these financial statements.

Future Resource Allocations

The Council faces reducing Government grants, reducing capital receipts and lower income from services. These pose 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. A key focus of business planning has been the achievement of the Council's priority outcomes through the adoption of a core set of corporate principles to inform service and organisational redesign where appropriate. The Council is planning to meet its anticipated expenditure reductions through a number of activities, including seeking voluntary redundancies from staff in 2014/15.

NEC Group

The Council owns all of the economic interest of the NEC Group and 99.99% of NEC Limited's issued equity. The NEC Group has a position of strategic importance within the City and the Region, with a survey undertaken in 2008, reporting a positive economic benefit on the West Midlands economy in excess of £2bn per annum. To enable the NEC Group to enter the next stage of its Strategic Development and following a strategic review, the Council resolved, on 5 March 2014, to seek offers for the NEC Group.

Other Events

There were no other significant events after the reporting period.

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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2013/14	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited / (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	124.6	38.9	-	-	-	(163.5)
Amortisation of intangible assets	20.6	-	-	-	-	(20.6)
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	175.9	-	-	-	-	(175.9)
Capital grants and contributions applied	(31.9)	(7.0)	-	-	-	38.9
Impairment in Capital contributions	0.1	-	-	-	-	(0.1)
Revenue expenditure funded from capital under statute	50.4	-	-	-	-	(50.4)
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	173.3	27.4	-	-	-	(200.7)
Insertion of items not debited / (credited) to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:						
Provision for the financing of capital investment	(89.5)	-	-	-	-	89.5
Capital expenditure charged against the General Fund and HRA balances	-	(17.1)	-	-	-	17.1
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(57.6)	-	-	-	57.6	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(44.1)	44.1
Capital Grants Repaid	0.1	-	-	-	-	(0.1)
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	(7.8)	(36.2)	44.0	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(15.8)	-	-	15.8
Application of capital receipts to repay debt	-	-	(7.3)	-	-	7.3
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.7	-	(0.7)	-	-	-
Contribution from the Capital Receipts Reserve towards the costs of Equal Pay	34.2	-	(34.2)	-	-	-
Repayment of advances made			0.3			(0.3)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5.2	-	(5.2)	-	-	-

2013/14	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	(8.1)	-	-	-	-	8.1
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.4	-	-	-	-	(0.4)
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	-	(38.9)	-	38.9	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(46.3)	-	46.3
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	12.1	-	-	-	-	(12.1)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 12)	153.8	8.1	-	-	-	(161.9)
Employer's pensions contributions and direct payments to retirees payable in the year	(79.2)	(4.1)	-	-	-	83.3
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	13.8	-	-	-	-	(13.8)
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	57.9	(2.3)	-	-	-	(55.6)
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	(5.9)	-	-	-	-	5.9
Total Adjustments	**543.1**	**(31.2)**	**(18.9)**	**(7.4)**	**13.5**	**(499.1)**

2012/13	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited / (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	136.1	37.0	-	-	-	(173.1)
Amortisation of intangible assets	20.0	-	-	-	-	(20.0)
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	101.0	-	-	-	-	(101.0)
Capital grants and contributions applied	(116.8)	-	-	-	-	116.8
Impairment in Capital contributions	3.5	-	-	-	-	(3.5)
Revenue expenditure funded from capital under statute	289.2	-	-	-	-	(289.2)
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	347.5	13.7	-	-	-	(361.2)
Insertion of items not debited / (credited) to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:						
Provision for the financing of capital investment	(112.3)	-	-	-	-	112.3
Capital expenditure charged against the General Fund and HRA balances	-	(20.6)	-	-	-	20.6
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(59.1)	-	-	-	59.1	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(141.0)	141.0
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	(31.2)	(17.9)	49.1	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(20.7)	-	-	20.7
Application of capital receipts to repay debt	-	-	(22.5)	-	-	22.5
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve towards the costs of Equal Pay	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	4.4	-	(4.4)	-	-	-

2012/13	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	(2.1)	-	-	-	-	2.1
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	-	(37.0)	-	37.0	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-
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	11.4	-	-	-	-	(11.4)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	151.7	5.2	-	-	-	(156.9)
Employer's pensions contributions and direct payments to retirees payable in the year	(91.8)	(4.1)	-	-	-	95.9
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	5.2	-	-	-	-	(5.2)
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	85.6	35.3	-	-	-	(120.9)
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	(3.0)	-	-	-	-	3.0
Total Adjustments	**739.3**	**11.6**	**1.5**	**37.0**	**(81.9)**	**(707.5)**

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 2013/14.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers In 2012/13	**Balance at 31 March 2013**	Transfers Out 2013/14	Transfers In 2013/14	**Balance at 31 March 2014**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Earmarked Reserves	**34.9**	(21.1)	68.9	**82.7**	(52.2)	150.7	**181.2**
Grant Related Reserves	**65.7**	(5.2)	36.5	**97.0**	(56.5)	55.6	**96.1**
Schools Reserves	**79.5**	(3.9)	2.4	**78.0**	(10.3)	1.7	**69.4**
General Fund Balances	**180.1**	**(30.2)**	**107.8**	**257.7**	**(119.0)**	**208.0**	**346.7**

Further details of the usable balances available to the Council, including earmarked reserves, are shown in Note 9 of these financial statements.

Note 9
Usable Reserves

Details of the major reserves held by the Council are detailed below. Further information on the movements in reserves is shown in the Movement in Reserves Statement and Note 7.

Usable Reserves	Balance at 31 March 2013	Transfers out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£m	£m	£m	£m
Insurance Fund	10.5	-	5.4	15.9
Highways PFI Earmarked Reserve	8.8	(0.6)	-	8.2
Sums set aside to finance Capital Expenditure	25.3	(26.2)	76.8	75.9
Treasury Management Reserve	2.9	-	5.4	8.3
Adult Education Reserve	2.2	(1.5)	-	0.7
Supporting People	4.3	(3.1)	0.4	1.6
Older Adults Integration	-	-	3.9	3.9
Child Protection Reserve	-	-	9.3	9.3
Children's Social Care Growth	-	-	3.0	3.0
Housing Benefit Subsidy Reserve	2.0	-	5.4	7.4
Local Welfare Reserve	-	-	3.5	3.5
Business Plan 2014+	-	-	8.3	8.3
Contingency Reserve	-	-	7.6	7.6
Other Earmarked Reserves	26.7	(20.8)	21.7	27.6
Total Earmarked Reserves	**82.7**	**(52.2)**	**150.7**	**181.2**

Section 256 Grant from the NHS	23.6	(7.8)	3.9	19.7
Public Health	-	-	6.9	6.9
Troubled Families Grant	5.6	(5.6)	7.0	7.0
Highways PFI Grant	57.8	(24.4)	25.4	58.8
Weekly Collection Support Scheme	2.6	(2.6)	0.5	0.5
Other Grant Reserves	7.4	(16.1)	11.9	3.2
Total Grant Reserves	**97.0**	**(56.5)**	**55.6**	**96.1**
Schools' Balances	78.0	(10.3)	1.7	69.4
General Fund Balances	27.0	(10.9)	69.7	85.8
Housing Revenue Account	2.4	-	2.0	4.4
HRA Major Repairs Reserve	52.0	(46.3)	38.9	44.6
Capital Receipts Reserve	46.4	(62.9)	44.0	27.5
Capital Grants Unapplied	128.9	(44.1)	57.7	142.5
Total Usable Reserves	**514.4**	**(283.2)**	**420.3**	**651.5**

Details of the major usable reserves are set out below.

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

Highways PFI Earmarked Reserve – has been earmarked to support the Highways PFI Business Model.

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

Treasury Management Reserve – has been earmarked to manage uneven treasury costs arising from, for example, debt rescheduling activity or borrowing earlier than planned to take advantage of lower interest rates. The reserve is planned to be used over the next few years.

Adult Education Reserve – has been earmarked to fund future developments in respect of the service's asset strategy, investment in IT infrastructure and to safeguard against potential future years' grant funding reductions.

Supporting People Reserve – has arisen from the earlier delivery of savings from the mainstream Supporting People programme and has been earmarked to enable future savings targets to be delivered.

Older Adults Integration – has been earmarked to meet future years' costs arising from the integration agenda, Better Care Fund and the Care Bill.

Child Protection Reserve – has been earmarked to aid improvement in Child Protection services. In line with the commitment given by the Council to the Department for Education review, the reserve will be used to meet non-pay costs in 2014/15.

Children's Social Care Growth – has been earmarked as part of the growth in funding in Children's Social Care.

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

Local Welfare Reserve – has been earmarked for the continuation of the scheme into 2015/16 when Central Government funding ceases.

Business Plan 2014+ - in the formulation of the budget plans set out in Business Plan 2014+, resources have been set aside to offset against known budget pressures

Contingency Reserve – the net underspend identified on corporate accounts has been set aside for future year contingencies

Other Earmarked Reserves – there are a large number of small value reserves which cover a wide range of services that have been set aside to support future years' service delivery.

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

Schools' Balances - are the net cumulative balances held by Local Authority maintained schools which, under national school funding regulations, they are entitled to retain for unexpected commitments and/or for planned school curriculum/infrastructure improvements and investment.

General Fund Balances – reflect the accumulated surpluses of income over expenditure from previous years and any resources set aside as general contingency against adverse future events. General Fund Balances have increased by £58.8m to £85.7m, which includes £51.5m resulting from the revision of the Council's policy for Minimum Revenue Provision. In the Council's future decisions regarding the utilisation of these balances, the level previously assumed in its Business Plan 2014+ remains its planned minimum.

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

HRA Major Repairs Reserve – the Council is required by the Accounts and Audit (England) Regulations 2011 to maintain the Major Repairs Reserve. The reserve controls an element of the capital resources required to be used on HRA assets or for capital financing purposes.

Capital Receipts Reserve – reflects the income received from the disposal of capital assets prior to being used to fund future capital expenditure or for the redemption of debt. Capital receipts cannot be used to fund revenue expenditure except where allowed by statue, for example, to meet costs of Equal Pay.

Capital Grants Unapplied – reflect the unused element of capital grants or capital contributions awarded to the Council, for which the conditions of the grant support are expected to be met or for which there are no conditions. The reserve will be used to meet future years' capital expenditure.

Note 10
Unusable Reserves

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

31 March 2013		31 March 2014
£m		**£m**
645.6	Revaluation Reserve	797.7
-	Available for Sale Financial Instruments Reserve	0.4
442.9	Capital Adjustment Account	119.1
(31.9)	Financial Instruments Adjustment Account	(31.2)
(2,183.7)	Pensions Reserve	(1,804.5)
32.7	Deferred Capital Receipts Reserve	40.4
(6.0)	Collection Fund Adjustment Account	(19.8)
(581.0)	Equal Pay Back Pay Account	(636.6)
(26.7)	Accumulated Absences Account	(20.8)
(1,708.1)	**Total Unusable Reserves**	**(1,555.3)**

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. The constituent elements of the data for 2012/13 have been restated to reflect a revised analysis of the impairment reversals. There has been no change in the totals.

2012/13			2013/14	
£m	£m		£m	£m
	646.0	**Balance at 1 April**		**645.6**
140.50		Upward revaluation of assets	316.70	
(73.9)		Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(31.3)	
(12.1)		Impairment (losses)/reversals not charged to the Surplus/(Deficit) on the Provision of services	(91.7)	
	54.5	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		193.7
(13.5)		Difference between fair value depreciation and historical cost depreciation	(10.5)	
(41.4)		Accumulated gains on assets sold or scrapped	(31.1)	
	(54.9)	Amount written off to the Capital Adjustment Account		(41.6)
	645.6	**Balance at 31 March**		**797.7**

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 amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains recognised on Donated Assets that have yet to be consumed by the Council.

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

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

2012/13			2013/14	
£m	£m		£m	£m
	915.0	**Balance at 1 April**		**442.9**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
(171.8)		Charges for depreciation and impairment of non current assets	(158.5)	
(102.3)		Revaluation losses on Property, Plant and Equipment	(180.9)	
(20.0)		Amortisation and impairment of intangible assets	(20.6)	
(3.5)		Impairment of Capital Debtors/Grants	(0.2)	
(289.2)		Revenue expenditure funded from capital under statute	(50.4)	
(361.2)		Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(200.7)	
	(948.0)			(611.3)
	54.9	Adjusting amounts written out of the Revaluation Reserve		41.6
	(893.1)	Net written out amount of the cost of non-current assets consumed in the year		(569.7)
		Capital financing applied in the year:		
20.7		Use of the Capital Receipts Reserve to finance new capital expenditure	15.8	
-		Use of the Major Repairs Reserve to finance new capital expenditure	46.3	
116.8		Capital grants and contributions credited to the CIES that have been applied to capital financing	38.9	
141.0		Application of grants to capital financing from the Capital Grants Unapplied Account	44.1	
22.5		Application of capital receipts to repay debt	7.3	
112.3		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	89.5	
20.6		Capital expenditure charged against the General Fund and HRA balances	17.1	
	433.9			259.0
	(12.9)	Amortisation of Investments debited to the CIES		(12.8)
		Repayment of long term debtors		(0.3)
	442.9	**Balance at 31 March**		**119.1**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains 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.

2012/13 £m	2012/13 £m		2013/14 £m	2013/14 £m
	(33.4)	**Balance at 1 April**		**(31.9)**
(0.2)		Premia incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
1.7		Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.7	
	1.5	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		0.7
	(31.9)	**Balance at 31 March**		**(31.2)**

<u>Pensions Reserve</u>

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

The note has been restated to reflect the impact of the implementation of IAS 19, Employee Benefits. Details of the prior period adjustments are set out in Note 5.

2012/13 (Restated) £m		2013/14 £m
(1,732.9)	**Balance at 1 April**	**(2,183.7)**
(389.8)	Remeasurement of the net defined benefit liability	457.8
(156.9)	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	(161.9)
95.9	Employer's pensions contributions and direct payments to retirees payable in the year	83.3
(2,183.7)	**Balance at 31 March**	**(1,804.5)**

Deferred Capital Receipts

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

2012/13 £m		2013/14 £m
30.6	**Balance at 1 April**	**32.7**
2.1	Transfer of deferred sale proceeds credited to the General Fund under capital finance regulations	8.1
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(0.4)
32.7	**Balance at 31 March**	**40.4**

Collection Fund Adjustment Account

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

2012/13 £m		2013/14 £m
(0.8)	**Balance at 1 April**	**(6.0)**
(5.2)	Amount by which Council Tax/NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax/NNDR income calculated for the year in accordance with statutory requirements	(13.8)
(6.0)	**Balance at 31 March**	**(19.8)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the changes in fair value recognised by the Council arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinate payments.

2012/13 £m		2013/14 £m
-	**Balance at 1 April**	**-**
-	Upward revaluation of investments	**0.4**
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	**-**
-	**Balance at 31 March**	**0.4**

Equal Pay Back Pay Account

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

2012/13 £m		2013/14 £m
(460.1)	**Balance at 1 April**	**(581.0)**
(120.9)	Increase in provision for back pay in relation to Equal Pay cases	(55.6)
-	Cash settlements paid in the year	-
(120.9)	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(55.6)
(581.0)	**Balance at 31 March**	**(636.6)**

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.

2012/13 £m	£m		2013/14 £m	£m
	(29.7)	**Balance at 1 April**		**(26.7)**
3.0		Settlement or cancellation of accrual made at the end of the preceding year	5.9	
		Amounts accrued at the end of the current year		
	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		5.9
	(26.7)	**Balance at 31 March**		**(20.8)**

Note 11

Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14, the Council paid £39.5m (2012/13: £46.1m) to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 14.1% (2012/13: 14.1%) of pensionable pay. There were no contributions remaining payable at the year-end. The contributions due to be paid in the 2014/15 financial year are estimated to be £39.9m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 12.

The Council is not liable to the scheme for any other entities' obligations under the plan.

NHS Pension Scheme

Staff who joined the Council on the transfer of Public Health responsibilities from the National Health Service on 1 April 2013 to the Council were members of the NHS Pensions Scheme. The scheme provides its members with specified benefits upon their retirement and the Council has taken responsibility for making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme covering NHS employers, GP practices and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is unfunded and is not designed to be run in a way that would enable member organisations to identify their share of the underlying assets and liabilities. Actuarial valuations of the scheme are undertaken every four years with a valuation of the scheme liability carried out on an annual basis by the scheme actuary through an update of the result of the full actuarial valuation. For the purposes of this Statement of Accounts, the scheme is accounted for on the same basis as a defined contribution scheme.

In 2013/14, the Council paid £0.2m to the NHS Pensions Scheme in respect of employees' retirement benefits, representing 14.0% of pensionable pay. There were no contributions remaining payable at the year-end. The contributions due to be paid in the 2014/15 financial year are estimated to be £0.2m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS pension scheme. These costs are accounted for on a defined benefit basis and detailed in Note 12.

The Council is not liable to the scheme for any other entities obligations under the plan.

Note 12
Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

- The Local Government Pension Scheme, administered locally by the West Midlands Pension Fund offices at Wolverhampton City Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. An employer's contribution rate of 16.2% was set for the Council for 2013/14 (2012/13: 16.2%), 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.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Wolverhampton City Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are:
- the longevity assumptions
- statutory changes to the scheme
- structural changes to the scheme (for example, large-scale withdrawals)
- changes to inflation
- bond yields, and
- the performance of the equity investments held by the scheme.

These risks are mitigated, to a certain extent, by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions relating to Post-employment benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13	2013/14	2012/13	2013/14
	£m	**£m**	**£m**	**£m**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
current service cost	88.8	106.0		
past service costs	-	0.2		
effect of curtailments	5.3	7.2		
effect of settlements	(20.5)	(41.3)		
administration expenses	1.4	1.3		
Financing and investment income and expenditure:				
Net interest expense	78.9	85.9	2.9	2.5
Total post employment benefit charged to the (Surplus)/Deficit on the provision of services	**154.0**	**159.4**	**2.9**	**2.5**
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	(64.0)	(82.0)	3.0	3.3
Net charge against the General Fund Balance for pensions in the year comprising:				
employer's contributions payable to scheme	90.0	77.4		
retirement benefits payable to retirees			**5.9**	**5.9**

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13	2013/14	2012/13	2013/14
	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement				
Total post employment benefit charged to the (Surplus)/Deficit on the provision of services	154.0	159.4	2.9	2.5
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
remeasurements (liabilities and assets)	381.3	(457.2)	8.5	(0.5)
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	535.3	(297.9)	11.4	2.1

	2009/10	2010/11	2011/12	2012/13	2013/14
	£m	£m	£m	£m	£m
Present Value of Liabilities					
- Local Government Pension Scheme	(4,091.0)	(4,064.5)	(4,409.9)	(5,149.4)	(4,649.9)
- Unfunded Teachers' Scheme	(70.9)	(66.5)	(66.3)	(71.8)	(67.9)
Total Present Value of Liabilities	**(4,161.9)**	**(4,131.0)**	**(4,476.1)**	**(5,221.2)**	**(4,717.8)**
Fair Value of Assets in the Local Government Pension Scheme	2502.6	2,725.0	2,743.3	3,037.5	2,913.2
Surplus/(Deficit) in the scheme					
- Local Government Pension Scheme	(1,588.4)	(1,339.5)	(1,666.6)	(2,111.9)	(1,736.7)
- Unfunded Teachers' Scheme	(70.9)	(66.5)	(66.3)	(71.8)	(67.9)
Net Liability arising from defined benefit obligation	**(1,659.3)**	**(1,406.0)**	**(1,732.9)**	**(2,183.7)**	**(1,804.6)**

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme				Unfunded Teacher Pension Scheme		Total	
	Funded		Unfunded					
	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
Benefit Obligation at 1 April	4,331.9	5,067.6	78.0	81.8	66.3	71.8	4,476.2	5,221.2
Current Service Cost	88.8	106.0	-	-	-	-	88.8	106.0
Interest on Pension Liabilities	208.7	209.0	3.7	3.3	2.9	2.5	215.3	214.8
Member Contributions	29.9	28.6	-	-	-	-	29.9	28.6
Past service cost/(gain)	-	0.2	-	-	-	-	-	0.2
Actuarial (gains)/losses arising from changes in demographic assumptions	51.6	29.8	0.5	0.3	0.9	2.2	53.0	32.3
Actuarial (gains)/losses arising from changes in financial assumptions	525.7	(433.7)	5.5	(1.8)	7.6	(3.5)	538.8	(439.0)
Experience (gains)/losses on liabilities	-	(249.6)	-	3.2	-	0.8	-	(245.6)
Curtailments	5.3	7.2	-	-	-	-	5.3	7.2
Settlements	(35.2)	(42.7)	-	-	-	-	(35.2)	(42.7)
Benefits/Transfers paid	(139.1)	(153.6)	(5.9)	(5.9)	(5.9)	(5.9)	(150.9)	(165.2)
Benefit Obligation at 31 March	**5,067.6**	**4,568.8**	**81.8**	**81.0**	**71.8**	**67.9**	**5,221.2**	**4,717.8**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme				Unfunded Teacher Pension Scheme		Total	
	Funded		Unfunded					
	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m
Fair Value of Assets at 1 April	2,743.3	3,037.5	-	-	-	-	2,743.3	3,037.5
Interest on Plan Assets	133.4	126.4	-	-	-	-	133.4	126.4
Remeasurements (assets)	202.0	(194.5)	-	-	-	-	202.0	(194.5)
Administration expenses	(1.4)	(1.3)	-	-	-	-	(1.4)	(1.3)
Settlements	(14.7)	(1.4)	-	-	-	-	(14.7)	(1.4)
Employer contributions	84.1	71.5	5.9	5.9	5.9	5.9	95.9	83.3
Member contributions	29.9	28.6	-	-	-	-	29.9	28.6
Benefits/transfers paid	(139.1)	(153.6)	(5.9)	(5.9)	(5.9)	(5.9)	(150.9)	(165.3)
Fair Value of Assets at 31 March	**3,037.5**	**2,913.2**	**-**	**-**	**-**	**-**	**3,037.5**	**2,913.2**

Local Government Pension Scheme assets comprised

	2012/13				2013/14			
	Quoted	Unquoted	Total	Percentage of Total	Quoted	Unquoted	Total	Percentage of Total
	£m	£m	£m	%	£m	£m	£m	%
Equity Instruments								
Uk Quoted	300.2	-	300.2	10.0%	302.9	-	302.9	10.3%
UK Unquoted	-	5.8	5.8	0.2%	-	55.6	55.6	1.9%
Global Quoted	152.8	-	152.8	5.0%	153.2	-	153.2	5.3%
Global Unquoted	-	375.7	375.7	12.4%	-	301.8	301.8	10.4%
Europe	178.3	-	178.3	5.9%	195.5	-	195.5	6.7%
Japan	58.3	-	58.3	1.9%	53.9	-	53.9	1.9%
Pacific Basin	131.5	-	131.5	4.3%	117.1	-	117.1	4.0%
North America	291.9	-	291.9	9.6%	280.2	-	280.2	9.6%
Emerging Markets	188.9	-	188.9	6.2%	235.7	-	235.7	8.1%
Sub-total equity	**1,301.9**	**381.5**	**1,683.4**	**55.5%**	**1,338.5**	**357.4**	**1,695.9**	**58.2%**
Bonds:								
UK Government	266.1	-	266.1	8.8%	239.8	-	239.8	8.2%
Other	346.9	-	346.9	11.4%	312.6	-	312.6	10.7%
Sub-total bonds	**613.0**	**-**	**613.0**	**20.2%**	**552.4**	**-**	**552.4**	**18.9%**
Property:								
UK	187.4	-	187.4	6.2%	172.8	-	172.8	5.9%
Overseas	10.0	-	10.0	0.3%	6.4	-	6.4	0.2%
Property Funds	62.0	-	62.0	2.0%	83.3	-	83.3	2.9%
Sub-total property	**259.4**	**-**	**259.4**	**8.5%**	**262.5**	**-**	**262.5**	**9.0%**
Alternatives								
Commodities	64.1	-	64.1	2.1%	55.1	-	55.1	1.9%
Infrastructure	101.1	-	101.1	3.3%	83.0	-	83.0	2.9%
Absolute Return	216.0	-	216.0	7.1%	185.6	-	185.6	6.4%
Sub-total Alternatives	**381.2**	**-**	**381.2**	**12.5%**	**323.7**	**-**	**323.7**	**11.2%**
Cash								
Cash Instruments	74.1	-	74.1	2.4%	58.0	-	58.0	2.0%
Cash Accounts	26.4	-	26.4	0.9%	20.7	-	20.7	0.7%
Sub-total Cash	**100.5**	**-**	**100.5**	**3.3%**	**78.7**	**-**	**78.7**	**2.7%**
Total assets	**2,656.0**	**381.5**	**3,037.5**	**100.0%**	**2,555.8**	**357.4**	**2,913.2**	**100.0%**

<u>Basis for estimating assets and liabilities</u>

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 2013. The principal assumptions used by the actuary have been:

Assumptions	Local Government Pension Scheme		Discretionary Benefits	
	2012/13	2013/14	2012/13	2013/14
Long-term expected rate of return on equities				
Equities	7.0%	7.0%	n/a	n/a
Government Bonds	2.8%	3.4%	n/a	n/a
Other Bonds	3.9%	4.3%	n/a	n/a
Property	5.7%	6.2%	n/a	n/a
Cash/liquidity	0.5%	0.5%	n/a	n/a
Other	7.0%	7.0%	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men (years)	22.1	22.9	22.1	22.9
Women (years)	24.8	25.5	24.8	25.5
Longevity at 65 for future pensioners:				
Men (years)	23.9	25.1	n/a	n/a
Women (years)	26.7	27.8	n/a	n/a
Rate of CPI inflation	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	4.2%	4.2%	n/a	n/a
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting of scheme liabilities	4.2%	4.4%	3.7%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, that is, on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Change in Assumption	Impact on Council Liability
	£m	**%**
Longevity (increase/decrease by 1 year)	90.2	1.9
Rate of inflation (increase/decrease by 0.1%)	83.9	1.8
Rate of change in salaries (increase/decrease by 0.1%)	20.0	0.4
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	(82.5)	(1.7)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Services Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council expects to pay £95.3m of contributions to the scheme in 2014/2015. The employer's contribution has increased to 21.3%.

Note 13
Material Items of Income and Expense and Acquired Operations

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. A provision of £95.8m (2012/13: £226.5m) for potential liabilities under the Act has been included in the cost of services, allocated to the relevant service lines, and details are given in Note 32.

From 1 April 2013 Birmingham City Council has responsibility for improving health and for commissioning appropriate public health services. A transfer of public health staff and pre-existing contractual arrangements for public health services from the Primary Care Trusts was made through mandatory transfer schemes under Section 300 of the Health and Social Care Act 2012. In 2013/14 the Council received £78.7m funding for these services from the Department of Health. The role of the Public Health function is to help people and communities to stay healthy and protect them from threats to their health. It includes reducing the harmful effects of substance misuse, services to improve sexual health, improving lifestyle including the health check programme, smoking cessation and improving physical activity as well as other preventative activities for both adults and children.

Note 14
Other Operating Expenditure

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

2012/13		2013/14
£m		£m
0.1	Parish Council Precepts	-
57.6	Integrated Transport Authority Levy	57.1
0.3	Environment Agency Levy	0.3
4.4	Payments Housing Capital Receipt Pool	5.2
336.0	(Gains)/Losses on Disposal of non current assets	157.8
398.4	**Total**	**220.4**

Note 15
Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure, restated to reflect prior period adjustments in respect of the changes arising from the implementation *of IAS 19, Employee Benefits*, disclosed in the Comprehensive Income and Expenditure Statement comprises the following:

2012/13 (Restated)				2013/14		
Gross Expenditure £m	Income £m	Net £m		Gross Expenditure £m	Income £m	Net £m
165.3		165.3	Interest Payable and Similar charges	171.6		171.6
81.9	-	81.9	Net interest on the net defined benefit liability	88.5	-	88.5
	(16.6)	(16.6)	Interest Receivable and similar income		(14.8)	(14.8)
-	(5.5)	(5.5)	Other investment income and expenditure	-	(20.5)	(20.5)
247.2	**(22.1)**	**225.1**	**Total**	**260.1**	**(35.3)**	**224.8**

Note 16
Taxation and Non Specific Grant Income and Expenditure

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

2012/13				2013/14		
Gross Expenditure £m	Income £m	Net £m		Gross Expenditure £m	Income £m	Net £m
-	(333.3)	(333.3)	Council Tax Income - Collection Fund	-	(255.1)	(255.1)
-	(634.2)	(634.2)	NNDR - Collection Fund	-	(193.7)	(193.7)
5.2	-	5.2	Share of Collection Fund	16.8	-	16.8
-	(203.6)	(203.6)	Non Ring Fenced Government Grants	-	(738.2)	(738.2)
-	(23.9)	(23.9)	Capital through Exchange of Assets	-	-	-
-	(105.0)	(105.0)	Capital Grants	-	(80.1)	(80.1)
-	(0.1)	(0.1)	Capital Grants Repaid	0.1	(0.1)	(0.0)
5.2	**(1,300.1)**	**(1,294.9)**	**Total**	**16.9**	**(1,267.2)**	**(1,250.3)**

Further information on government grants received is provided in Note 18.

Note 17
Trading Operations

The Council has 17 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units, with significant trading activity, are as follows:

2012/13				2013/14		
Turnover	Expenditure	(Surplus) / deficit	**Trading activity**	Turnover	Expenditure	(Surplus) / deficit
£m	£m	£m		£m	£m	£m
(11.8)	12.0	0.2	Legal Services	(11.9)	12.7	0.8
(7.6)	8.4	0.8	Markets	(8.3)	8.1	(0.2)
(3.5)	4.3	0.8	Non-Schools Cleaning	(3.0)	3.7	0.7
(2.0)	2.1	0.1	Catering	(2.2)	2.4	0.2
(4.3)	4.2	(0.1)	Vehicle Maintenance	(4.7)	4.1	(0.6)
(30.6)	33.0	2.4	Education Catering	(31.2)	34.9	3.7
(7.4)	6.1	(1.3)	Trade Refuse	(10.4)	9.0	(1.4)
(6.9)	7.0	0.1	Birmingham Parks and Nurseries	(7.0)	7.5	0.5
(7.6)	8.8	1.2	Education Cleaning	(7.0)	8.2	1.2
(2.2)	2.6	0.4	Design and Print	(2.5)	1.7	(0.8)
(1.9)	1.9	-	Birmingham City Laboratories	(2.0)	2.0	-
(0.9)	0.8	(0.1)	Landscape Practice	(0.8)	0.8	-
(3.7)	6.3	2.6	Other Trading Activities	(2.8)	5.4	2.6
(90.4)	**97.5**	**7.1**	**Total Trading Activities**	**(93.8)**	**100.5**	**6.7**
28.5	(28.5)	-	Adjustment for Internal Recharges	29.8	(29.8)	-
(61.9)	**69.0**	**7.1**		**(64.0)**	**70.7**	**6.7**

<u>Details of Trading Activities</u>

Legal Services
Legal Services provides legal advice and representation services to meet the full requirements of the Council and its Directorates for 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 there are three retail markets which attract around 10 million customers each year.

Non-Schools Cleaning
Birmingham City Cleaning is responsible for the provision of the in-house cleaning services to City Council's Non-Education Buildings. Other services provided, at customers' request, include external and internal window cleaning, computer cleaning, carpet and upholstery cleaning and a range of other specialist cleaning services.

Catering
Civic Catering provides a varied range of catering services for Council official functions and at its major administrative buildings, and to members of the public and external organisations at various prestigious civic locations across the city. Services provided include catering for

weddings and civil partnerships, banquets, private functions, conferences and are tailored to customers' requirements.

Vehicle Maintenance
The Fleet and Waste Management Division carries out major repairs and servicing for vehicles and items of plant and equipment. This service covers the entire City fleet, including holding the Operator's licence for heavy vehicles across all departments. The service is a VOSA test centre for goods vehicles and provides an MOT service to members of the public.

Education Catering
Cityserve (Direct Services) is a specialist provider of food services in the school environment. Cityserve is committed to a compliant and nutritious provision in each school. Due to the diverse nature of the pupil base across the city the provision in each school is tailored to the pupil profile.

Trade Refuse
Trade Refuse offers a 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.

Birmingham Parks and Nurseries
Birmingham Parks and Nurseries 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
Cityserve (Direct Services) provides cleaning services in all types of education establishments including primary, secondary, nursery schools and children's centres. The main aim of the service is to provide a safe and healthy environment for the pupils/children and staff by achieving and maintaining high standards of cleaning in all establishments.

Design and Print
Print Services are the providers of printing and copying services to Birmingham City Council Directorates and schools. The print is provided via the commissioning team using external printing companies and the copy services is provided from the document room located at the council house.

Birmingham City Laboratories
Birmingham City Laboratories (BCL) is a Council owned Consultancy and Test House which is approved to carry out specific United Kingdom Accreditation Services (UKAS) tests. Its specialist team of scientists and engineers is 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.

Other Trading Activities
This includes DSD Trading Community Day Nurseries, pest control, Shelforce, the mobile caretaking service and Education Outdoor Activity Centres.

Note 18
Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement. The changes introduced in the Local Government Finance Act 2012 mean that the Council now retains a proportion of the National Non-Domestic Rate generated in its area rather than receiving it as a grant from Government.

2012/13 £m		2013/14 £m
	Credited to Taxation and Non Specific Grant Income	
	Revenue Grants	
634.2	Redistributed non-domestic rates	-
12.3	Revenue Support Grant	470.4
	NNDR Top Up Grant	121.3
8.3	Council Tax Freeze Grant	3.3
6.8	New Homes Bonus Grant	12.9
14.8	Schools PFI Grant	18.1
50.3	Highways Management and Maintenance PFI Grant	50.3
37.7	Learning Disability & Health Reform Grant	-
65.0	Early Intervention Grant	-
5.9	Troubled Families Grant	5.2
	Housing Benefit Administration Grant	10.9
	Discretionary Housing Benefit Grant	5.1
	Local Welfare Provision Programme	6.2
	Education Services Grant	18.2
	Small Business Rate Relief Grant	4.8
2.6	Other	11.5
837.9	**Revenue Grants credited to Taxation and Non Specific Grant Income**	**738.2**
	Capital Grants	
58.2	Education Funding Agency (formerly DSCF fund)	26.6
3.4	Surestart	-
0.8	Aiming Higher	-
0.7	Demographic Growth	0.3
6.8	Lottery	1.1
2.5	Section 106/278	1.4
2.3	Centro	2.5
3.0	Department of Health - Community Capacity	3.0
6.0	Centro - Integrated Transport Block	6.1
1.6	Regional Growth Fund	-
0.6	Disabled Facilities	0.3
0.3	Kickstart	-
4.5	European Regional Development Fund	0.2
1.6	Homes & Community Agency - New Build Programme	4.9
2.0	Dept for Energy & Climate Change	-
2.4	Midland Arts Centre	-
-	Department for Transport (inc. Cycle Ambition)	24.5
-	Public Health England	0.9
-	Community Energy Savings Programme	1.5
-	Public Health England	0.7
8.3	Other	6.1
105.0	**Capital Grants credited to Taxation and Non Specific Grant Income**	**80.1**

2012/13 £m		2013/14 £m
	Capital Grants funding Revenue Expenditure under Statute credited to Cost of Services	
30.3	DSCF Standards Fund	-
2.2	Dept for Energy & Climate Change	-
13.9	Regional Growth Fund	-
18.8	Department for Transport	-
0.4	Centro - A45 Road Improvement	6.9
4.1	Disabled Facilities	3.7
-	European Regional Development Fund	1.4
1.3	Other	4.4
71.0	**Total Revenue funded from Capital Grants Under Statute**	**16.4**
176.0	**Total Capital Grants Received**	**96.5**

Credited to Cost of Services

2012/13 £m		2013/14 £m
	Revenue Grants	
28.8	PCT Contributions including Transfer of Care	20.0
13.6	Adult Education (Skills Funding Agency)	12.1
12.0	Benefit Service HB/CTB Admin Grant	-
639.6	HB/CTB Subsidy Grant Claim	529.9
837.4	Dedicated Schools Grant	767.4
-	Residual Standard Funds Payment	-
27.3	Education Funding Agency	21.4
41.4	Pupil Premium Grant	51.5
3.7	Illegal Money Lending	3.8
3.6	Extra District Income	-
-	Devolved Capital	-
4.8	Local Authority Central Spend Equivalent	-
5.4	Health Body/PCT grants and contributions	-
-	NHS Clinical Commissioning Group contributions	8.0
-	Public Health Grant	78.6
2.7	Weekly Collection Support Scheme Grant	6.8
24.5	Revenue grants less than £3m	18.0
6.5	Various Contributions less than £3m	10.2
1,651.3	**Total Revenue Grants**	**1,527.7**
71.0	Total Revenue funded from Capital Grants under Statute	16.4
1,722.3	**Total Grants Credited to Cost of Services**	**1,544.1**

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 2013/14. The Capital Grants received have been credited to the Taxation and Non Specific Grant Income line on the Comprehensive Income and Expenditure Statement except where the grant is used to finance Revenue Expenditure funded from Capital under Statute (REFCUS).

Note 19
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). An element of DSG is recouped by the Department to fund academy schools in Birmingham. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2012. 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 2013/14 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£m	£m	£m
DSG figure as issued by the Department in July 2013. (This does not include the Early Years January 2014 adjustment)	121.3	908.6	**1,029.9**
Academy figure recouped for 2013/14	-	(262.8)	**(262.8)**
Total DSG after Academy recoupment for 2013/14	**121.3**	**645.8**	**767.1**
Plus: Brought forward from 2012/13	2.7	-	**2.7**
Less: Carry forward to 2014/15 agreed in advance	-	-	**-**
Agreed initial budgeted distribution in 2013/14	**124.0**	**645.8**	**769.8**
In year adjustments	(51.2)	51.2	**-**
Final budgeted distribution for 2013/14	**72.8**	**697.0**	**769.8**
Less Actual Central Expenditure	(69.4)		**(69.4)**
Less Actual ISB deployed to schools		(697.0)	**(697.0)**
Plus: Council contribution for 2013/14			
Carry forward to 2014/15	**3.4**	**-**	**3.4**

Note 20
Amounts Reported for Resource Allocation Decisions (Segmental Analysis)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of regular revenue monitoring reports analysed across service areas. 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 underlying the variance analysis reported to Cabinet in the corporate Revenue Outturn report was as follows:

2012/13				2013/14		
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Directorate**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£m	£m	£m		£m	£m	£m
415.6	(115.2)	300.4	Adults & Communities	503.4	(179.3)	324.1
1,472.9	(1,189.7)	283.2	Children, Young People & Families	1,351.2	(1,071.5)	279.7
988.0	(852.6)	135.4	Corporate Resources	947.0	(821.6)	125.4
153.8	(47.5)	106.3	Development & Culture	158.0	(38.3)	119.7
859.9	(491.9)	368.0	Local Services	604.0	(360.1)	243.9
3,890.2	**(2,696.9)**	**1,193.3**	**Total Directorate**	**3,563.6**	**(2,470.8)**	**1,092.8**

	2012/13	2013/14
	£m	£m
Net expenditure in Directorate Analysis	**1,193.3**	**1,092.8**
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	243.3	294.7
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(81.5)	(220.4)
Cost of Services in Comprehensive Income and Expenditure Statement	**1,355.1**	**1,167.1**

Reconciliation to subjective analysis

2013/14

	Portfolio Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of Support Service Recharges	**Cost of Services in CIES**	Amounts reported below the Net Expenditure of Continuing Operations in the CIES	**Total**
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(526.5)	(10.4)	(137.9)		(674.8)		(674.8)
Support service recharges	(325.0)		1.1	311.1	(12.8)		(12.8)
Collection Fund Surplus					-		-
Interest and investment income	(6.8)		6.8		-	(35.3)	(35.3)
Income from Council Tax					-	(255.1)	(255.1)
Government grants and contributions	(1,612.5)		68.4		(1,544.1)	(1,012.1)	(2,556.2)
Total income	**(2,470.8)**	**(10.4)**	**(61.6)**	**311.1**	**(2,231.7)**	**(1,302.5)**	**(3,534.2)**
Employee expenses	1,109.4	81.8			1,191.2		1,191.2
Other service expenses	2,089.2	0.4	(101.5)		1,988.1		1,988.1
Support service recharges	227.9			(311.1)	(83.2)		(83.2)
Collection Fund Deficit/Capital Grants Repaid					-	16.9	16.9
Depreciation, amortisation and impairment	137.1	222.9			360.0		360.0
Interest payments					-	260.1	260.1
Precepts and levies			(57.3)		(57.3)	57.4	0.1
Payments to Housing Capital Receipts pool					-	5.2	5.2
(Gain)/Loss on disposal of non-current assets					-	157.8	157.8
Total expenditure	**3,563.6**	**305.1**	**(158.8)**	**(311.1)**	**3,398.8**	**497.4**	**3,896.2**
(Surplus)/deficit on the Provision of Services	**1,092.8**	**294.7**	**(220.4)**	**-**	**1,167.1**	**(805.1)**	**362.0**

2012/13 comparative figures (Restated)

	Portfolio Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of Support Service Recharges	**Cost of Services in CIES**	Amounts reported below the Net Expenditure of Continuing Operations in the CIES	**Total**
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(729.0)	(8.0)	73.3		(663.7)		(663.7)
Support service recharges	(228.2)			233.2	5.0		5.0
Collection Fund Surplus					-		-
Interest and investment income	(3.3)				(3.3)	(22.2)	(25.5)
Income from Council Tax					-	(333.3)	(333.3)
Government grants and contributions	(1,736.3)	14.1			(1,722.2)	(966.7)	(2,688.9)
Total income	**(2,696.8)**	**6.1**	**73.3**	**233.2**	**(2,384.2)**	**(1,322.2)**	**(3,706.4)**
Employee expenses	1,245.8	169.7			1,415.5		1,415.5
Other service expenses	2,343.7	(62.4)	(96.8)		2,184.5		2,184.5
Support service recharges	136.2			(233.2)	(97.0)		(97.0)
Collection Fund Deficit					-	5.2	5.2
Depreciation, amortisation and impairment	164.4	129.9			294.3		294.3
Interest payments					-	247.2	247.2
Precepts and levies			(58.0)		(58.0)	58.0	-
Payments to Housing Capital Receipts pool					-	4.4	4.4
(Gain)/loss on disposal of non-current assets					-	336.0	336.0
Total expenditure	**3,890.1**	**237.2**	**(154.8)**	**(233.2)**	**3,739.3**	**650.8**	**4,390.1**
(Surplus)/deficit on the Provision of Services	**1,193.3**	**243.3**	**(81.5)**	**-**	**1,355.1**	**(671.4)**	**683.7**

Note 21
Property, Plant and Equipment

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

Movements in Balances: 2013/14

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Assets under construction	Total Property, Plant and Equipment	PFI / Service Concession assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
At 1 April 2013	**1,666.9**	**2,317.3**	**188.4**	**624.5**	**87.6**	**348.1**	**5,232.8**	***724.3***
Additions	88.6	85.5	15.7	76.5	1.9	21.3	**289.5**	*118.9*
Assets reclassified between categories	-	169.0	4.0	5.2	0.1	(178.3)	**-**	
Assets reclassified (to)/from Held for Sale	-	(1.6)	-	-	-	-	**(1.6)**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	160.5	-	-	-	-	**160.5**	*2.5*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	36.9	(216.3)	-	-	-	(1.5)	**(180.9)**	*(9.2)*
Derecognition - Disposals	(20.3)	(169.6)	(2.0)	-	(0.1)	-	**(192.0)**	*(62.0)*
Derecognition - other	(2.3)	-	-	(166.1)	-	-	**(168.4)**	
Other movements in cost or valuation	-	-	-	-	-	-	**-**	
At 31 March 2014	**1,769.8**	**2,344.8**	**206.1**	**540.1**	**89.5**	**189.6**	**5,139.9**	***774.5***
Accumulated Depreciation and Impairment								
At 1 April 2013	**(78.7)**	**(148.0)**	**(77.0)**	**(251.7)**	**-**	**-**	**(555.4)**	***(61.8)***
Depreciation charge	(39.0)	(53.4)	(27.1)	(44.1)	-	-	**(163.6)**	*(24.0)*
Depreciation written out to the Revaluation Reserve	37.0	7.4	-	-	-	-	**44.4**	*0.4*
Impairment (losses)/reversals recognised in the Revaluation Reserve	7.9	(21.0)	-	-	-	-	**(13.1)**	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(36.9)	41.6	-	-	-	-	**4.7**	
Derecognition - Disposals	-	15.5	1.2	148.8	-	-	**165.5**	*8.2*
Assets reclassified (to)/from Held for Sale	-	0.4	-	-	-	-	**0.4**	
At 31 March 2014	**(109.7)**	**(157.5)**	**(102.9)**	**(147.0)**	**-**	**-**	**(517.1)**	***(77.2)***
Net Book Value								
At 31 March 2014	**1,660.1**	**2,187.3**	**103.2**	**393.1**	**89.5**	**189.6**	**4,622.8**	***697.3***
At 31 March 2013	**1,588.2**	**2,169.3**	**111.4**	**372.8**	**87.6**	**348.1**	**4,677.4**	***662.5***

Movement in Balances: 2012/13

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Assets under construction	Total Property, Plant and Equipment	PFI / Service Concession assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
At 1 April 2012	**1,642.1**	**2,627.0**	**175.1**	**705.7**	**71.7**	**330.9**	**5,552.5**	***735.6***
Additions	52.7	83.5	14.3	80.9	9.1	112.0	**352.5**	*113.9*
Assets reclassified between categories	-	78.0	0.9	6.2	7.5	(92.6)	**-**	
Assets reclassified (to)/from Held for Sale	-	(12.7)	-	-	-	-	**(12.7)**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	(43.4)	-	-	-	-	**(43.4)**	*(19.5)*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(14.3)	(85.8)	-	-	-	(2.2)	**(102.3)**	*(11.4)*
Derecognition - Disposals	(12.5)	(329.3)	(1.9)	-	(0.5)	-	**(344.2)**	*(94.3)*
Derecognition - other	(1.1)	-	-	(168.3)	-	-	**(169.4)**	
Other movements in cost or valuation	-	-	-	-	(0.2)	-	**(0.2)**	
At 31 March 2013	**1,666.9**	**2,317.3**	**188.4**	**624.5**	**87.6**	**348.1**	**5,232.8**	***724.3***
Accumulated Depreciation and Impairment								
At 1 April 2012	**(96.1)**	**(164.0)**	**(54.5)**	**(327.1)**	**-**	**-**	**(641.7)**	***(56.6)***
Depreciation charge	(36.9)	(55.3)	(22.9)	(58.0)	-	-	**(173.1)**	*(23.0)*
Depreciation written out to the Revaluation Reserve	41.4	27.7	-	-	-	-	**69.1**	*3.9*
Impairment (losses)/reversals recognised in the Revaluation Reserve	(1.4)	29.6	-	-	-	-	**28.2**	*3.7*
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	14.3	(12.9)	-	-	-	-	**1.4**	*1.8*
Derecognition - Disposals	-	25.4	0.4	-	-	-	**25.8**	*8.4*
Derecognition - of components	-	1.5	-	133.4	-	-	**134.9**	
At 31 March 2013	**(78.7)**	**(148.0)**	**(77.0)**	**(251.7)**	**-**	**-**	**(555.4)**	***(61.8)***
Net Book Value								
At 31 March 2013	**1,588.2**	**2,169.3**	**111.4**	**372.8**	**87.6**	**348.1**	**4,677.4**	***662.5***
At 1 April 2012	**1,546.0**	**2,463.0**	**120.6**	**378.6**	**71.7**	**330.9**	**4,910.8**	***679.0***

Revaluations

Operational (other than Housing):
The Council carries out valuations of its property assets over a five year cycle and reviews those assets that are not in the valuation cycle for the year to ensure that carrying values remain materially correct at the Balance Sheet date. Peter Jones, Fellow of the Royal Institution of Chartered Surveyors (FRICS), Director of Property and other similarly qualified staff in Birmingham Property Services, Economy Directorate, carried out the valuations, and a Valuation Certificate was issued on 20 June 2014 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 2013, with a review of any significant changes to assets during the year to ensure that any material changes in asset values at the Balance Sheet date are identified. 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 2013 by Peter Jones FRICS, and similarly qualified staff in Birmingham Property Services, according to the Department of Communities and Local Government 'Stock Valuation for Resource Accounting - Guidance for Valuers 2010'. The valuation was on the basis of Existing Use Value for Social Housing using sample "Beacon Properties" and a Valuation Certificate was issued in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuation was reviewed for any significant changes to assets during the year to ensure that any material changes in asset values at the Balance Sheet date are identified.

Infrastructure and Community Assets:
Infrastructure assets are valued at depreciated historic cost, with the amount of outstanding debt as at 31 March 1994, when a new system of capital accounting was introduced, used as a proxy for the opening balance of historic cost with adjustments for subsequent capital expenditure and depreciation. Community assets are valued at historic cost.

Effect of Change in Estimates
The useful economic lives of assets included within the major redevelopment of Paradise Circus have been reduced to two years to reflect the anticipated timescale associated with this project.

Impairment:
An impairment of £70.7m (2012/13: £41.7m) was made to the carrying value of HRA dwellings to reflect the fact that capital expenditure on HRA dwellings did not add equivalent value. See also Note H3.

Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant, Furniture and Equipment in 2013/14 and future years budgeted to cost £1,094.1m. Similar commitments at 31 March 2013 were £1,062.5m. The major commitments are:

	£m
PFI lifecycle costs	675.9
Enterprise Zone	97.7
Grand Central	71.6
New Build Council Houses	53.5
New Street Gateway / Pallasades	34.6
Recycling / Refuse Collection	30.6
Housing Structural Investment	15.4
NIA Refurbishment	11.8
Life Sciences	10.5
A45 Coventry Road	9.5
Digital Districts	8.6
iCentrum	7.5
Chester Road	7.5
Sparkhill Pool	7.2
Equity Fund	6.9
East Aston RIS	6.2
Working for the Future	5.0
Other projects < £5m	34.1

Capitalisation of Borrowing Costs

The Council has adopted an accounting policy of capitalising borrowing costs in relation to qualifying assets. In 2013/14 the amount of borrowing costs capitalised during the period was £12.3m (2012/13: £9.7m). Of this sum, £2.7m of interest related to a specific fixed rate loan of £91.0m taken out in April 2009 at an interest rate of 2.955%. The remaining £9.6m of interest did not relate to a specific loan and was calculated using the Council's average borrowing rate in the year expenditure was incurred. This was 4.68% in 2013/14 (2012/13: 4.85%).

For 2013/14, interest capitalised by scheme was as follows:

	£m
Library of Birmingham	7.9
Birmingham Gateway New St Station	2.7
Southside Grand Central	1.7

Note 22
Heritage Assets

Heritage Assets are identified as those which are considered to have historical, artistic, scientific, technological, geophysical or environmental qualities and that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets Held By the Council:

	Museum collections	Historic buildings	Public Art	Libraries and Archive collections	Civic Regalia and Plate	Total Assets
	£m	£m	£m	£m	£m	£m
01 April 2012						
- At Cost	2.1	10.9	0.4	-	-	**13.4**
- At Valuation	212.3	-	-	15.5	1.8	**229.6**
Additions	1.5	0.2	-	-	-	**1.7**
Revaluations	-	-	-	-	-	**-**
Impairment Losses /(reversals) recognised in the Revaluation Reserve	0.6	-	-	-	-	**0.6**
31 March 2013	**216.5**	**11.1**	**0.4**	**15.5**	**1.8**	**245.3**
- At Cost	*3.5*	*11.1*	*0.4*	*-*	*-*	*15.0*
- At Valuation	*213.0*	*-*	*-*	*15.5*	*1.8*	*230.3*
31 March 2013	***216.5***	***11.1***	***0.4***	***15.5***	***1.8***	***245.3***
01 April 2013						
- At Cost	3.5	11.1	0.4	-	-	15.0
- At Valuation	213.0	-	-	15.5	1.8	230.3
Additions	0.1	-	-	-	-	0.1
Revaluations	0.3	-	-	-	-	0.3
31 March 2014	**216.9**	**11.1**	**0.4**	**15.5**	**1.8**	**245.7**
- At Cost	*3.6*	*11.1*	*0.4*	*-*	*-*	*15.1*
- At Valuation	*213.3*	*-*	*-*	*15.5*	*1.8*	*230.6*
31 March 2014	***216.9***	***11.1***	***0.4***	***15.5***	***1.8***	***245.7***

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

Where historic cost information is available, the Council has used this when compiling the balance sheet; otherwise insurance valuations have been used, where applicable. Where there is evidence of a movement in valuations as a result of material acquisitions or disposals, or a significant movement in comparable market values, a revaluation will be considered. The Council estimated that, from its insurance records, the value of the Library collection was £15.5m, the Museum’s collection was £212.4m and the Civic Regalia was £1.8m as at 1 April 2011.

Museum Collections

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

There have been several acquisitions to the Museum's Collection during 2013/14, the most notable being the Portrait of Erasmus Darwin by Joseph Wright (£0.3m), of which £0.2m was funded through contributions. In addition there were some minor acquisitions, including an extension to the Staffordshire Hoard following a second find. These were funded through external contributions.

Historic Buildings and the Historic Environment

The Council either owns or holds on trust in excess of 150 listed buildings and structures, with Grade I and Grade II properties being the most significant. These include Aston Hall, a Grade I listed Jacobean manor house completed in 1635, Blakesley Hall, an Elizabethan timber house built by a local merchant in 1590 and Soho House, home of Birmingham industrialist and entrepreneur Matthew Boulton, all of which are included as Heritage Assets.

Public Art

The Council owns over 80 pieces of public art, including statues, sculpture and fountains, some of which are listed structures. Victoria Square Fountain and King Edward VII Statue are included in the balance sheet as reliable information is available for these works of art.

Libraries and Archive Collections

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

Civic Regalia and Plate

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

Additions

Details of the additions over the last five years are set out below.

5-year financial summary of heritage asset transactions

	2009/10	2010/11	2011/12	2012/13	2013/14
	£m	£m	£m	£m	£m
Purchases					
Museum collections		2.1		1.5	0.1
Historic buildings	1.2	0.1	0.1	0.2	
Public Art		0.3	0.1		
Other Acquisitions					
Museum collections		0.7		0.6	0.3
Total additions	**1.2**	**3.2**	**0.2**	**2.3**	**0.4**

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

Access to heritage assets is interpreted through permanent displays of historic material, temporary exhibitions and events, publications, catalogues and digital and web-based resources. In addition the Museum’s Collection Centre schedules occasional open days, allowing public access to some of the Museum’s stored historical artefacts. For the wider historic environment guided tours, printed leaflets and publications, heritage trails and interpretive panels are effective in enabling intellectual access.

Birmingham Museums Trust has been created, to further promote heritage within Birmingham, with the aims of advancing education through the operation, maintenance, development and promotion of museums, galleries and libraries in Birmingham. The Council continues to retain ownership of the buildings and collections.

Note 23
Intangible Assets

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

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

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

	2012/13			2013/14		
	Internally Generated Assets £m	Other Assets £m	Total £m	Internally Generated Assets £m	Other Assets £m	Total £m
Balance at start of year:						
- Gross carrying amounts		97.2	97.2	-	99.9	99.9
- Accumulated amortisation		(36.3)	(36.3)	-	(56.3)	(56.3)
Net carrying amount at start of year	**-**	**60.9**	**60.9**	**-**	**43.6**	**43.6**
Additions:						
- Internal development		2.7	2.7		26.3	26.3
Amortisation for the period		(20.0)	(20.0)		(20.6)	(20.6)
Net carrying amount at end of year	-	43.6	43.6	-	49.3	49.3
Comprising:						
Gross carrying amounts	-	99.9	99.9	-	126.2	126.2
Accumulated amortisation	-	(56.3)	(56.3)	-	(76.9)	(76.9)
	-	43.6	43.6	-	49.3	49.3

Note 24
Long Term Investments

The Council's long term investments are summarised below:

31 March 2013 £m		31 March 2014 £m
	Long Term Investments	
239.9	NEC Debentures	227.0
26.5	Investments in subsidiary and associated companies	26.5
0.4	Available for Sale Investments	2.1
1.4	Other investments	1.4
268.2	**Total**	**257.0**

Note 25
Long Term Debtors

The table below shows amounts owed to the Council that more than 12 months after the Balance Sheet date. These balances have been split by type of debt.

31 March 2013		31 March 2014
£m		£m
36.5	External Loans	36.7
1.5	Employee loans	1.0
0.3	Mortgages: former Council House tenants	0.3
32.5	Other debtors	39.1
70.8	**Total**	**77.1**

Note 26
Short Term Investments

Details of the amounts invested by the Council that are due for repayment within 12 months are detailed below:

31 March 2013		31 March 2014
£m		£m
	Short Term Investments	
64.6	Money Market Funds	43.9
29.0	Financial Institutions	26.9
9.4	Other investments	12.2
103.0	**Total**	**83.0**

Note 27
Assets Held for Sale

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

	Current	
	2012/13	2013/14
	£m	**£m**
Balance outstanding at start of year	**7.9**	**14.8**
Assets newly classified as held for sale:		
- Property, plant and equipment	14.0	2.7
Revaluation gains	-	1.7
Impairments (losses)/reversals	-	0.2
Assets declassified as held for sale:		
- Property, plant and equipment	(0.9)	(1.4)
Assets sold	(6.2)	(6.2)
Balance outstanding at year end	**14.8**	**11.8**

In 2013/14, five assets have been reclassified as held for sale, with disposal expected in 2014/15. Prior to transfer, the assets were revalued from the previous existing use value to a valuation based on fair value less cost of disposal, resulting in a gain of £1.7m.

If a programme of asset sales is undertaken the value of capital receipts may differ from the value of the assets within these financial statements for a number of reasons:

- The Council values a number of assets at ‘fair value’. The size of a receipt from the sale of an asset is heavily dependent on how much the market is willing to pay for a particular asset at any one time and this can fluctuate

- In line with the Code, the Council values some of its assets at Depreciated Replacement Cost (DRC). This includes those associated with the entities that are consolidated into the Group Accounts. Typically, where assets are valued at DRC it is likely that the asset values in the accounts will be higher than those the open market is willing to pay.

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

Note 28
Inventories

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

	Consumable Stores		**Maintenance Materials**		**Total**	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Balance outstanding at start of year	1.3	1.3	-	-	1.3	1.3
Purchases	15.7	16.9	0.1	-	15.8	16.9
Recognised as an expense in the year	(15.6)	(17.1)	(0.1)	-	(15.7)	(17.1)
Written off balances	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Balance outstanding at year-end	**1.3**	**1.0**	**-**	**-**	**1.3**	**1.0**

Note 29
Short-Term Debtors

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

31 March 2013		31 March 2014
£m		£m
79.6	Central government bodies	39.5
16.6	Other local authorities	8.3
1.2	NHS bodies	1.4
12.4	Public corporations and trading funds	11.0
134.1	Other entities and individuals	168.2
243.9	**Total**	**228.4**

Note 30
Cash and Cash Equivalents

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

31 March 2013		31 March 2014
£m		£m
0.8	Cash held by the Council	0.8
68.3	Bank current accounts	41.5
(72.7)	Bank Overdrafts	(24.7)
(3.6)	**Total**	**17.6**

Note 31
Short Term Creditors

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

31 March 2013		31 March 2014
£m		£m
(35.3)	Central government bodies	(23.6)
(9.4)	Other local authorities	(6.3)
(0.6)	NHS bodies	(10.6)
(31.5)	Public corporations and trading funds	(26.3)
(206.2)	Other entities and individuals	(222.9)
(283.0)	**Total**	**(289.7)**

Note 32
Provisions

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

	Current				Non-current			
	Equal Pay	Business Rates Appeals	Other Provisions	**Total**	Equal Pay	Business Rates Appeals	Other Provisions	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2013	**141.5**	**-**	**3.9**	**145.4**	**548.5**	**-**	**7.2**	**555.7**
Additional provisions made in 2013/14	24.0	-	**7.7**	**31.7**	71.8	21.3	-	**93.1**
Amounts used in 2013/14	(147.6)	-	**(2.7)**	**(150.3)**	-	-	-	**-**
Transfer between current and non-current provision	162.5	-	**4.0**	**166.5**	(162.5)	-	(4.0)	**(166.5)**
Unused amounts reversed in 2013/14	-	-	**(1.7)**	**(1.7)**	-	-	-	**-**
Balance at 31 March 2014	**180.4**	**-**	**11.2**	**191.6**	**457.8**	**21.3**	**3.2**	**482.3**
Balance at 1 April 2012	234.7	-	13.6	**248.3**	**439.1**	**-**	**9.8**	**448.9**

Equal Pay

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equal Pay Act and, as a result, has set aside a provision of £638.2m (2013: £690.0m) which incorporates all unpaid claims received to 31 March 2014, which will be subject to review during the period of the audit. It is anticipated that of this provision set aside, £180.4m is expected to be paid in the 2014/15 financial year with the balance being paid over the medium term to 31 March 2018. The Council has developed a model to assess the likely costs of claims, gained through the history of claims settled to date. Furthermore, the majority of claims received at 31 August 2014, which remain to be settled, are subject to a legal agreement that stipulates the conditions of settlement.

The Secretary of State for Communities and Local Government has issued regulations allowing Local Authorities to use capital receipts received on or after 1 April 2013 to meet back payments associated with implementing the Equal Pay Act 1970. The Council has included both the capital and revenue impacts of equal pay claims in its long term financial plan, Business Plan 2014 +.

National Non Domestic Rate Appeals

As a result of the change in the funding of Local Government in 2013/14, local authorities have assumed part of the liability for refunding NNDR payers who have successfully appealed against the rateable value of their properties in the rating list. This liability includes amounts that were collected in respect of both the current year and prior years.

Under the new legislation the Council, as Billing Authority, is required to make a provision for this liability on behalf of the major preceptors and itself. These accounts include a provision of £21.3m, set aside to cover the Council’s share of the total estimated unpaid liability related to the settlement of all appeals received up to 31 March 2014. The remaining share of the liability is attributable to Central Government and the West Midlands Fire and Rescue

Authority. The Council has developed a model to assess the likely costs of settling appeals, gained through the history of appeals settled to date. The information used in this modelling has been provided by the Valuations Office Agency (VOA).

The Secretary of State for Communities and Local Government has issued regulations allowing Local Authorities to spread the impact of accounting for its share of the backdated element of the appeals provision up to a maximum of five years. The Council has opted to use this regulatory mitigation to spread the impact of the liability.

Other Provisions

Details of the major items included in other provisions are:

The National Exhibition Centre Limited Loan Debt

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

The Carbon Reduction Commitment

In 2013/14 the Council will have to purchase allowances as a result of mandatory participation in the Government's Carbon Reduction Commitment Energy Efficiency scheme (CRCEES). The quantity of allowances that will be purchased is dependent on the amount of energy used in properties that the Council occupies during 2013/14. In line with the recommended treatment by CIPFA, a provision for this cost has been made in the 2013/14 accounts based on the energy used in 2012/13.

Note 33
Contingent Liabilities and Contingent Assets

Contingent Liabilities

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

1. The Council is guaranteeing payment of the full amount on the principal of and interest accruing on the National Exhibition Centre (Developments) PLC loan stock raised in May 1997 for the construction of the four new halls at the NEC. The amount of the loan guaranteed is £73m (2012/13: £73m), due in 2027.

2. The Council has an on-going Accountable Body role for a range of grant funding regimes, both historical and current, which include supporting programmes and projects under its direct control as well as managing Programmes involving wider Partnerships with external organisations.

   Direct
   For arrangements managed under its control, the Accountable Body function covers projects and programmes where the Council accesses European or Domestic grant support either for itself or on behalf of another organisation. In accepting this role the Council underwrites the financial performance and delivery of the activity along with compliance with the funding regulations. Under this role there is, depending on the

nature of the particular scheme, a potential liability to the Council arising from either non-delivery of outputs, claiming of ineligible expenditure or from the disposal of assets prior to any clawback liability expiring. The Council has quantified this potential liability at 31 March 2014 of £393.2m and has identified future commitments of £38.8m.

Partnerships
Where the Council has accepted the Accountable Body role for grant funding, which involves a wider Partnership arrangement and management of the fund, for example Local Enterprise Partnership (LEP) or the Regional Growth Fund (RGF), the Council's grant liability exists if it is deemed that it has been "unreasonable" in discharging its responsibilities. The Council has quantified this potential liability at 31 March 2014 of £19.6m and has identified future expenditure commitments of £152.4m.

To minimise the impact of any grant clawback liability for both Direct and Partnership Accountable Body type arrangements, the Council has put in place various controls and mechanisms, such as legal agreements and charges over assets, and supports financial management with detailed expenditure verification and monitoring procedures.

3. The Council's final Housing Benefit claims for 2012/13 and 2013/14 are still being considered by the Department for 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. The Council has received a number of claims under the Equal Pay Act and, as a result, has set aside a provision of £638.2m (2012: £690.0m) which incorporates all claims received and negotiations agreed to 31 August 2014.

   Whilst the provision reflects the forecast impact of claims made to date, there remain a number of uncertainties regarding any additional liabilities that the Council may face. There are major uncertainties surrounding the volume and timing of future claims and the determination of any settlements. The Council has developed a robust medium to long term financial plan, set out in Business Plan 2014+, which recognises the impact of future spending and funding requirements. The Council also has the ability to use capital receipts generated from 1 April 2013 to meet equal pay costs.

5. Local Authorities were entitled to charge, under Section 93(1) of the Local Government Act 2003 and subsequently the Local Authorities (Charges for Property Searches)(England) Regulations 2008, for personal searches of the Local Land Charges Register. However, these charges were contrary to the Environmental Information Regulations 2004 which states that Public Authorities (such as the Council) are not able to charge for access to environmental data, which includes information held on the Local Land Charges Register. Claims are being brought against Local Authorities for personal search fees charged. The claims are being handled, on behalf of all Local Authorities, by the Local Government Association. If the claims are successful, the Council faces a potential liability of up to £7m.

6. As a result of changes to the funding of local government, and specifically the introduction of the National Non Domestic Rates (NNDR) Retention Scheme from 1

April 2013, councils assumed part of the liability for refunding rate payers who successfully appeal against the rateable value of their properties on the rating list. Under the revised regulations the Council is required to make a provision for its share of this liability. These accounts include a provision of £21.3m, set aside to cover the Council's share of the total estimated unpaid liability related to the settlement of all appeals received up to 31 March 2014. This estimate has been based on experience from current and historic rateable value appeals lodged and the impact of associated settlements, using information provided by the Valuations Office Agency (VOA).

Whilst the provision reflects the forecast impact of appeals received to date, there remains uncertainty regarding the volume and timing of future appeals. As part of its regular Collection Fund monitoring, the Council has built in a quarterly review which takes updated VOA appeals information and processes it to calculate a revised provision, where appropriate.

7. The ruling of a judicial review against Tower Hamlets Council in February 2013 stated that differential treatment between family foster carers and unrelated foster carers was unlawful. The judgement stated that carers, whether related or unrelated, should be remunerated at the same financial rate. The Council has now implemented a revised carer payment policy. However, there remains a potential for claims as a result of the judgement with a potential maximum liability of £0.7m.

8. The Council received insurance services from Municipal Mutual Insurance (MMI). Due to financial difficulties, MMI ceased trading in October 1993 and entered into a solvent run off. MMI entered into a Scheme of Arrangement with its creditors, namely the Councils which were owed claim settlements. The Scheme of Arrangement stated that MMI would be able to claw back any claim settlements paid on behalf of its creditors after 1 October 1993 if a solvent run off was not likely to be achieved.

   Following a decision of the Supreme Court in March 2012 regarding Employers Liability Policy Trigger Litigation, MMI's liability in respect of asbestos related claims has substantially increased. As a result, the Scheme of Arrangement was enacted in 2013/14 and an Administrator has been appointed.

   At present, the Administrator has announced a levy of 15% on claims paid since 1 October 1993 and the Council has incurred costs of £0.4m to cover its share and a share, based on population, of the claims paid in respect of the former West Midlands County Council. The maximum remaining liability faced by the Council, less the payments already made, is £2.3m.

<u>Contingent Assets</u>

At 31 March 2014 the Council has identified the following material contingent asset.

1. The Council has been undertaking a review of its major contracts. It has identified that there have been payments made not in accordance with its interpretation of the full terms and conditions of the associated contracts. Through discussions with the relevant contractors, the Council is investigating the potential for the recovery of overpayments. Given the current status of these discussions and their sensitivity, the Council does not consider that further disclosure would be in its best interests at this time.

Note 34
Council Borrowing

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

2012/13 Long Term	2012/13 Short Term		2013/14 Long Term	2013/14 Short Term
£m	£m		£m	£m
140.4	69.0	Lender's Option Borrower's Option (LOBO) loans	100.5	109.0
325.5	23.9	Local Bonds	340.8	4.4
2,293.4	42.7	Public Works Loan Board	2,204.9	91.0
27.9	330.6	Other Borrowing (mainly Other Local Authorities)	-	365.4
2,787.2	**466.2**	**Total**	**2,646.2**	**569.8**

Note 35
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2012/13		2013/14
£m		£m
(16.6)	Interest received	(14.8)
165.3	Interest paid	171.6
(5.5)	Dividends received	(20.5)
143.2		**136.3**

Note 36
Cash Flow Statement - Investing Activities

The cash flows from investing activities include the following. The items for 2012/13 have been restated to reflect the impact of assets acquired through PFI schemes as a non-cash item:

2012/13 (Restated)		2013/14
£m		£m
(284.5)	Purchase of property, plant and equipment, investment property and intangible assets	(212.3)
(3,533.3)	Purchase of short-term and long-term investments	(3,545.7)
(0.5)	Other payments for investing activities	(1.2)
49.1	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	44.0
3,750.5	Proceeds from short-term and long-term investments	3,578.5
0.0	Other receipts from investing activities	0.4
(18.7)	**Net cash flows from investing activities**	**(136.3)**

Note 37
Cash Flow Statement - Financing Activities

The cash flows from financing activities include the following. The items for 2012/13 have been restated to reflect the receipt of capital grant income as a financing activity.

2012/13 (Restated) £m		2013/14 £m
111.8	Other receipts from financing activities	93.6
1,531.1	Cash receipts of short-term and long-term borrowing	723.3
(20.4)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(25.0)
(1,363.1)	Repayments of short-term and long-term borrowing	(760.7)
(12.0)	Other payments for financing activities	-
247.4	**Net cash flows from financing activities**	**31.2**

Note 38
Cash Flow – Other Adjustments

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

2012/13 £m		2013/14 £m
173.1	Depreciation/Impairment charge	163.5
20.0	Amortisation of Intangible Assets	20.6
101.0	Revaluation of Non-Current Assets	175.9
359.3	Derecognition of Non-Current Assets	201.1
40.2	(Increase)/Decrease in Debtors	9.3
(180.6)	Increase/(Decrease) in Creditors	4.1
-	(Increase)/Decrease in Inventories	0.3
3.8	Increase/(Decrease) in Provisions	(27.2)
63.2	Pensions Liability	78.6
580.0		**626.2**

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

2012/13 £m		2013/14 £m
(105.0)	Capital Grants	(80.1)
(49.1)	Capital Receipts	(44.3)
5.2	Council Tax and NNDR Adjustments	(13.5)
(148.9)		**(137.9)**

Note 39
Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m
Investments				
Loans and receivables	239.9	227.0	103.0	83.0
Available-for-sale financial assets	0.5	2.1	-	-
Unquoted equity investment at cost	1.4	1.4	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total	**241.8**	**230.5**	**103.0**	**83.0**
Investments that are not financial instruments	26.4	26.5	-	-
Total investments	**268.2**	**257.0**	**103.0**	**83.0**
Debtors				
Loans and receivables	38.1	37.6	3.5	4.5
Financial assets carried at contract amounts	-	-	103.9	148.5
Total	**38.1**	**37.6**	**107.4**	**153.0**
Debtors that are not financial instruments	32.7	39.5	136.5	75.4
Total debtors	**70.8**	**77.1**	**243.9**	**228.4**
Cash				
Loans and receivables			69.1	42.3
Total cash: asset			**69.1**	**42.3**
Financial liabilities at amortised cost			(72.7)	(24.7)
Total cash: liability			**(72.7)**	**(24.7)**
Borrowings				
Financial liabilities at amortised cost	(2,787.2)	(2,646.2)	(466.2)	(569.8)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total	(2,787.2)	(2,646.2)	(466.2)	(569.8)
Borrowings that are not financial instruments	-	-	-	-
Total borrowings	**(2,787.2)**	**(2,646.2)**	**(466.2)**	**(569.8)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(366.0)	(443.5)		
Total	(366.0)	(443.5)		
Other long term liabilities.	(71.2)	(69.8)		
Total long term liabilities	**(437.2)**	**(513.3)**		
Creditors				
Financial liabilities at amortised cost			-	-
Financial liabilities carried at contract amount			(187.6)	(193.6)
Total	-	-	(187.6)	(190.9)
Creditors that are not financial instruments	-	-	(95.7)	(96.4)
Total creditors	**-**	**-**	**(283.3)**	**(290.0)**

Material Soft Loans Made by the Council

The Council has made the following material soft loans:

Warwickshire County Cricket Club was granted a loan of £20m in 2009 to support the major ground refurbishment undertaken. The loan is deemed to be a material soft loan and is carried in the accounts at £13.9m, pays a fixed interest rate of 5% and matures in 2043. During the development phase of the project, interest was rolled up in the loan. In 2013/14, Warwickshire Cricket Club exercised its right, under the terms of the loan agreement, to defer interest and principal repayment for two quarters from March 2013 and extend the loan maturity to make these payments. The club applied for a further 18 month interest and principal deferral, which was granted by the Council. Bullet payments are due at the end of the 18 month deferral period. All interest on the deferred payments is rolled up and the term of the loan has been extended to 2045.

Marketing Birmingham received a loan of £1.1m in 2012 to support the creation of the Birmingham Business Hub at Baskerville House. The loan is deemed to be a material soft loan and is carried in the accounts at £0.9m, pays an interest rate of 2.2% and matures in 2022.

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

	2012/13 £m	2013/14 £m
Opening balance	**15.7**	**15.6**
Nominal value of new loans granted in year	-	-
Fair value adjustment on initial recognition	-	-
Loans repaid	(1.4)	(0.3)
Impairment losses	0.1	-
Increase in discount	1.2	0.5
Closing Balance at end of year	**15.6**	**15.8**
Nominal value at 31 March	21.3	22.3

Valuation Assumptions

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

Income, Expenses, Gains and Losses

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

	2012/13				2013/14			
	Financial Liabilities measured at amortised cost	Financial Assets:Loans and Receivables	Financial Assets: Available for Sale	**Total**	Financial Liabilities measured at amortised cost	Financial Assets:Loans and Receivables	Financial Assets: Available for Sale	**Total**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Interest Expense	165.3			**165.3**	171.6			**171.6**
Total expense in (Surplus)/Deficit on the Provision of Services	**165.3**	**-**	**-**	**165.3**	**171.6**	**-**	**-**	**171.6**
Interest and Dividend Income		(16.6)	(5.5)	**(22.1)**		(14.8)	(20.5)	**(35.3)**
Total income in (Surplus)/Deficit on the Provision of Services	**-**	**(16.6)**	**(5.5)**	**(22.1)**	**-**	**(14.8)**	**(20.5)**	**(35.3)**
Gains on Revaluation				-			(0.4)	(0.4)
(Surplus)/Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure				**-**			**(0.4)**	**(0.4)**
Net (gain)/loss for the year	**165.3**	**(16.6)**	**(5.5)**	**143.0**	**171.6**	**(14.8)**	**(20.9)**	**135.9**

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- PWLB loan cash flows are discounted at the PWLB premature repayment rate
- Other long term fixed rate loans are valued based on an estimate of the rate payable for a new loan on the same terms
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- Unquoted equity investments are valued at cost until a reliable fair value can be established
- Financial instruments that are consolidated into group accounts are shown at the carrying amount.

The fair values of financial liabilities are calculated as follows:

	31 March 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£m	£m	£m	£m
Creditors	(187.6)	(187.6)	(193.6)	(193.6)
Borrowings	(3,253.4)	(4,006.0)	(3,216.0)	(3,825.5)
Other Long Term Liabilities	(437.2)	(447.8)	(513.3)	(522.5)
Total	**(3,878.2)**	**(4,641.4)**	**(3,922.9)**	**(4,541.6)**

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

The fair values of financial assets are calculated as follows:

	31 March 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£m	£m	£m	£m
Investments	344.8	344.8	313.5	313.5
Debtors	145.5	143.4	190.6	188.3
Total	**490.3**	**488.2**	**504.1**	**501.8**

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) attributable to the commitment to receive interest below current market rates.

Note 40
Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

Short term investments	Fitch Short Term rating	Fitch Long Term rating	Fitch viability and support rating	Individual Lending Limit
Banks (including overseas banks) and Building Societies	F1+	A-	aa-,2	£25m
	F1+	A-	a-,2	£20m
	F1	A-	a-,2	£15m
Sterling Commercial paper and Corporate Bonds	F1+	A-	a-,2	£15m
Sterling Money Market Funds	Highest possible rating from Fitch, Moody's or S&P			£40m
Local Authorities	n/a	n/a	n/a	£25m
UK Government (incl. DMO, T-Bills and gilts) and supranational bonds	n/a	n/a	n/a	No Limit
UK Nationalised Banks	n/a	n/a	n/a	£25m

The only change in these criteria since 2013 has been the addition of supranational bonds and UK Company corporate bonds.

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

- Government stocks (or "Gilts") and other supranational bonds, with a maturity of less than five years.
- Corporate Bonds, Certificates of Deposit (CD) or Commercial Paper (CP) with a maturity of less than three years, subject to a long term credit rating of not less than AA (in addition to the restrictions in the table above). CD or CP shall not exceed 25% of long-term investments (i.e. those maturing in one year or more).

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

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

The Council's maximum exposure to credit risk, in relation to its investments in financial institutions, cannot be assessed generally, as the risk of any institution failing to make due payments will be specific to each individual institution. In relation to the Council's outstanding treasury deposits with financial institutions, local authorities and other institutions, no such deposits have defaulted in the year or are impaired. A risk of irrecoverability applies to all deposits, but there is no evidence at 31 March 2014 that this was likely to crystallise.

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

The following analysis summarises the Council's potential maximum exposure to credit risk on service investments, based on current knowledge and experience.

	Amount outstanding	Historical experience of default	Estimated experience of default	Estimated maximum exposure to default and uncollectability at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£m			£m	£m
Service investments	8.4	Nil	13%	1.1	0.8

Liquidity Risk

Liquidity risk arises from the need to borrow to finance capital expenditure, loan maturities and other payments. The Council has a comprehensive cash flow management system that measures liquidity and seeks to ensure that cash is available as needed. The Council has ready access to loans from the Public Works 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 Council sets limits on the proportion of its fixed rate borrowing maturing in specified periods. The maturity analysis of financial liabilities is as follows:

	31 March 2013	31 March 2014
	£m	£m
Less than 1 year	(822.2)	(884.4)
Between 1 and 2 years	(180.5)	(174.2)
Between 2 and 5 years	(271.6)	(204.9)
Between 5 and 20 years	(1,256.8)	(1,291.2)
Between 20 and 40 years	(960.8)	(1,007.4)
Over 40 years	(554.7)	(481.8)
Total	**(4,046.6)**	**(4,043.9)**

All trade and other current 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.

Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus/(Deficit) on the Provision of Services will rise

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

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

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

At 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	3.4
Increase in interest receivable on variable rate investments	(0.8)
Impact on Surplus/(Deficit) on the Provision of Services	2.6
Share of overall impact debited to the HRA	0.1
Decrease in fair value of fixed rate investment assets	3.0
Impact on Other Comprehensive Income and Expenditure	3.0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus/(Deficit) on the Provision of Services or Other Comprehensive Income and Expenditure)	(389.1)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The above sensitivities have been prepared and based on loan debt and loan investments outstanding at 31 March 2014.

In 2005, the Council acquired NEC (Finance) plc loan stock of which £192.4m remains to be repaid to the Council (31 March 2013: £192.4m). The loan stock is secured on an equal amount of NEC Ltd loan stock, which is itself guaranteed by the Council.

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

Price Risk

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

Note 41
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. The capital financing requirement has been restated for 2012/13 to reflect the grossing up of the transferred debt liabilities. The Capital Financing statement reflects the revision to its policy for Minimum Revenue Provision agreed by Council on 16 September 2014.

	31 March 2013 (Restated)	31 March 2014
	£m	£m
Opening Capital Financing Requirement	**3,990.8**	**4,183.1**
Capital Investment		
Property, Plant and Equipment	352.5	289.5
Heritage Assets	1.7	0.1
Investment Properties		
Intangible Assets	2.7	26.3
Revenue Expenditure funded from Capital under Statute	189.2	50.4
Equal Pay Directive	100.0	-
Long Term Loans		
Acquisition of Share Capital	0.5	1.2
Sources of Finance		
Capital Receipts	(20.7)	(15.8)
Government Grants and other Contributions	(257.8)	(83.0)
Sums set aside from Revenue:		
- Direct Revenue Contributions	(20.6)	(17.1)
- Use of Major Repairs Reserve	-	(46.3)
- Minimum Revenue Provision	(112.3)	(78.5)
- Voluntary Revenue Provision		(11.0)
- Capital Receipts set aside for debt redemption	(22.5)	(7.3)
Additions obtained through exchange of assets	(23.9)	-
Amendments to Capital Financing	3.5	-
Closing Capital Financing Requirement	**4,183.1**	**4,291.6**
Explanation of Movements in Year		
Increase in underlying need to borrow	118.6	3.3
Assets acquired under finance leases	1.4	1.6
Assets acquired under PFI contracts	72.3	103.6
Increase/(decrease) in Capital Financing Requirement	**192.3**	**108.5**
Movement in Year	**192.3**	**108.5**

Note 42
Leases

The Council has a significant number of leases, where it is both the lessee and lessor.

<u>Authority as the lessee</u>

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 either Property, Plant and Equipment or Assets Held for Sale in the Balance Sheet at the following net amounts.

31 March 2013		31 March 2014
£m		£m
11.9	Other Land and Buildings	7.5
4.6	Vehicles, Plant Furniture & Equipment	4.6
-	Assets Held for Sale	1.0
16.5	**Total**	**13.1**

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

31 March 2013		31 March 2014
£m		£m
	Finance lease liabilities (net present value of minimum lease payments):	
1.5	- current	1.4
2.3	- non-current	2.1
2.4	Finance costs payable in future years	2.1
6.2	**Minimum lease payments**	**5.6**

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£m	£m	£m	£m
Not later than one year	1.9	1.7	1.5	1.4
Later than one year and not later than five years	2.4	2.2	2.0	1.8
Later than five years	1.9	1.7	0.3	0.2
Total	**6.2**	**5.6**	**3.8**	**3.4**

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 2013/14 and 2012/13, no contingent rents were payable by the Council.

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

Operating leases
The Council has acquired a number of administrative buildings under operating leases. The future minimum lease payments due under non-cancellable leases where the length of lease was greater than 1 year at inception are:

31 March 2013 £m		31 March 2014 £m
1.5	Not later than one year	1.0
1.2	Later than one year and not later than five years	1.2
2.2	Later than five years	1.1
4.9	**Total**	**3.3**

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

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

31 March 2013 £m		31 March 2014 £m
2.5	Minimum lease payments	1.4
1.3	Contingent rents	0.3
3.8	**Total**	**1.7**

<u>Authority as the lessor</u>

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

31 March 2013 £m		31 March 2014 £m
	Finance lease debtor (net present value of minimum lease payments):	
-	- current	0.1
28.0	- non-current	37.0
192.8	Unearned finance income	207.8
(22.4)	Less – Unguaranteed residual value of property	(20.3)
198.4	**Gross investment in the lease**	**224.6**

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 2013	31 March 2014	31 March 2013	31 March 2014
	£m	£m	£m	£m
Not later than one year	-	0.1	2.0	2.3
Later than one year and not later than five years	0.1	0.3	7.2	9.2
Later than five years	27.9	36.7	189.2	213.1
Total	**28.0**	**37.1**	**198.4**	**224.6**

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 2013/14 £1.1m contingent rents were receivable by the Council (2012/13 £1.7m).

Operating leases

The Council has leased out property within Birmingham to a number of parties as operating leases.

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

31 March 2013		31 March 2014
£m		£m
13.6	Not later than one year	11.7
37.4	Later than one year and not later than five years	34.0
125.0	Later than five years	146.2
176.0	**Total**	**191.9**

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 2013/14 £3.4m contingent rents were receivable by the Council (2012/13 £9.6m).

Leases - contingent rent

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

Note 43
Private Finance Initiatives and Similar Contracts

The Council has entered into a number of PFI arrangements through 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 arrangements, which are included within concession arrangements, constitute the purchase of assets on deemed credit terms. The deemed credit terms vary between arrangements. The Council includes the cost of establishing Special Purpose Vehicles in the calculation of the liabilities. The main terms of the material arrangements are as follows:

- Waste Disposal. The arrangement includes the management and operation of the Council's Household Recycling Centres, Waste Transfer Stations and the Waste Incinerator. The contract began on 17 January 1994 and runs to 17 January 2019, with payments made monthly. Prices are indexed each year from 1 April. All assets, identified above, will revert to the Council at the end of the arrangement. There are no early termination or period clauses within the contract and there have been no changes in the arrangement during the period under review.

- Schools. A programme of build and/or management of 23 schools is the subject of 3 PFI arrangements, from 2001/02 (for 32 years), 2004/05 (for 35 years) and 2011/12 (for 25 years). In addition, Waverley secondary school was completed, at a cost of £32.1m, and began operating under a PFI contract ending in 2038/39. The service provider is paid a Unitary Charge monthly for the duration of the contracts, with indexation applied annually as per the terms of each contract. Within each contract the Council retains both the schools' assets and the liability for future contract commitments in the balance sheet. At 31 March 2014 there are five schools managed under PFI contracts that have converted to Academy status. Whilst the assets no longer belong to the Council and are thus removed from the balance sheet, the ongoing liability remains as a Council responsibility.

- Birmingham Highways Management and Maintenance arrangement. The contract provides for management and maintenance of all public highway and other contractually designated areas within the Birmingham boundary by the Service Provider. The contract commenced on 7 June 2010, with a contract period of 25 years, and 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 management element of the contract deals with road space management under legislation and responsibility for the Street Works Register, and services include:
    - Raising highway standards
    - Upgrading street lighting and the Council's traffic management assets
    - Refurbishing the Council's tunnels
    - Maintaining specified street furniture.

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

The Council continues to have full use of the roads and roadside furniture during the period of the arrangement, at the end of which all rights revert to the Council. There are no early termination or period clauses within the PFI arrangement. There have been no changes in the arrangement during 2013/14.

Payments remaining as at 31 March 2014	Interest	Repayment of liability	Payment for services	**Total**
	£m	£m	£m	£m
Payable in 2014/15	38.7	(21.0)	73.9	**91.6**
Payable within 2 to 5 years	140.4	65.3	293.9	**499.6**
Payable within 6 to 10 years	149.3	71.7	219.3	**440.3**
Payable within 11 to 15 years	114.8	105.9	261.9	**482.6**
Payable within 16 to 20 years	65.7	143.1	301.2	**510.0**
Payable within 21 to 25 years	11.6	81.7	98.0	**191.3**
Payable within 26 to 30 years	0.1	1.9	1.1	**3.1**
Total	**520.6**	**448.6**	**1,249.3**	**2,218.5**

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

2012/13		2013/14
£m		£m
318.9	Liability outstanding at the start of the year	370.1
(21.1)	Repayment of liability	(25.0)
72.3	Lifecycle and further capital expenditure	103.5
370.1	**Liability outstanding at the year end**	**448.6**

The major part of the expenditure incurred, £103.5m, in respect of the lifecycle and further capital expenditure relates to the continuing upgrade of the City infrastructure, £71.0m, and the completion of the new Waverley School, £32.1m. The remainder was incurred on minor enhancements to PFI projects.

Contingent rents, charged to the CIES, as a result of the impact of inflation total £4.7m (2012/13: £3.7m). The outstanding liability identified does not include the impact of future contingent rent.

Note 44
Members' Allowances

Allowances paid to Members of the Council in 2013/14 totalled £2.8m (2012/13: £2.7m). These figures include Members' allowances, superannuation contributions and expenses. Further information can be found on the Council's website www.birmingham.gov.uk

Note 45
Officers' Remuneration

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

		Salary, fees and allowances	Expense allowances	Pension contributions	Total
		£	£	£	£
S Hughes, Chief Executive [1]	2012/13	205,000	-	33,210	**238,210**
	2013/14	187,917	-	19,372	**207,289**
M Rogers, Chief Executive and Strategic Director of Economy [2]	2012/13				
	2013/14	14,227	-	2,305	**16,532**
P Dransfield, Deputy Chief Executive [3]	2012/13	158,501	-	25,677	**184,178**
	2013/14	150,930	-	24,451	**175,381**
S Lea, Strategic Director of Place [5]	2012/13	156,046	-	25,279	**181,325**
	2013/14	150,930	-	12,225	**163,155**
P Hay, Strategic Director for People [7]	2012/13	145,814	-	23,622	**169,436**
	2013/14	170,584	-	27,635	**198,219**
J Warlow, Director of Finance (Section 151 Officer)	2012/13	114,813	-	18,600	**133,412**
	2013/14	111,150	-	18,006	**129,156**
Dr A Phillips, Director of Public Health [8]	2012/13				
	2013/14	124,076	-	10,133	**134,209**
E Elkington, Strategic Director (Homes and Neighbourhoods) [4]	2012/13	143,468	-	23,242	**166,710**
	2013/14	2,340	-	379	**2,719**
M Barrow, Strategic Director (Development & Culture) [9]	2012/13	153,501	-	24,867	**178,368**
	2013/14	286,499	-	20,031	**306,530**
P Duxbury, Strategic Director (Children, Young People & Families) [6]	2012/13	162,983	6,223	26,403	**195,609**
	2013/14	211,804	2,137	168,451	**382,392**

Notes:
The Council has undertaken a review of the senior management structure over the accounting periods under review and the changes in responsibilities are set out below. Where the restructure has resulted in senior officers leaving the Council, the posts have been deleted, generating future annual savings and the officers have received payments in respect of redundancy pay, a payment in lieu of notice and, where eligible, gained access to their pension in line with the Council policy in the case of redundancy. With effect from 20 January 2014, the Council operates through three Directorates, namely, Economy, People and Place.

(1) Stephen Hughes retired from the Council on 28 February 2014.

(2) Mark Rogers took up the post of Chief Executive and Strategic Director of Economy with effect from 1 March 2014.

(3) Paul Dransfield, formerly Strategic Director of Corporate Resources, was appointed Deputy Chief Executive with effect from 28 January 2014.

[(4)] Elaine Elkington, the Strategic Director of Homes and Neighbourhoods left the Council on 28 February 2013. The payment made in 2013/14 relates to the outcome of prior year's performance development review award.

[(5)] Sharon Lea held the post of Strategic Director of Environment and Culture from 1 April 2012. With effect from 1 October 2012, the majority of the functions in respect of the roles of Strategic Director of Environment and Culture and the Strategic Director of Homes & Neighbourhoods were merged into the role of Strategic Director of Local Services.

With effect from 20 January 2014, Sharon Lea's post was redesignated to Strategic Director of Place.

[(6)] Peter Duxbury, Strategic Director for Children, Young People and Families left the Council on 18 July 2013.

[(7)] Peter Hay held the post of Strategic Director of Adults and Communities from 1 April 2012. With effect from 19 July 2013, the role also included the responsibilities of Interim Head for Children, Young People & Families.

With effect from 20 January 2014, Peter Hay took on the role of Strategic Director for People.

[(8)] On the transfer of Public Health responsibilities to the Council with effect from 1 April 2013, Dr Adrian Phillips held the post of Director of Public Health.

[(9)] Mark Barrow, Strategic Director of Development & Culture, left the Council on 31 January 2014.

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

2012/13				2013/14		
Council Employed Teaching Staff & Staff in Schools	Other Council Employees	Total	Remuneration band	Council Employed Teaching Staff & Staff in Schools	Other Council Employees	Total
No	**No**	**No**		**No**	**No**	**No**
210	119	329	£50,000 - £54,999	165	187	352
125	130	255	£55,000 - £59,999	114	106	220
95	33	128	£60,000 - £64,999	86	60	146
60	50	110	£65,000 - £69,999	65	56	121
38	17	55	£70,000 - £74,999	28	22	50
17	17	34	£75,000 - £79,999	17	11	28
10	12	22	£80,000 - £84,999	6	20	26
10	11	21	£85,000 - £89,999	8	13	21
9	5	14	£90,000 - £94,999	7	6	13
3	4	7	£95,000 - £99,999	3	7	10
3	7	10	£100,000 - £104,999	4	3	7
2	2	4	£105,000 - £109,999		1	1
2	2	4	£110,000 - £114,999	1	2	3
			£115,000 - £119,999	1	3	4
2	1	3	£120,000 +	1	1	2
586	**410**	**996**		**506**	**498**	**1,004**

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

The 'Other Council Employees' figures in the above table include employees with planned redundancy payments, 103 in 2013/14 (27 in 2012/13). Excluding employees in receipt of planned redundancy payments, 395 employees in 2013/14 (383 in 2012/13) received remuneration of £50,000 or more.

The reduction in the number of Council Employed Teaching Staff and Staff in Schools is mainly due to the conversion of a number of schools to Academy Status, which are excluded from the Council's financial statements.

Note 46
Exit Packages

The costs of exit packages are amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. The following table provides information on the number of exit packages payable by the Council for the year, with total cost per band and total cost of both compulsory and other redundancies. The details for 2012/13 have been restated to exclude employees who left at their own request and not as part of any Council offer.

2012/13 (Restated)							2013/14					
Compulsory		Voluntary		Total		Value of individual package	Compulsory		Voluntary		Total	
No	£m	No	£m	No	£m	£000	No	£m	No	£m	No	£m
		2	0.4	2	0.4	£150+			2	0.5	2	0.5
1	0.1	5	0.6	6	0.7	£100 - £150			14	1.7	14	1.7
2	0.2	6	0.5	8	0.7	£80 - £100			28	2.4	28	2.4
		8	0.5	8	0.5	£60 - £80	2	0.1	55	3.7	57	3.8
1	0.0	22	1.1	23	1.1	£40 - £60	4	0.2	81	3.9	85	4.1
6	0.2	102	2.7	108	2.9	£20 - £40	9	0.2	256	7.1	265	7.3
54	0.4	497	4.0	551	4.4	less than £20	61	0.4	706	5.5	767	5.9
64	**0.9**	**642**	**9.8**	**706**	**10.7**	**Total**	**76**	**0.9**	**1,142**	**24.8**	**1,218**	**25.7**

In addition to the costs of exit packages identified above, the Council incurred costs of £0.1m in 2013/14 (£0.2m in 2012/13) relating to the provision of transitional support and training to employees whose further employment was considered to be at risk.

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

Note 47
Auditor Remuneration

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

2012/13 £m		2013/14 £m
0.5	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	0.4
0.1	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	0.1
0.6	**Total**	**0.5**

Note 48
Related Parties

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

Birmingham Research Park Limited
Centro
Finance Birmingham
Friendship Care & Housing
Marketing Birmingham
MEL Research Limited
Millennium Point Trust

The value of transactions for other, non-consolidated, related parties was net expenditure of £0.1m (£0.1m expenditure and less than £0.1m income).

During 2013/14, works and services to the value of £215.0m, inclusive of VAT, were commissioned from related parties of which £16.1m remains outstanding. Additionally £82.9m, inclusive of VAT, was received during 2013/14 from companies in which the Council had a related party interest of which £13.1m remains outstanding. The majority of the value of expenditure is in relation to companies where elected members are acting in their official capacity within the Group.

Other balances at 31 March 2014 are £253.8m of investments (£227.1m in NEC) and £16.0m of loans (of which £15.3m is repayable after 31 March 2014).

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example, Council Tax bills, Housing Benefits). Grants received from Government departments are set out in the subjective analysis in Note 20 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2014 are included in Note 29.

Members

Members of the Council have direct control over the Council's financial and operational policies. The total of Members' allowances paid in 2013/14 is shown in Note 44.

Officers

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

Greater Birmingham and Solihull Business Rates Pooling Arrangement

The Greater Birmingham and Solihull Pool (the Pool) was designated by the Secretary of State in accordance with paragraph 34 of Schedule 7B to the Local Government Finance Act 1988 as a pool of authorities for the purposes of the scheme for the local retention of business rates under schedule 7B to the Act.

The Council entered into a pooled budget arrangement in 2013/14 with seven other local authorities, as detailed in the table below, following the introduction of the Business Rates Retention Scheme. The objective of the Pool is to adopt a strategic approach to promoting growth and job creation that supports the Greater Birmingham and Solihull Local Enterprise Partnership's Strategy for Growth, which includes:

- economic development,
- core funding; or
- a combination of both

The table below summarises the financial activity for the year:

	2013/14	
	£m	£m
Funding provided to the pooled budget		
Birmingham City Council	-	
Bromsgrove District Council	8.9	
Cannock Chase District Council	10.4	
East Staffordshire Borough Council	18.0	
Lichfield District Council	10.8	
Redditch Borough Council	11.9	
Solihull Metropolitan Borough Council	25.0	
Tamworth Borough Council	10.5	
		95.5

Expenditure met from the pooled budget

Birmingham City Council	94.8	
Bromsgrove District Council	-	
Cannock Chase District Council	0.1	
East Staffordshire Borough Council	-	
Lichfield District Council	-	
Redditch Borough Council	0.2	
Solihull Metropolitan Borough Council	-	
Tamworth Borough Council	0.1	
		95.2
Net surplus arising from the pooled budget during the year		0.3

The Pool will continue in future years until such time that a member serves the appropriate notice period of its intention to leave.

Other Public Bodies - Pooled Budgets

The Council has been in a pooled budget arrangement in previous years with the Birmingham Primary Care Trusts (PCTs). This year the responsibility for Health has transferred to the newly formed Clinical Commissioning Groups (CCGs) of which there are three covering the Birmingham area. These are CrossCity CCG, South Central CCG and Sandwell and West Birmingham CCG. The CCGs have successor status from the PCTs, therefore, the Council is still working jointly on the commissioning of services relating to Mental Health and Learning Disabilities. The objective of the pooled arrangement is to improve services for users through closer working and co-operation in the commissioning of services. The arrangements have been established pursuant to Section 75 of the NHS Act 2006 and related Regulations, and the Council hosts the Learning Disability element with the combined CCGs acting as host in relation to Mental Health Services. During 2013/14, the fourth year of the pooled arrangements, we have again attained a balanced budget position. The table below summarises the financial activity for the year:

	2012/13		2013/14	
	£m	£m	£m	£m
Funding provided to the pooled budget				
Birmingham City Council	123.7		122.6	
Primary Care Trusts	175.9			
Clinical Commissioning Groups			174.9	
		299.6		297.5
Expenditure met from the pooled budget				
Birmingham City Council	123.7		122.6	
Primary Care Trusts	175.9			
Clinical Commissioning Groups			174.9	
		299.6		297.5
Net surplus arising from the pooled budget during the year		-		-

<u>Entities Controlled or Significantly Influenced by the Council</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. Group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

	Expenditure	**Income**	**Debtor balance at year end**	**Creditor balance at year end**
	£m	£m	£m	£m
The National Exhibition Centre Limited	24.2	30.4	2.5	2.9
The National Exhibition Centre (Developments)	-	-	-	-
Innovation Birmingham Limited (name changed from Birmingham Technology Limited on 2 May 2013)	0.8	-	0.3	-
Performances (Birmingham) Limited	3.1	-	-	0.1
Acivico Limited	38.2	8.2	4.4	7.4
Birmingham Museums Trust	7.2	0.4	1.4	0.6

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

	Expenditure	**Income**	**Debtor balance at year end**	**Creditor balance at year end**
	£m	£m	£m	£m
Birmingham Airport Holdings Limited (BAH)	1.7	17.9	1.8	-
Service Birmingham Limited	127.3	22.6	1.9	5.1

Note 49
The Council Acting as Agent

The Council acts as an intermediary in its role as agent for a number of external bodies. The Council processes transactions through its financial ledger but does not include them into the Council's financial statements as it does not have exposure to significant risk or reward associated with the transactions. Details of the major activities where the Council acts as agent are detailed below:

Agency Role	No	Level of Reserve	Gross Expenditure
		£m	£m
Provision of External Payrolls	91	-	212.2
Accountable Body for grant aid to the Greater Birmingham & Solihull Local Enterprise Partnership Ltd	11	142.9	14.0
Business Rate Pooling	8	-	121.3
Arrangements supporting Housing activities	17	0.2	14.6
Enterprise Zones	1	1.2	0.7
Reporting of Trust activities	14	1.8	0.3
Other transactions	11	-	1.3

External Payrolls

The Council provides payroll services to a number of external organisations, including Academy Schools and Colleges of Further Education, using capacity within its payroll software. Whilst the cost of providing the service is charged to the external organisation and forms part of the CIES, the payroll records for the external organisations do not form part of the Council's financial statements.

Greater Birmingham & Solihull Local Enterprise Partnership

Resources have been made available through a number of Government sources, including the Regional Growth Fund where the Council has been identified as the accountable body. In its role as accountable body, under the terms and conditions of the funding arrangements, the Council has no entitlement to:

- retain any interest generated as a result of the provision of state funds
- use the state funds in any way other than as provided for in the offer letter.

The Council acts as accountable body for the resources provided on behalf of the Greater Birmingham & Solihull Local Enterprise Partnership (the LEP). The Council may receive direct funding to support eligible projects as determined by the LEP.

Business Rate Pooling

Details of the Greater Birmingham and Solihull Business Rates Pooling Arrangement are set out in Note 48 to these financial statements.

Enterprise Zones

The Council provides accountancy support, collecting Business Rate contributions through its role as agent for the Collection Fund and making payments on its behalf.

Housing Activities

In support of the activities that it undertakes as part of activities reported in the main Financial Statements, the Council also collects rents and manages properties on behalf of Housing Trusts and Community Associations.

Trusts

The Council provides administrative and accountancy support to a number of trusts.

Other

The Council provides accountancy support to:

- a number of National and Regional bodies, collecting contributions and making payments on their behalf
- receiving and making payments in respect of service users who require support in managing their resources.

Note 50
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 2014 were £26.9m (2012/13: £27.1m). In addition, the Council held £3.4m (2012/13: £2.9m) of Adult Services Clients' Funds. The trust funds and clients' funds do not represent assets of the Council and have not been included in the Consolidated Balance Sheet.

The major trust funds are detailed below.

	Balance at 31 March 2013	Income	Expenditure	Balance at 31 March 2014
	£m	£m	£m	£m
Council acting as Sole Trustee				
Birmingham Municipal Charity General Charitable Objectives	0.4	-	-	0.4
Charles Baker Trust – for the elderly and disabled	0.3	-	-	0.3
Cropwood Estate – management of the estate	14.7	-	-	14.7
Elford Trust – healthy recreation for Birmingham citizens	3.0	0.1	0.1	3.0
Harriet Louisa Loxton Charity – for the aged and infirm	1.6	0.1	-	1.7
Highbury Trust – for the benefit of the citizens of Birmingham	1.8	0.2	0.1	1.9
Total Council acting as Sole Trustee	**21.8**	**0.4**	**0.2**	**22.0**
Council acting as Custodian				
Alderson – To let dwelling houses to ex-servicemen and other persons in need	0.3	0.1	0.3	0.1
Bodenham Trust – for children with special educational needs	0.6	-	-	0.6
Clara Martineau Trust – for children with special educational needs	3.4	0.2	0.1	3.5
Holinsworth Fund – to further the work of voluntary bodies	0.2	-	-	0.2
The Lord Mayor's Charity Appeal – for charitable purposes	0.1	0.1	0.1	0.1
Museum & Art Gallery Development Trust – Enhancement of City Museums	0.3	-	0.3	-
Moseley Road Friends Institute – provision and maintenance	0.2	0.1	0.1	0.2
Other	0.2	-	-	0.2
Total for Council acting as Custodian	**5.3**	**0.5**	**0.9**	**4.9**
Total Trust balances	**27.1**	**0.9**	**1.1**	**26.9**

Analysis of the assets of the main funds:

	Restricted Funds at 31 March 2014	Unrestricted Funds at 31 March 2014	Total Funds at 31 March 2014
	£m	£m	£m
Council acting as Sole Trustee			
Birmingham Municipal Charity General Charitable Objectives	0.4	-	0.4
Charles Baker Trust – for the elderly and disabled	0.1	0.2	0.3
Cropwood Estate – management of the estate	0.2	14.5	14.7
Elford Trust – healthy recreation for Birmingham citizens	2.9	0.1	3.0
Harriet Louisa Loxton Charity – for the aged and infirm	1.5	0.2	1.7
Highbury Trust – for the benefit of the citizens of Birmingham	1.9	-	1.9
Total Council acting as Sole Trustee	**7.0**	**15.0**	**22.0**
Council acting as Custodian			
Alderson – To let dwelling houses to ex-servicemen and other persons in need	-	0.1	0.1
Bodenham Trust – for children with special educational needs	0.6	-	0.6
Clara Martineau Trust – for children with special educational needs	3.5	-	3.5
Holinsworth Fund – to further the work of voluntary bodies	0.2	-	0.2
The Lord Mayor's Charity Appeal – for charitable purposes	-	0.1	0.1
Moseley Road Friends Institute – provision and maintenance	0.2	-	0.2
Other	0.1	0.1	0.2
Total for Council acting as Custodian	**4.6**	**0.3**	**4.9**
Total	**11.6**	**15.3**	**26.9**

SUPPLEMENTARY FINANCIAL STATEMENTS 2013/14

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local Council housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. The Account is required to be self-financing and cannot subsidise or be subsidised by the General Fund. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2012/13 Restated £m		Note	2013/14 £m
	Income		
(240.3)	Dwellings rents		(249.8)
(6.2)	Non-dwellings rents		(6.9)
(24.7)	Charges for services and facilities		(23.9)
(0.3)	Subsidy Receivable	H5	-
(271.5)	**Total Income**		**(280.6)**
	Expenditure		
58.3	Repairs and maintenance		61.3
130.0	Supervision and management	H10	78.9
2.4	Rent, rates, taxes and other charges		4.5
37.0	Depreciation and impairment charge	H3 & H7	38.9
0.2	Debt management costs		0.2
6.2	Movement in the allowance for bad debts (not specified by the Code)		7.5
234.0	**Total Expenditure**		**191.3**
(37.5)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(89.3)**
0.1	HRA share of Corporate and Democratic Core		0.1
(0.6)	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		(1.7)
(38.0)	**Net (Income) / Cost of HRA Services**		**(90.9)**

	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
57.9	Interest payable and similar charges	69.0
0.9	Amortisation of premia and discounts	0.7
(0.3)	HRA interest and investment income	(0.6)
(4.2)	(Gains)/ Losses on the disposal of HRA non-current assets	(8.7)
3.4	Pensions interest cost and expected return on pensions assets	4.4
	Capital Grants and Contributions Receivable	(7.1)
19.7	**(Surplus)/Deficit for the Year on HRA Services**	**(33.2)**

Movement on the Housing Revenue Account Statement

2012/13		2013/14
£m		£m
19.7	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(33.2)
(12.9)	Adjustments between accounting basis and funding basis under statute (note 7)	31.2
6.8	Net (increase)/decrease before transfers to / (from) reserves	**(2.0)**
-	Transfers to/(from) reserves	-
6.8	(Increase)/decrease for the year on HRA balance	**(2.0)**
(9.2)	HRA Balance Brought Forward	(2.4)
(2.4)	HRA Balance Carried Forward	**(4.4)**

<u>Exceptional Items</u>
Included in the Cost of HRA Services is £3.7m (2012/13: £62.3m) in respect of liabilities under Equal Pay legislation. Further details of the provision are given in Note H10. The impact of this provision is reversed out through the Movement in Reserves Statement so that it doesn't fall as a charge to the HRA until payment is made.

<u>2012/13 Restated Accounts</u>
The HRA has been restated for 2012/13 to reflect revisions to pensions costs charged to the HRA as a result of the application of IAS 19. Note 5 to the accounts sets out the full details of these revisions.

Notes to the Housing Revenue Account

H1. Housing Stock

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

31 March 2013		31 March 2014
3,745	1 bedroom bungalows	3,738
15,632	1 bedroom flats	15,502
31	1 bedroom houses	33
296	2 bedroom bungalows	295
11,231	2 bedroom flats	11,082
8,408	2 bedroom houses	8,406
35	3 or more bedroom bungalows	35
4,338	3 or more bedroom flats	4,287
20,384	3 or more bedroom houses	20,040
64,100	**Total housing stock**	**63,418**

The change in the property numbers is analysed below:

2012/13		2013/14
64,529	Stock at 1 April	64,100
(313)	Sales	(565)
(216)	Demolitions / transfers	(263)
100	Acquisitions	146
64,100	**Stock at 31 March**	**63,418**

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

31 March 2013		31 March 2014
£m		**£m**
1,588.2	Council dwellings	1,660.2
16.6	Other land and buildings	14.5
1,604.8	**Total operational assets**	**1,674.7**
30.8	Non-operational assets	32.7
1,635.6	**Total**	**1,707.4**

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 Institution of Chartered Surveyors using the Existing Use Value - Social Housing basis, which takes open market value for the underlying dwellings and applies a discount factor to reflect the reduced value as a result of use for social housing for 2013/14 of 34%.

The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £88.7m was spent on HRA dwellings during the year of which £70.7m was impaired as not adding value to the dwellings. This impairment was charged to the revaluation reserve in year.

As at 31 March 2014, the Council also owned 173 dwellings (2013: 185) that were occupied by trespassers following the death or departure of the tenant of that property. These properties are, therefore, not available for social housing. These properties are not considered to have a value whilst they are occupied in this way, but if they were to become available for social housing, their value, on the basis of an Existing Use Value – Social Housing (EUV-SH) would be £4.6m (2013: £4.6m).

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

31 March 2013		31 March 2014
£m		**£m**
379.6	Land	392.9
25.9	Kitchens	24.3
37.4	Bathrooms	32.2
67.5	Windows	71.2
42.2	Heating	43.4
29.6	Roofs	36.8
1,006.0	Remaining Structure	1,059.4
1,588.2	**Total**	**1,660.2**

H2. Value of Dwellings on Vacant Possession

(a) The vacant possession value of dwellings within the Council's HRA, valued in accordance with the Guidance, as at 31 March 2014 is £4,563.7m

(b) The difference between the above figure and the figure of £1,660.2m in the Balance Sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the DCLG's stock valuation model as explained in Supplementary Note H1.

H3. Revaluations and Impairment Charges

Revaluations and impairment charges reflect an increase or reduction in the value of property due to the economic environment or an event has occurred to the assets. This could include a decline in demand, obsolescence, and commitments to make significant changes to housing. As disclosed in Supplementary Note H1 there was an impairment of £70.7m made to the carrying value of HRA dwellings to reflect the fact that capital expenditure on the assets did not add equivalent value. In addition a revaluation of the HRA dwellings has identified an increase in value of £115.0m, resulting in a net increase in value of £44.3m. This increase has been transferred to a revaluation reserve.

H4. Major Repairs Reserve

A transfer is made to the Major Repairs Reserve each year of a value equivalent to the amount charged to the HRA for depreciation of dwellings based on the componentised valuation of the dwellings and individual component residual lives, to make provision for ongoing elemental renewal over the longer term. Until 2011/12, the Major Repairs Allowance was used as a proxy for this depreciation calculation.

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

2012/13		2013/14
£m		**£m**
15.0	Balance on Major Repairs Reserve at 1 April	52.0
37.0	Amount transferred to Major Repairs Reserve during the year	38.9
-	Charge to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the Council's HRA	(46.3)
52.0	**Balance on Major Repairs Reserve at 31 March**	**44.6**

H5. Housing Revenue Account Subsidy

The Housing Revenue Account Subsidy system was discontinued at the end of 2011/12, as a part of the HRA Self-Financing Settlement. This Subsidy included two components namely, Housing Revenue Account Subsidy and the Major Repairs Allowance (MRA). The HRA Subsidy element was calculated using stock numbers, allowances for management/maintenance, capital financing costs and notional rental income. The MRA was based on property numbers and was paid (explained in Note H4) through the HRA Subsidy administration system.

Analysis of the HRA subsidy payable by the Council in accordance with the regulations of the General Determination of Housing Revenue Account Subsidy:

2012/13		2013/14
£m		**£m**
-	Allowance for management	-
-	Allowance for maintenance	-
-	Allowance for Major Repairs	-
-	Capital charges	-
-	Rental income	-
(0.3)	Other (including prior years)	-
(0.3)	**HRA subsidy (receivable) / payable**	**-**

H6. Capital Expenditure on HRA Assets

Expenditure on HRA assets was funded from the following sources:

2012/13		2013/14
£m		**£m**
20.7	Usable Capital Receipts (Right to Buy / land)	15.8
-	Major Repairs Reserve	46.3
20.6	Revenue contributions	17.1
11.4	Other resources	9.5
52.7		**88.7**

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £31.5m (land £6.5m, houses £25.0m). The values for 2012/13 were £18.0m (land £3.2m, houses £14.8m). The Government operates a capital receipts pooling framework and of these amounts £5.2m was paid to Central Government (2012/13: £4.4m).

H7. Depreciation Charges

The total charge for depreciation for the land, houses, and other property within the Authority's HRA is £38.9m (2012/13: £37.0m). The depreciation charge is calculated by reference to an assessment of the remaining useful life of the key components of each individual dwelling valued on a depreciated replacement cost basis.

H8. 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 12 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.

H9. Rent Arrears

Rent arrears from current tenants at 31 March 2014 totalled £10.3m (2012/13: £9.0m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £18.9m at 31 March 2014 (2012/13: £16.1m).

A provision for bad debts has been made to meet possible future write offs of rent and other services/leaseholder/benefit overpayments. The provision was £22.5m at 31 March 2014 (2012/13: £19.5m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

31 March 2013		31 March 2014
£m		**£m**
9.0	Current tenants	10.3
8.5	Housing benefit overpayment	9.8
7.6	Other debt (services/leaseholders)	9.1
25.1	**Total arrears**	**29.2**
19.5	Provision for bad debts	22.5

H10. Supervision and Management

The Council has recognised that an element of the settlements being agreed in respect of claims under the Equal Pay Act 1970 relate to employees whose employment costs fell on the HRA. Therefore the HRA has been charged its share of the Council's overall Equal Pay liability based on the current estimate of claims. The charge to the HRA relates solely to claims relating to activities correctly charged to the HRA, and amounts to £3.7m in 2013/14 (2012/13: £62.3m). Of the amounts charged to the HRA, £32.9m remains in the provision to meet future years' payments. Statutory arrangements (Capital Regulation 30A) allow the change in provision to be reversed back to an Equal Pay Back Pay Account. The remaining balance on the Equal Pay Back Pay Account will be debited back to the HRA through the Movement in Reserves Statement in future financial years as payments are made.

Collection Fund Income and Expenditure Account

The Collection Fund Income and Expenditure Account reflects the statutory requirement for the Council to maintain a separate Collection Fund for Council Tax and National Non Domestic Rates (NNDR). The statement shows transactions in relation to the collection of income from tax payers and the distribution to major preceptors and the Council itself, as principal. The resulting balance is apportioned between the Council and major preceptors.

2012/13				2013/14		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m		£m	£m	£m
			Income			
			Council Tax Receivable:			
(283.5)		(283.5)	Collectable Council Tax	(298.2)		(298.2)
(100.0)		(100.0)	Transfer from General Fund: Council Tax Benefit	(3.6)		(3.6)
(383.5)		**(383.5)**		**(301.8)**		**(301.8)**
			Business Rates Receivable:			
	(408.3)	(408.3)	Collectable Business Rates		(414.0)	(414.0)
	4.1	4.1	Transitional Payment Payable to Government		0.4	0.4
	(404.2)	**(404.2)**			**(413.6)**	**(413.6)**
	-	-	Reconciliation Adjustments:		(1.7)	(1.7)
			Apportionment of Prior Year Deficit:			
-		-	Birmingham City Council	(3.0)	-	(3.0)
-		-	Fire Authority	(0.1)	-	(0.1)
-		-	West Midlands Police and Crime Commissioner	(0.3)	-	(0.3)
-	-	**-**		**(3.4)**	-	**(3.4)**
(383.5)	**(404.2)**	**(787.7)**	**TOTAL INCOME**	**(305.2)**	**(415.3)**	**(720.5)**

2012/13				2013/14		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m	Expenditure	£m	£m	£m
			Precepts Demands & Shares:			
333.2	-	333.2	Birmingham City Council	255.1	193.7	448.8
0.1	-	0.1	New Frankley Parish Council	-		-
	-	0.0	Central Government		195.2	195.2
14.3	-	14.3	Fire Authority	12.1	3.9	16.0
29.8	-	29.8	West Midlands Police and Crime Commissioner	23.5		23.5
			Charges:			
-		-	Transfer to General Fund: Council Tax Benefit Overpayment	0.7		0.7
8.5	2.4	10.9	Write Offs	3.2	3.9	7.1
3.5	3.2	6.7	(Increase)/Decrease in Bad Debt Provision	6.9	4.6	11.5
	-	-	(Increase)/Decrease in Provision for Appeals		11.4	11.4
	-	-	(Increase)/Decrease in Provision for Back Dated Appeals		32.0	32.0
	1.9	1.9	Cost of Collection		1.9	1.9
	396.7	396.7	Payment to NNDR Pool		-	-
12.0	**404.2**	**416.2**		**10.8**	**53.8**	**64.6**
-	**-**	**-**	**Reconciliation Adjustments:**		**0.1**	**0.1**
389.4	**404.2**	**793.6**	**TOTAL EXPENDITURE**	**301.5**	**446.7**	**748.2**
5.9	**-**	**5.9**	**(Surplus)/Deficit for the year**	**(3.7)**	**31.4**	**27.7**
0.9	**-**	**0.9**	**(Surplus)/Deficit brought forward**	**6.8**	**-**	**6.8**
6.8	**-**	**6.8**	**(Surplus)/Deficit carried forward**	**3.1**	**31.4**	**34.5**

Notes to the Collection Fund
C1. Contributions from Council Taxpayers

The Council's tax base at January 2013 (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	222	5/9	123
A	70,086	6/9	46,724
B	79,175	7/9	61,581
C	55,293	8/9	49,149
D	28,767	1	28,767
E	18,219	11/9	22,268
F	8,798	13/9	12,708
G	6,387	15/9	10,645
H	1,962	18/9	3,924
Total	**268,909**		**235,889**
Less adjustment for collection rate			(6,864)
			229,025

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.

The figures for the New Frankley in Birmingham Parish are:

Band	Number of Properties	Ratio	Band D equivalent dwellings
AR	5	5/9	3
A	510	6/9	340
B	895	7/9	696
C	80	8/9	72
D	51	1	51
E	1	11/9	1
F	-	13/9	-
G	-	15/9	-
H	1	18/9	2
Total	**1,543**		**1,165**
Less adjustment for collection rate			(34)
			1,131

C2. Business Ratepayers

The Council collects NNDR for its area which are based on local rateable values multiplied by a uniform rate which is set by the Government (46.2p for 2013/14 : 45.0p for 2012/13). The total non-domestic rateable value at 31 March 2014 was £1,070.27m (31 March 2013: £1,053.7m). With effect from 1 April 2013, under the new NNDR Retention Scheme the amount raised each year, less certain reliefs and adjustments, is distributed on the following basis:

- 50% Central Government
- 49% Birmingham City Council
- 1% The West Midlands Fire and Rescue Authority.

Prior to 1 April 2013 the amount raised each year, less certain reliefs and adjustments, was paid to a central pool, the NNDR Pool. The pool was managed by Central Government, who in turn paid back to authorities their share of the pool based on a government formula. For 2012/13 the amount payable to the NNDR Pool by the Council was £396.6m and the income re-distributed to the Council was £634.2m.

C3. Precept Payments

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

The preceptors on the NNDR element of the Collection Fund are Central Government, the West Midlands Fire and Rescue Authority and the Council.

Birmingham City Council

Statement of GROUP Accounts 2013/14

Foreword to the Accounts

1 Introduction

1.1 This document presents the statutory financial statements for Birmingham City Council Group for the period from 1 April 2013 to 31 March 2014. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

1.2 In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases it has created separate companies with its partners to deliver those services. The use of separate companies and Trusts means that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture.

1.3 These Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the subsidiaries, associates and jointly controlled entities have been aligned with the policies of the Council, for the purposes of Group Accounts, where materially different. Such adjustments as are necessary to align the Group Accounting policies are made as consolidation adjustments.

1.4 This foreword provides a summary of the Group's financial position and details of material items that have impacted on the accounts during the year.

1.5 The financial statements contain a number of technical accounting terms and concepts. A glossary of the major accounting terms has been provided at the end of the financial statements to help the reader's understanding.

1.6 The pages which follow contain the Group's Financial Statements for the year ended 31 March 2014, with comparative figures for the previous financial year.

2 Consolidation of Subsidiary and Associate Companies

2.1 The Council operates through a variety of undertakings, either exercising full control of an organisation (subsidiary undertakings) or in partnership with other organisations (associate undertakings). To provide a full picture of the activities of the Council, Group Accounts have been prepared which include those organisations where the interest is considered material. The Group Accounts consolidate the Council's accounts with those of:

Subsidiaries

- Acivico Limited
- Birmingham Museums Trust
- Innovation Birmingham Limited
- National Exhibition Centre Limited Group (including NEC Finance Plc)
- National Exhibition Centre (Developments) Plc
- Performances (Birmingham) Limited

Associates
- Birmingham Airport Holdings Limited
- Service Birmingham Limited

2.2 Further detail regarding the Council's relationship with the above companies is given in note G22.

2.3 The Council also maintains involvement with a number of other related entities where the assets and liabilities of the companies are not included in these Group Accounts. Where these entities fall within the Group boundary as subsidiaries, associates or jointly controlled entities they have been excluded from consolidation on the grounds of materiality. Otherwise they do not fall within the Group boundary due to the Council's limited control or influence.

3 The Main Financial Statements

3.1 The following statements consolidate the accounts of the Council with those of its subsidiaries and associates. Transactions between the Council and its Group entities are eliminated on consolidation.

3.2 Group Movement in Reserves Statement (GMiRS) – provides a reconciliation of the movement in year on the different reserves held and how the balance of resources generated or used in the year reconciles to the Council's statutory requirements for raising Council Tax.

3.3 The Group Comprehensive Income and Expenditure Statement (GCIES) – provides the accounting cost in year recognised by the Group, in a specified format, in accordance with generally accepted accounting practices.

The 2013/14 GCIES shows a reduction of £94.2m in the net cost of services compared to 2012/13. The reduction relating to the Council as a single entity, prior to consolidation adjustments, was £188.0m, and is explained in the Foreword to the Council's Accounts and Note 5 Prior Period Adjustments.

3.4 Group Balance Sheet – shows the value of assets and liabilities recognised by the Group at 31 March 2014 and the level of reserves, split into usable and unusable.

The net liability has increased to £1,041.1m. The principle difference to the Council's single entity net liability (£903.8m) results from the addition of consolidation adjusted net liabilities of £110.3m, consisting of £8.8m long-term liabilities (inclusive of the addition of £199.5m non-current assets and the removal of £252.7m long-term investments), £6.5m net current liabilities and £95.0m long term liabilities.

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

4 Prior Period Adjustments

4.1 The International Accounting Standards Board issued its revised version of *IAS 19, Employee Benefits*, in June 2011, which came into effect for financial years starting on or after January 2013. The standard has introduced changes to the presentation of transactions for pension fund movements. Adjustments in respect of Group entities are not materially different to those of the Council. Further details are set out in Note 5 to the Council entity accounts. Core Financial Statements and Notes to the Group Accounts have been restated where appropriate.

5 Proposed Future Changes in Birmingham City Council Group Structure

5.1 On 5 March 2014 Birmingham City Council announced its intention to seek offers for the NEC Group. Principal objectives of the proposed sale are to secure an investor who shares the vision and strategic ambitions of the NEC Group and to maximise the proceeds for Birmingham City Council. Bringing the NEC Group under private ownership will enable the business to take full advantage of its growth opportunities and reach the next stage of its development.

5.2 In structuring a transaction, the Council intends to ensure that the existing uses of the exhibition centre, International Convention Centre and two arenas (LG Arena and National Indoor Arena) are preserved. The Council also intends to retain claw-back rights over certain land at the main NEC site, so ensuring that it preserves potential future development value from a highly attractive site that will be adjacent to the Birmingham Interchange HS2 station.

5.3 The major assets of the NEC have historically been accounted for in Birmingham City Council's Group and Entity financial statements as specialist assets on a valuation basis of depreciated replacement cost (DRC) as there was no comparable market evidence on which the assets could be valued. In light of more information relevant to a market valuation now being available the carrying value of the assets, anticipated to be disposed of and retained, in the financial statements reflects this information.

Group Movement in Reserves Statement

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

	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account (HRA) £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	**Total Usable Reserves £m**	Unusable Reserves £m	**Total Council Reserves £m**	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £m	MI Reserves £m	**Total Group Reserves £m**
Balance at 1 April 2012	**30.6**	**180.0**	**9.2**	**-**	**44.9**	**15.0**	**210.9**	**490.6**	**(665.3)**	**(174.7)**	**551.9**	**-**	**377.2**
Movement in Reserves during 2012/13 (Restated)													
Surplus/(Deficit) on the provision of services	(629.9)	-	(18.3)	-	-	-	-	**(648.2)**	-	**(648.2)**	(37.6)	-	**(685.8)**
Other Comprehensive Income and Expenditure								**-**	(335.3)	**(335.3)**	(12.4)	-	**(347.7)**
Total Comprehensive Income and Expenditure	**(629.9)**	**-**	**(18.3)**	**-**	**-**	**-**	**-**	**(648.2)**	**(335.3)**	**(983.5)**	**(50.0)**	**-**	**(1,033.5)**
Adjustments between Group accounts and Council accounts (Note G20)	(35.5)	-	-	-	-	-	-	(35.5)	-	**(35.5)**	35.5	-	**-**
Change in Group reserves accounted for through equity (Note G6)	-	-	-	-	-	-	-	**-**	-	**-**	-	-	**-**
Net Increase/(Decrease) before Transfers	**(665.4)**	**-**	**(18.3)**	**-**	**-**	**-**	**-**	**(683.7)**	**(335.3)**	**(1,019.0)**	**(14.5)**	**-**	**(1033.5)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations	739.3	-	11.6	-	1.5	37.0	(81.9)	**707.5**	(707.5)	**-**	-	-	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**73.9**	**-**	**(6.7)**	**-**	**1.5**	**37.0**	**(81.9)**	**23.8**	**(1,042.8)**	**(1,019.0)**	**(14.5)**	**-**	**(1,033.5)**
Transfers to/(from) Earmarked Reserves	(77.6)	77.6	-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2012/13	**(3.7)**	**77.6**	**(6.7)**	**-**	**1.5**	**37.0**	**(81.9)**	**23.8**	**(1,042.8)**	**(1,019.0)**	**(14.5)**	**-**	**(1,033.5)**
Balance at 31 March 2013 carried forward	**26.9**	**257.6**	**2.5**	**-**	**46.4**	**52.0**	**129.0**	**514.4**	**(1,708.1)**	**(1,193.7)**	**537.4**	**-**	**(656.3)**
Balance at 1 April 2013	**26.9**	**257.6**	**2.5**	**-**	**46.4**	**52.0**	**129.0**	**514.4**	**(1,708.1)**	**(1,193.7)**	**537.4**	**-**	**(656.3)**
Movement in Reserves during 2013/14													
Surplus/(Deficit) on the provision of services	(350.7)	-	33.2	-	-	-	-	**(317.5)**	-	**(317.5)**	(138.8)	-	**(456.3)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	651.9	**651.9**	(553.4)	-	**98.5**
Total Comprehensive Income and Expenditure	**(350.7)**	**-**	**33.2**	**-**	**-**	**-**	**-**	**(317.5)**	**651.9**	**334.4**	**(692.2)**	**-**	**(357.8)**
Adjustments between Group accounts and Council accounts (Note G20)	(44.5)	-	-	-	-	-	-	(44.5)	-	**(44.5)**	44.5	-	**-**
Change in Group reserves accounted for through equity (Note G6)	-	-	-	-	-	-	-	-	-	**-**	-	-	**-**
Net Increase/(Decrease) before Transfers	**(395.2)**	**-**	**33.2**	**-**	**-**	**-**	**-**	**(362.0)**	**651.9**	**289.9**	**(647.7)**	**-**	**(357.8)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations	543.1	-	(31.2)	-	(18.9)	(7.4)	13.5	**499.1**	(499.1)	**-**	-	-	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**147.9**	**-**	**2.0**	**-**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**152.8**	**289.9**	**(647.7)**	**-**	**(357.8)**
Transfers to/(from) Earmarked Reserves	(89.0)	89.0	-	-	-	-	-	**-**	-	**-**	**-**	-	**-**
Increase/(Decrease) in 2013/14	**58.9**	**89.0**	**2.0**	**-**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**152.8**	**289.9**	**(647.7)**	**-**	**(357.8)**
Balance at 31 March 2014 carried forward	**85.8**	**346.6**	**4.5**	**-**	**27.5**	**44.6**	**142.5**	**651.5**	**(1,555.3)**	**(903.8)**	**(110.3)**	**-**	**(1,014.1)**

Group Comprehensive Income and Expenditure Statement

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

2012/13 (Restated)					2013/14		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m		Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
126.3	(111.7)	14.6	Central Services to the Public		24.2	(20.5)	3.7
324.0	(191.5)	132.5	Cultural and Related services		380.2	(166.5)	213.7
131.3	(28.8)	102.5	Environmental and Regulatory Services		123.0	(31.9)	91.1
76.4	(53.7)	22.7	Planning Services		66.5	(48.7)	17.8
1,584.5	(1,072.9)	511.6	Children's and Education services		1,403.0	(956.4)	446.6
214.9	(63.4)	151.5	Highways and Transport services		173.7	(41.0)	132.7
234.0	(271.5)	(37.5)	Local Authority Housing (HRA)		191.3	(280.6)	(89.3)
656.0	(588.3)	67.7	Other housing services		668.2	(571.8)	96.4
421.1	(86.2)	334.9	Adult social care		402.8	(82.9)	319.9
43.8	(0.8)	43.0	Corporate and Democratic Core		47.4	(6.2)	41.2
(11.8)	-	(11.8)	Non Distributed Costs		(27.6)	-	(27.6)
69.0	(61.9)	7.1	Trading Operations		70.7	(64.0)	6.7
3,869.5	**(2,530.7)**	**1,338.8**	**Cost Of Services**		**3,523.4**	**(2,270.5)**	**1252.9**
			Acquired Services				
-	-	-	Public Health		71.3	(79.6)	(8.3)
3,869.5	**(2,530.7)**	**1,338.8**	**Total Cost of Services**		**3,594.7**	**(2,350.1)**	**1,244.6**
380.3	-	380.3	Other Operating Expenditure		220.4	-	220.4
265.7	(22.3)	243.4	Financing and Investment Income and Expenditure	G5	277.7	(35.7)	242.0
5.2	(1,276.2)	(1,271.0)	Taxation and Non-Specific Grant Income		16.9	(1,267.2)	(1,250.3)
		691.5	**(Surplus)/Deficit on Provision of Services**				**456.7**
		(8.5)	Share of the Surplus/Deficit on the Provision of Services of Associates				(3.0)
		0.1	Tax Expense of Subsidiaries				(0.1)
		2.7	Tax Expense of Associates				2.7
		685.8	**Group (Surplus)/Deficit**				**456.3**
			Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(68.3)	(Surplus)/Deficit on Revaluation of Non Current Assets	G12			260.9
		12.1	Impairment Losses/(Reversals) on Non Current Assets charged to the Revaluation Reserve	G12			91.7
		398.2	Remeasurement on the Net Defined Benefit Liability	G19			(465.7)
		2.6	Other (Gains)/Losses				-
		3.0	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures				15.0
		347.7					**(98.1)**
			Items that may be reclassified to the (Surplus)/Deficit on the Provision of Services				
		-	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				(0.4)
		-					**(0.4)**
		347.7	**Other Comprehensive (Income)/Expenditure**				**(98.5)**
		1,033.5	**Total Comprehensive (Income)/Expenditure**				**357.8**

Note G21 provides an analysis of Minority Interest shares of GCIES and provides a reconciliation of the GCIES to the movement in the Balance Sheet.

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

31 March 2013		Note	31 March 2014
£m			**£m**
5,529.5	Property, Plant and Equipment	G7	4,822.6
245.3	Heritage Assets	G7	245.7
46.7	Intangible Assets		52.3
2.7	Long Term Investments	G8	4.3
60.1	Long Term Debtors		66.9
66.3	Investments in Associates and Joint Ventures	G22	51.7
5,950.6	**Total Long Term Assets**		**5,243.5**
132.1	Short Term Investments	G8	108.8
14.8	Assets Held for Sale		11.8
3.6	Inventories		2.8
263.7	Short Term Debtors	G9	248.9
74.7	Cash and Cash Equivalents		48.9
488.9	**Total Current Assets**		**421.2**
(75.9)	Cash and Cash Equivalents		(24.7)
(466.2)	Short Term Borrowing		(569.8)
(341.1)	Short Term Creditors	G10	(351.3)
(145.4)	Provisions		(191.6)
(1,028.6)	**Total Current Liabilities**		**(1,137.4)**
(73.0)	Long Term Creditors	G8	(73.1)
(552.2)	Provisions		(479.0)
(2,787.2)	Long Term Borrowing		(2,646.2)
(437.8)	Other Long Term Liabilities		(513.5)
(2,217.0)	Net Liability on Defined Benefit Pension Scheme	G19	(1,829.6)
(6,067.2)	**Total Long Term Liabilities**		**(5,541.4)**
(656.3)	**Net Assets/(Liabilities)**		**(1,014.1)**
472.9	Usable Reserves	G11	518.1
(1,129.2)	Unusable Reserves	G12	(1,532.2)
(656.3)	**Total Reserves**		**(1,014.1)**

Group Cash Flow Statement

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

2012/13 (Restated) £m		Note	2013/14 £m
(685.8)	Net Surplus/(Deficit) on the provision of services		(456.3)
587.0	Adjustments to net Surplus/(Deficit) on the provision of services for non cash movements		755.0
(148.9)	Adjustments for items included in the net Surplus/Deficit on the provision of services that are investing and financing activities		(137.5)
(247.7)	**Net cash flows from Operating Activities**	G13	**161.2**
(23.0)	Investing Activities	G14	(164.1)
245.9	Financing Activities	G15	28.3
(24.8)	**Net Increase/(Decrease) in cash and cash equivalents**		**25.4**
23.6	Cash and cash equivalents at the beginning of the reporting period		(1.2)
(1.2)	**Cash and cash equivalents at the end of the reporting period**		**24.2**

Note G1
Accounting Policies

The Group Financial Statements summarise the Council's and Group's transactions for the 2013/14 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, 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 G22. Subsidiaries have been consolidated into the Group Financial Statements on a line by line basis, with associates consolidated under the equity method.

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

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council's entity accounts. Where there are not material differences, the Notes to the Council 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 Limited (NEC Ltd) have been prepared under EU IFRS however all other subsidiaries and associates have been prepared under UK GAAP. Adjustments have been made to the financial statements accounted for under UK GAAP to align these with IFRS under The Code.

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

Derivative Financial Instruments and Hedging Activities

The Group uses foreign currency forward contracts to mitigate the adverse currency exchange risk on trade receivables. These contracts are treated as a trading instrument with fair value movements on the derivative being recognised immediately through the income statement. At 31 March 2014 NEC Ltd had entered into forward contracts totalling €3.65m all of which mature within 24 months (2012/13: €2.15m).

Defined Contribution Pension Schemes

The NEC Limited Group funds two defined benefit schemes, which ceased to provide future service accrual with effect from 30 June 2010 and 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. Further information may be found in Note G19.

Defined Benefit Pension Scheme

Acivico Limited participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit scheme based upon final pensionable salary. Further information may be found within the Council's entity accounting policies and Note G19.

Note G2
Critical Judgements in Applying Accounting Policies

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

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

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

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

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

Note G4
Events After the Reporting Period

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

There are no additional material events after the reporting period 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 Group Comprehensive Income and Expenditure Statement comprises the following:

2012/13 (Restated)				2013/14		
Expenditure	Income	Net		Expenditure	Income	Net
£m	**£m**	**£m**		**£m**	**£m**	**£m**
182.8	-	182.8	Interest payable and similar charges	188.1	-	188.1
82.9	(0.1)	82.8	Net interest on the net defined benefit liability	89.6	(0.3)	89.3
-	(16.7)	(16.7)	Interest receivable and similar income	-	(14.9)	(14.9)
-	(5.5)	(5.5)	Other investment income and expenditure	-	(20.5)	(20.5)
265.7	**(22.3)**	**243.4**	**Total**	**277.7**	**(35.7)**	**242.0**

Note G6
Changes in Group Ownership Processed in Equity

Changes in Group ownership which do not result in a change in control are processed in equity, in line with The Code.

There were no such changes during 2012/13 or 2013/14.

Note G7

Property, Plant and Equipment

Movements on Balances:2013/14

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community 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 2013	1,666.9	3,247.4	212.2	624.6	87.6	348.0	**6,186.7**	724.3
Additions	88.6	86.2	17.1	76.4	1.9	35.1	**305.3**	118.9
Assets reclassified between categories	-	169.0	4.0	5.2	0.1	(178.3)	**-**	-
Assets reclassified (to)/from Held for Sale	-	(1.6)	-	-	-	-	**(1.6)**	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	(464.8)	-	-	-	-	**(464.8)**	2.5
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	36.9	(331.4)	-	-	-	(15.0)	**(309.5)**	(9.2)
Derecognition - Disposals	(20.3)	(169.6)	(2.1)	-	(0.1)	-	**(192.1)**	(62.0)
Derecognition - Other	(2.3)	-	-	(166.1)	-	-	**(168.4)**	-
At 31 March 2014	**1,769.8**	**2,535.2**	**231.2**	**540.1**	**89.5**	**189.8**	**5,355.6**	**774.5**
Accumulated Depreciation and Impairment								
At 1 April 2013	(78.7)	(235.4)	(91.4)	(251.7)	-	-	(657.2)	(61.8)
Depreciation charge	(39.0)	(76.2)	(28.5)	(44.2)	-	-	(187.9)	(24.0)
Depreciation written out to the Revaluation Reserve	37.0	86.4	-	-	-	-	123.4	0.4
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	31.0	-	-	-	-	31.0	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	7.9	(21.0)	-	-	-	-	(13.1)	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(36.9)	41.6	-	-	-	-	4.7	-
Derecognition - Disposals	-	15.5	1.3	148.9	-	-	165.7	8.2
Derecognition - Other	-	0.4	-	-	-	-	0.4	-
At 31 March 2014	**(109.7)**	**(157.7)**	**(118.6)**	**(147.0)**	**-**	**-**	**(533.0)**	**(77.2)**
Net Book Value								
At 31 March 2014	**1,660.1**	**2,377.5**	**112.6**	**393.1**	**89.5**	**189.8**	**4,822.6**	**697.3**
At 31 March 2013	**1,588.2**	**3,012.0**	**120.8**	**372.9**	**87.6**	**348.0**	**5,529.5**	**662.5**

Movements on Balances:2012/13

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community 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 2012	1,642.1	3,566.9	187.2	705.7	71.7	330.9	6,504.5	735.6
Additions	52.7	64.9	26.3	81.0	8.9	111.8	345.6	113.9
Assets reclassified between categories	-	78.0	0.9	6.2	7.5	(92.6)	-	-
Assets reclassified (to)/from Held for Sale	-	(12.7)	-	-	-	-	(12.7)	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	(42.3)	-	-	-	-	(42.3)	(19.5)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(14.3)	(85.8)	-	-	-	(2.2)	(102.3)	(11.4)
Derecognition - Disposals	(12.5)	(321.6)	(2.2)	-	(0.5)	0.1	(336.7)	(94.3)
Derecognition - Other	(1.1)	-	-	(168.3)	-	-	(169.4)	-
At 31 March 2013	**1,666.9**	**3,247.4**	**212.2**	**624.6**	**87.6**	**348.0**	**6,186.7**	**724.3**
Accumulated Depreciation and Impairment								
At 1 April 2012	(96.1)	(229.4)	(61.9)	(327.1)	-	-	**(714.5)**	(56.6)
Depreciation charge	(36.9)	(77.8)	(30.2)	(58.0)	-	-	**(202.9)**	(23.0)
Depreciation written out to the Revaluation Reserve	41.4	28.2	-	-	-	-	**69.6**	3.9
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	0.2	-	-	-	**0.2**	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	(1.4)	29.6	-	-	-	-	**28.2**	3.7
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	14.3	(12.9)	(0.0)	-	-	-	**1.4**	1.8
Derecognition - Disposals	-	25.4	0.5	-	-	-	**25.9**	8.4
Derecognition - Other	-	1.5	0	133.4	-	-	**134.9**	-
At 31 March 2013	**(78.7)**	**(235.4)**	**(91.4)**	**(251.7)**	**-**	**-**	**(657.2)**	**(61.8)**
Net Book Value								
At 31 March 2013	**1,588.2**	**3,012.0**	**120.8**	**372.9**	**87.6**	**348.0**	**5,529.5**	**662.5**
At 1 April 2012	**1,546.0**	**3,337.5**	**125.3**	**378.6**	**71.7**	**330.9**	**5,790.0**	**679.0**

Further details on the Council's policies for fixed asset revaluations and depreciation are provided in Note 21 to the Council entity accounts. Buildings assets held by other entities within the group have been valued at their fair value as at 1 April 2009, with the exception of those related to Innovation Birmingham Group Limited (31 March 2013) and to NEC Limited and NEC (Developments) Plc (31 March 2014).

Note G8
Financial Instruments

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

	Long-term	
	31 March 2013	31 March 2014
	£m	**£m**
Investments		
Loans and receivables	239.9	227.0

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

	Short-term	
	31 March 2013	31 March 2014
	£m	**£m**
Investments		
Loans and receivables	29.1	25.8

Debtors and cash
Debtors and cash consolidated as part of the Group Financial Statements are classified as loans and receivables. Further information on Group debtors is provided in Note G9.

Creditors
Short term creditors consolidated as part of the Group Financial Statements are classified as financial liabilities at amortised cost. Further information on Group creditors is provided in Note G10.

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

	Long-term	
	31 March 2013	31 March 2014
	£m	**£m**
Creditors		
Financial liabilities at amortised cost	(73.0)	(73.1)

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

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

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

Note G9
Short Term Debtors

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

31 March 2013		31 March 2014
£m		**£m**
79.6	Central government bodies	39.5
16.6	Other local authorities	8.3
1.2	NHS bodies	1.4
12.4	Public corporations and trading funds	11.0
153.9	Other entities and individuals	188.7
263.7	**Total**	**248.9**

Note G10
Short Term Creditors

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

31 March 2013		31 March 2014
£m		**£m**
(35.3)	Central government bodies	(23.6)
(9.4)	Other local authorities	(6.3)
(0.6)	NHS bodies	(10.6)
(31.5)	Public corporations and trading funds	(26.3)
(264.3)	Other entities and individuals	(284.5)
(341.1)	**Total**	**(351.3)**

Note G11
Usable Reserves

31 March 2013		31 March 2014
£m		**£m**
109.1	General Fund	213.0
46.4	Capital Receipts Reserve	27.5
257.6	Earmarked General Fund Reserves	346.6
2.5	Housing Revenue Account (HRA)	4.5
-	Earmarked HRA Reserves	-
52.0	Major Repairs Reserve	44.6
128.9	Capital Grants Unapplied	142.5
(117.4)	Profit and Loss Reserve	(247.0)
(5.8)	Designated Funds	(7.3)
(5.3)	Other Charitable Funds	(11.1)
4.8	Merger Reserve	4.8
472.9		**518.1**

Further analysis is provided below for material usable reserves.

Movements in the General Fund are set out in the Council and Group Movement in Reserves Statements, further supported by Note 7 to the Council's entity accounts. Differences arising on group consolidation are set out in Note G20 to the Group Accounts.

Profit and Loss Reserve

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

2012/13		2013/14
£m		**£m**
(104.7)	**Balance at 1 April**	**(117.4)**
(12.7)	In year profit and loss result for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	(129.6)
(117.4)	**Balance at 31 March**	**(247.0)**

Note G12
Unusable Reserves

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

31 March 2013		31 March 2014
£m		**£m**
1,262.9	Revaluation Reserve	851.9
442.9	Capital Adjustment Account	119.1
(31.9)	Financial instrument adjustment account	(31.2)
(2,235.3)	Pensions Reserve	(1,848.3)
32.7	Deferred Capital Receipts	40.4
(6.0)	Collection Fund Adjustment Account	(19.8)
(581.0)	Equal Pay Back Pay Account	(636.6)
(26.7)	Accumulated Absences Account	(20.8)
0.6	Called up share capital	0.6
4.4	Restricted Funds	4.3
8.2	Share Premium Account	8.2
(1,129.2)		**(1,532.2)**

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

Revaluation Reserve

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

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

For amounts arising in the Council, 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.

2012/13		2013/14	
£m		**£m**	**£m**
1,284.2	**Balance at 1 April**		**1,262.9**
140.5	Council: Upward revaluation of assets	316.7	
(73.9)	Council: Downward revaluation of assets	(31.3)	
(12.1)	Council: Impairment (losses)/reversals not charged to the Surplus/Deficit on the Provision of Services	(91.7)	
54.5	**Council: Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**193.7**
(13.5)	Council: Difference between fair value depreciation and historical cost depreciation	(10.5)	
(41.4)	Council: Accumulated gains on assets sold or scrapped	(31.1)	
(54.9)	**Council: Amount written off to the Capital Adjustment Account**		**(41.6)**
-	Increase in Group's share of revaluation reserve resulting from increased stake in entity		-
(20.9)	Other movements in reserve in Group entities		(563.1)
1,262.9	**Balance at 31 March**		**851.9**

Pensions Reserve

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

The Group balance also consolidates actuarial gains and losses arising on schemes held by NEC Ltd and Acivico Limited. Further information is provided in Note G19.

2012/13		2013/14
£m		**£m**
(1,771.6)	**Balance at 1 April**	**(2,235.3)**
(4.5)	Pension Surplus/(Deficit) of Subsidiaries transferred to group on initial consolidation	-
(398.2)	Actuarial Gains/(Losses) on pensions assets and liabilities	465.6
(156.9)	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	(161.9)
95.9	Employer's pensions contributions and direct payments to retirees payable in the year	83.3
(2,235.3)	**Balance at 31 March**	**(1,848.3)**

Note G13
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2012/13		2013/14
£m		**£m**
(16.7)	Interest received	(14.9)
182.8	Interest paid	188.1
(5.5)	Dividends received	(20.5)

Note G14
Cash Flow Statement - Investing Activities

The cash flows from investing activities include the following items:

2012/13		2013/14
£m		**£m**
(278.0)	Purchase of property, plant and equipment, investment property and intangible assets	(228.8)
(3,533.3)	Purchase of short-term and long-term investments	(3,545.7)
(0.5)	Other payments for investing activities	(1.2)
49.1	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	44.0
3,737.8	Proceeds from short-term and long-term investments	3,567.3
-	Other receipts from investing activities	0.3
1.9	Net cash acquired with subsidiary	-
(23.0)	**Net cash flows from investing activities**	**(164.1)**

Note G15
Cash Flow Statement - Financing Activities

The cash flows from financing activities include the following items:

2012/13		2013/14
£m		**£m**
111.8	Other receipts from financing activities	93.6
1,531.1	Cash receipts of short-term and long-term borrowing	723.3
(20.4)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(25.0)
(1,364.6)	Repayments of short-term and long-term borrowing	(763.6)
(12.0)	Other payments for financing activities	-
245.9	**Net cash flows from financing activities**	**28.3**

Note G16
Amounts Reported for Resource Allocation Decisions (Segmental Analysis)

Details of the Authority's Segmental Analysis are provided in Note 20 to the Council entity accounts.

Net expenditure reported to the Cabinet and Directorates detailed within Note 20 to the Council entity accounts is unchanged by the consolidation of the group entities and has therefore been excluded. The Segmental Analysis reconciliation to both the Cost of Services in the Comprehensive Income and Expenditure Statement and the Council's Subjective Analysis are as follows:

<u>Reconciliation of Directorate Net Expenditure to Cost of Services in the Group Comprehensive Income and Expenditure Statement</u>

	2012/13 (Restated)	2013/14
	£m	**£m**
Net expenditure	1,193.3	1,092.8
Amounts in the Group Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	243.3	294.7
Amounts in the Group Comprehensive Income and Expenditure Statement related to Group Accounts Consolidation not reported to Cabinet in the Analysis	(16.3)	77.5
Amounts included in the Analysis not included in the Group Comprehensive Income and Expenditure Statement	(81.5)	(220.4)
Cost of Services in Group Comprehensive Income and Expenditure Statement	**1,338.8**	**1,244.6**

Reconciliation to Subjective Analysis

2013/14	Directorate Analysis **£m**	Amounts not included in Analysis but within GCIES **£m**	Amounts included in Analysis but not included in GCIES **£m**	Allocation of support service recharges **£m**	**Cost of Services in GCIES** **£m**	Amounts reported below the net cost of services in GCIES **£m**	**Total** **£m**
Fees, charges and other service income	(526.5)	(10.4)	(137.9)	-	(674.8)	-	(674.8)
Support service recharges	(325.0)	-	1.1	311.1	(12.8)	-	(12.8)
Group consolidation subsidiary adjustments	-	(118.4)	-	-	(118.4)	(0.5)	(118.9)
Surplus on associates and joint ventures	-	-	-	-	-	(0.3)	(0.3)
Interest and investment income	(6.8)	-	6.8	-	-	(35.3)	(35.3)
Income from council tax	-	-	-	-	-	(255.1)	(255.1)
Government grants and contributions	(1,612.5)	-	68.4	-	(1,544.1)	(1,012.1)	(2,556.2)
Total income	**(2,470.8)**	**(128.8)**	**(61.6)**	**311.1**	**(2,350.1)**	**(1,303.3)**	**(3,653.4)**
Employee expenses	1,109.4	81.8	-	-	1,191.2	-	1,191.2
Other service expenses	2,089.2	0.4	(101.5)	-	1,988.1	-	1,988.1
Support service recharges	227.9	-	-	(311.1)	(83.2)	-	(83.2)
Collection Fund Deficit/ Capital Grants Repaid					-	16.9	16.9
Group consolidation subsidiary adjustments	-	195.9	-	-	195.9	17.6	213.5
Deficit on associates and joint ventures	-	-	-	-	-	-	-
Depreciation, amorisation and impairment	137.1	222.9	-	-	360.0	-	360.0
Interest payments & pension costs	-	-	-	-	-	260.1	260.1
Precepts and levies	-	-	(57.3)	-	(57.3)	57.4	0.1
Payments to Housing Capital Receipts pool	-	-	-	-	-	5.2	5.2
Gain or loss on disposal of non-current assets	-	-	-	-	-	157.8	157.8
Total expenditure	**3,563.6**	**501.0**	**(158.8)**	**(311.1)**	**3,594.7**	**515.0**	**4,109.7**
Group (Surplus)/Deficit	**1,092.8**	**372.2**	**(220.4)**	**-**	**1,244.6**	**(788.3)**	**456.3**

2012/13 (Restated)

	Directorate Analysis £m	Amounts not included in Analysis but within GCIES £m	Amounts included in Analysis but not included in GCIES £m	Allocation of support service recharges £m	**Cost of Services in GCIES** £m	Amounts reported below the net cost of services in GCIES £m	**Total** £m
Fees, charges and other service income	(729.0)	(8.0)	73.3	-	(663.7)	-	(663.7)
Support service recharges	(228.2)	-	-	233.2	5.0	-	5.0
Group consolidation subsidiary adjustments	-	(146.5)	-	-	(146.5)	23.7	(122.8)
Surplus on associates and joint ventures	-	-	-	-	-	(5.8)	(5.8)
Interest and investment income	(3.3)	-	-	-	(3.3)	(22.2)	(25.5)
Income from council tax	-	-	-	-	-	(333.3)	(333.3)
Government grants and contributions	(1,736.3)	14.1	-	-	(1,722.2)	(966.7)	(2,688.9)
Total income	**(2,696.8)**	**(140.4)**	**73.3**	**233.2**	**(2,530.7)**	**(1,304.3)**	**(3,835.0)**
Employee expenses	1,245.8	169.7	-	-	1,415.5	-	1,415.5
Other service expenses	2,343.7	(62.4)	(96.8)	-	2,184.5	-	2,184.5
Support service recharges	136.2	-	-	(233.2)	(97.0)	-	(97.0)
Collection Fund Deficit					-	5.2	5.2
Group consolidation subsidiary adjustments	-	130.2	-	-	130.2	0.4	130.6
Deficit on associates and joint ventures	-	-	-	-	-	-	-
Depreciation, amorisation and impairment	164.4	129.9	-	-	294.3	-	294.3
Interest payments & pension costs	-	-	-	-	-	247.2	247.2
Precepts and levies	-	-	(58.0)	-	(58.0)	58.0	-
Payments to Housing Capital Receipts pool	-	-	-	-	-	4.4	4.4
Gain or loss on disposal of non-current assets	-	-	-	-	-	336.0	336.0
Total expenditure	**3,890.1**	**367.4**	**(154.8)**	**(233.2)**	**3,869.5**	**651.2**	**4,520.7**
Group (Surplus)/Deficit	**1,193.3**	**227.0**	**(81.5)**	**-**	**1,338.8**	**(653.1)**	**685.7**

Note G17
Related Parties

Details of the Council's material transactions with related parties are provided in Note 48 to the Council's entity accounts.

In addition to the related parties detailed within Note 48 to the Council entity accounts those included below are deemed to be related parties of the Group – bodies or individuals with the potential to control or significantly influence the Group entities or to be controlled or significantly influenced by the Group entities. Where in year transactions and outstanding balances between Group entities and associated related parties are £1m or greater, they are disclosed below. The Group entities and their relationships with the Council are detailed in Note G22.

	Purchased From	Sold To	Net amount Due (To)/From
	£m	£m	£m
National Exhibition Centre Limited			
National Exhibition Centre (Ireland) Limited			2.4
MPM Catering Limited			
NEC Finance Plc			
NEC Pension Trustee Company Limited			
Global Spectrum-NEC D.O.O.			
Performances Birmingham Limited			
Performance Birmingham (Enterprises) Limited			
Innovation Birmingham Limited			
Birmingham Science Park Aston Limited			
Birmingham Technology (Property) Limited			
Birmingham Technology (Property One) Limited			
Birmingham Technology Venture Capital Limited			
Birmingham Museums Trust			
Thinktank Trust			
Birmingham Museums Trading Limited			
Acivico Ltd			
Acivico Design Construction and Facilities Management Limited			
Acivico (Building Consultancy) Limited			
Birmingham Airport Holdings Limited			
West Midlands District Councils via (Solihull MBC)			(4.7)
Solihull MBC	Solihull MBC is the local authority for the airport and transacts with the Company in a number of areas including business rates, planning applications and building control services. All of these transactions are carried out on an arms length basis at a full commercial rate.		

Note G18
Leases

Group as the lessee

Finance leases

Details of the Council's leases are provided in Note 42 to the Council entity accounts.

Operating leases

Details of the Council's leases are provided in Note 42 to the Council entity accounts.

Group as the lessor

Finance leases

Details of the Council's leases are provided in Note 42 to the Council entity accounts.

Birmingham City Council is the lessor for premises leased to Innovation Birmingham Group Limited (IBL). As a group subsidiary entity, these leases are eliminated from the group accounts. The information in the section below provides details of the material leases with group entities, which are to be excluded from the disclosures provided in Note 42 to the Council entity accounts in deriving the group disclosures.

31 March 2013 £m		31 March 2014 £m
	Finance lease debtor (net present value of minimum lease payments)	
-	- Current	-
7.7	- Non current	7.7
14.3	Unearned finance income	14.1
(0.1)	Unguaranteed residual value of property	(0.1)
21.9	**Gross investment in the lease**	**21.7**

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 2013 **£m**	31 March 2014 **£m**	31 March 2013 **£m**	31 March 2014 **£m**
Not later than one year	-	-	0.2	0.2
Later than one year and not later than five years	0.1	0.1	0.7	0.7
Later than five years	7.6	7.6	21.0	20.8
Total	**7.7**	**7.7**	**21.9**	**21.7**

Note G19
Defined Benefit Pension Schemes

Details of the Council's involvement in the Teachers' Pensions Scheme and Local Government Pension Scheme are provided in Notes 11 and 12 to the Council entity accounts.

NEC Limited Group
In the Group Accounts, the NEC Limited Group funds two defined benefit schemes, which ceased to provide future service accrual with effect from 30 June 2010. Costs are charged against the profit and loss so as to spread the cost of pensions over the employees' working lives. In addition, during the year the NEC provided two contributory benefit schemes comprising a Stakeholder Scheme to which only members contribute and a group personal pension plan where the company contributes to an agreed maximum. The employee benefit expense is recognised as it falls due. The NEC introduced auto enrolment during the financial year.

The last triennial valuation of the NEC Limited Pension Fund was performed by Mercer Human Resource Consulting as at 5 April 2010. The 2010 valuation revealed a shortfall in scheme assets of £16.9m. The company and Trustees have agreed a recovery plan which subject to actuarial assumptions being met, will eliminate this shortfall in 10 years. The April 2013 valuation was in progress at the year end.

The NEC has applied IAS19 (Revised 2011) and the following disclosures relate to this standard. The standard requires net interest to be calculated on the net defined benefit asset/(liability) using the same discount rate used to measure the defined benefit obligation. Where the expected return on assets exceed the discount rate, the adoption of the amended standard will result in a reduction in the reported net income and an increase in other comprehensive income (OCI). The NEC has restated the comparatives for the adoption of IAS19 Revised and this has resulted in net income being reduced by £0.8m and OCI being increased by £0.8m.

Balance Sheet

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

	2012/13 £m	2013/14 £m
Present value of funded obligations	(149.1)	(152.8)
Fair value of plan assets	123.8	128.2
Deficit for funded plans	(25.3)	(24.6)
Present value of wholly unfunded obligations	(0.3)	(0.3)
Retirement Benefit Obligation	**(25.6)**	**(24.9)**

Income Statement

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

	2012/13 (Restated) £m	2013/14 £m
Operating Cost:		
Administration Expenses	8.0	30.0
Financing Costs:		
Interest cost on pension scheme liabilities	6,511.0	6,494.0
Interest income on plan assets	(5,517.0)	(5,406.0)
Net interest cost	994.0	1,088.0
Total income statement expense	**1,002.0**	**1,118.0**

Other Comprehensive Income

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

	2012/13 (Restated) £m	2013/14 £m
Return on plan assets in excess of interest income	7.6	0.8
Actuarial loss on liabilities due to changes in financial assumptions	(13.9)	(1.3)
Actuarial gain on liabilities due to changes in demographic assumptions	0.7	2.2
Actuarial loss on liabilities due to experience		(1.9)
Remeasurement loss recognised during the period	**(5.6)**	**(0.2)**

Reconciliation of Liabilities and Assets

Movements in the retirement benefit obligations are as follows:

	2012/13 £m	2013/14 £m
Present value of obligations at 1 April	(133.3)	(149.5)
Interest cost	(6.5)	(6.5)
Actuarial loss on liabilities due to changes in financial assumptions	(13.9)	(1.3)
Actuarial gain on liabilities due to changes in demographic assumptions	0.7	2.2
Actuarial loss on liabilities due to experience	-	(1.9)
Benefits paid	3.5	3.8
Present value of obligation at 31 March	**(149.5)**	**(153.2)**

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

	2012/13 (Restated) £m	2013/14 £m
Fair value of plan assets at 1 April	112.3	123.8
Interest income on plan assets	5.5	5.4
Return on plan assets in excess on interest income	7.6	0.8
Employer contributions	1.9	2.0
Administration expenses paid	-	-
Benefits paid	(3.5)	(3.8)
Fair value of plan assets at 31 March	**123.8**	**128.2**

Plan Assets

The major categories of plan assets are as follows:

	2012/13 £m	2012/13 %	2013/14 £m	2013/14 %
Corporate Bonds	28.3	23	25.4	20
Gilts	5.5	4	17.7	14
UK Equities	25.0	20	17.4	14
Regional Overseas Equities	20.5	17	14.5	11
Developed Market Multi Asset Fund	1.3	1	12.2	10
Property	14.8	12	12.1	9
Developed Market Diversified Asset Fund	11.1	9	11.4	9
Hedge Funds	11.1	9	-	-
Emerging Market Multi Asset Fund	-	-	10.6	8
Cash Other	6.2	5	6.9	5

Assumptions

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

	2012/13 %	2013/14 %
Discount rate	4.4	4.3
RPI Inflation rate	3.3	3.3
CPI Inflation rate	2.5	2.3
Future Pension increases		
- pension accrued prior to 5 April 2005	3.2	3.2
- pension accrued after 5 April 2005	2.1	2.1

The base mortality assumptions of the main fund are based on SAPS tables and for the executive scheme are based on SAPS light tables. Adjustments were applied to reflect the schemes' population, with future improvements based on the CMI 2013 projection with long term rate of improvement of 1.25% pa. The allowance for future improvements last year was based on the CMI projection, also with long term rate improvement of 1.25% pa.

The life expectancy for members as at the balance sheet date;

	2012/13 Years		2013/14 Years	
	Main Fund	Executive Fund	Main Fund	Executive Fund
Male: member aged 65 (current life expectancy)	22.4	24.2	22.2	23.9
Male: member aged 45 (life expectancy at age 65)	24.2	25.9	23.9	25.5
Female: member aged 65 (current life expectancy)	24.8	25.4	24.5	25.1
Female: member aged 45 (life expectancy at age 65)	26.8	27.3	26.4	27.0

Sensitivity Analysis

An increase of 0.25% in the discount rate would decrease the retirement benefit obligations by £8.4m
An increase of 0.25% in the inflation rate would increase the retirement benefit obligations by £7.6m
An increase of one year to life expectancy would increase the retirement benefit obligations by £4.1m
The duration of the plan liabilities is approximately 22 years

Reconciliation of Deficit

	2012/13 £m	2013/14 £m
1 April	(21.1)	(25.7)
Total income/(expenses) as above	(1.0)	(1.1)
Employer contribution	1.9	2.0
Remeasurement loss recognised in the OCI	(5.5)	(0.1)
31 March	**(25.7)**	**(24.9)**

Expected Contributions for 2014/15

The NEC Group's expected contributions to the defined benefit scheme for the next financial year beginning 1 April 2014 are £2.1m.

Acivico Limited Group

The Company's subsidiary companies participate in the West Midlands Pension Fund, a Local Government Pension Scheme.

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

	2012/13 £m	2013/14 £m
Present value of funded defined benefit obligations	(43.4)	(38.1)
Fair value of plan assets	35.8	40.0
Net (Liability)/Asset	**(7.6)**	**1.9**

Movements in the present value of defined benefit obligation:

	2012/13 £m	2013/14 £m
On incorporation	-	-
Balance at beginning of period	-	43.4
Transferred in	35.2	-
Current service cost	1.2	1.5
Interest cost	1.8	1.9
Actuarial (gains)/losses	4.8	(8.5)
Contributions by members	0.4	0.4
Curtailment	-	-
Benefits paid	-	(0.6)
31 March	**43.4**	**38.1**

Movements in the fair value of plan assets:

	2012/13 £m	2013/14 £m
On incorporation	-	-
Balance at beginning of period	-	35.8
Transferred in	30.7	-
Expected return on plan assets	1.9	2.2
Actuarial (gains)/losses	2.0	1.4
Contributions by employer	0.8	0.8
Contributions by members	0.4	0.4
Benefits paid	-	(0.6)
31 March	**35.8**	**40.0**

Expense recognised in the profit and loss account:

	2012/13 £m	2013/14 £m
Current service cost	1.2	1.5
Interest on defined benefit pension plan obligation	1.8	1.9
Curtailment	-	-
Expected return on defined benefit pension plan assets	(1.9)	(2.2)
Total	**1.1**	**1.2**

The expense is recognised in the following line items in the profit and loss account:

	2012/13 £m	2013/14 £m
Administrative expenses	1.2	1.5
Other interest receivable and similar income	(0.1)	(0.3)
	1.1	**1.2**

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £7.9m.

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

	2012/13 Fair Value		2013/14 Fair Value	
	£m	%	£m	%
Equities	15.1	42	23.3	58
Government Bonds	3.2	9	3.3	8
Other Bonds	4.3	12	4.3	11
Property	3.2	9	3.6	9
Cash/Liquidity	0.8	2	1.1	3
Other	9.2	26	4.4	11
Total	**35.8**	**100**	**40.0**	**100**
Actual return on plan assets:	3.9		1.1	

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

	2012/13	2013/14
	%	%
Discount rate	4.2	4.6
Expected rate of return on plan assets	5.9	6.0
Expected return on plan assets at beginning of period	6.0	5.9
Future salary increases	4.2	4.2
Future pension increases	2.4	2.4
Rate of CPI inflation	2.4	2.4

In valuing the liabilities of the pension fund at 31 March 2014, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2014 would have increased by £0.6m.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.9 years (male), 25.5 years (female)
- Future retiree upon reaching 65: 25.1 years (male), 27.8 years (female).

Note G20
Adjustments between Group Accounts and Council Accounts

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

	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account (HRA) £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	**Total Usable Reserves £m**	Unusable Reserves £m	**Total Council Reserves £m**	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £m	**Total Group Reserves £m**
2012/13												
Intra group loans	0.2							0.2		0.2	(0.2)	-
Provision of goods and services to subsidiaries	17.2							17.2		17.2	(17.2)	-
Purchases of goods and services from subsidiaries	(55.6)							(55.6)		(55.6)	55.6	-
Intra group capital expenditure incurred by parent for subsidiary assets	(4.5)							(4.5)		(4.5)	4.5	-
Gain on intra group exchange of assets	7.2							7.2		7.2	(7.2)	-
Total adjustments between Group accounts and Council accounts	**(35.5)**							**(35.5)**		**(35.5)**	**35.5**	**-**
2013/14												
Intra group loans	-							-		-	-	-
Intra group capital grant	(13.5)							(13.5)		(13.5)	13.5	-
Provision of goods and services to subsidiaries	15.6							15.6		15.6	(15.6)	-
Purchases of goods and services from subsidiaries	(46.6)							(46.6)		(46.6)	46.6	-
Intra group capital expenditure incurred by parent for subsidiary assets	-							-		-	-	-
Total adjustments between Group accounts and Council accounts	**(44.5)**							**(44.5)**		**(44.5)**	**44.5**	**-**

Note G21
Analysis of Minority Interest Shares in Group Comprehensive Income and Expenditure Statement and Total Movement in Balance Sheet

Attributable shares of income and expenditure:

2012/13 (Restated)				2013/14		
Council	Minority Interests	Total		Council	Minority interests	Total
£m	**£m**	**£m**		**£m**	**£m**	**£m**
691.6	-	691.6	(Surplus)/Deficit on the provision of services	456.6	-	456.6
(5.8)	-	(5.8)	Share of Associates	(0.3)	-	(0.3)
347.7	-	347.7	Other Comprehensive (Income)/Expenditure	(98.5)	-	(98.5)
1,033.5	**-**	**1,033.5**	**Total Comprehensive (Income)Expenditure**	**357.8**	**-**	**357.8**
1,033.5	-	**1,033.5**	**Total movement in Balance Sheet**	**357.8**	-	**357.8**

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

Note G22
Subsidiary and Associate Companies

The Council maintains involvement with a number of subsidiary and associate companies where the assets and liabilities of these companies are not included in the Council's core financial statements. In accordance with The Code Group Financial Statements have been prepared.

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

I. The National Exhibition Centre Limited Group

The Company (The National Exhibition Centre Ltd) manages the National Exhibition Centre, the LG Arena, the International Conference Centre (ICC), and the National Indoor Area (NIA). Following the signing of a new management agreement with the Council on 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.

The Council guarantees the group's solvency and provides grant funding. At 31 March 2014, the Council was guaranteeing loans of £192.4 million (2012/13: £192.4 million) to the Company. During 2013/14 the Council made reimbursements totalling £6.9m to the Company (2012/13: £13.1m). The group made a profit after tax of £0.8m during the year to 31 March 2014 (2012/13: profit of £1.0m). The group's net liabilities at 31 March 2014 amounted to £24.9m (2012/13: £25.6m).

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

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

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

The year end of the Group is 31 March 2014. For the purposes of the consolidation these group accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

At the 31 March 2014 the amount owed by the Council to the National Exhibition Centre Limited Group totalled £2.9m (2012/13: £2.9m) consisting of trading balances of £0.1m and agency balances of £2.8m (2012/13 £0.2m, £2.7m) . The amount owed by the National Exhibition Centre Limited Group to the Council totalled £2.5m (2012/13: £1.4m) consisting of trading balances of £0.0m and agency balances of £2.5m (2012/13 £0.0, £1.4m).

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 £1.3m (2012/13: £1.6m). The loan notes are repayable in instalments commencing on 31 March 2014. The Council has also agreed to make available additional loans of £3.1m should the Company require further funds. The loss before and after tax for the year to 31 March 2014, amounted to £0.0m (2012/13: £0.3m). The net liabilities at 31 March 2014 amounted to £2.2m (2012/13: £2.2m).

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

The year end of the company is 31 March 2014. 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 the company.

III. Innovation Birmingham Limited Group (Birmingham Technology Limited Group to 2 May 2013)

The Innovation Birmingham 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 Innovation Birmingham Limited Group 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. During 2012/13, Innovation Birmingham Group reorganised its financial arrangements with Birmingham City Council. The result of this reorganisation was the transfer of its interest in certain of its leasehold land and building assets, namely Holt Court, Ashted Lock, Priestly Wharf and Venture Way to Birmingham City Council, in exchange for the settlement of £16.8 million of outstanding loan debt owed to the Council. 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 profit for the year for the group to 31 March 2014, amounted to £0.4m (2012/13: £0.1m), with the net liabilities at 31 March 2014 amounting to £0.8m (2012/13:£1.1m).

The year end of the company is 31 March 2014. 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 Innovation Bimingham Group prohibits the distribution of profits and as such dividends.

At the 31 March 2014 the amount owed by the Council to Birmingham Technology Group totalled £0.0m (2012/13: £0.3m). The amount owed by Birmingham Technology Group to the Council totalled £0.3m (2012/13: £0.6m).

IV. Performances Birmingham Limited

Performances Birmingham Limited is the Charity that manages and runs the Birmingham Town Hall and Symphony Hall. The company is limited by guarantee and was founded by Birmingham City Council in collaboration with The University of Aston and Lloyds Bank in 1982. The Charity is solely controlled by the Council with the financial statements prepared in accordance with the Charity Commission's Statement of Recommended Practice. This means that there are restrictions on the use of the funds which are available to the Charity. The net expenditure for the year for the group to 31 March 2014, amounted to £0.2m (2012/13: £0.2m), with the net assets at the 31 March 2014 amounting to £1.8m (2012/13: £2.0m).

The year end of the charity is 31 March 2014. 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 2014 the amount owed by the Council to Performances Birmingham Limited totalled £0.1m (2012/13: £0.2m). The amount owed by Performances Birmingham Limited to the Council totalled £0.0m (2012/13: £0.0m).

V. Birmingham Museums Trust

Birmingham Museums Trust Group is a Charity that manages nine museum sites, namely, Birmingham Museum and Art Gallery, The Museum Collection Centre, Thinktank, Soho House, Aston Hall, Museum of the Jewellery Quarter, Blakesley Hall, Weoley Castle and Sarehole Mill. The Trust is a charitable company limited by guarantee, (the Council being sole member), and is controlled by the board of trustees The financial statements are prepared in accordance with the Charity Commission's Statement of Recommended Practice, which restricts the use of funds to charitable purposes, as defined in it's objects. The net expenditure for the year for the group to 31 March 2014, amounted to £0.4m (2012/13: £0.3m), with the net assets at the 31 March 2014 amounting to £3.9m (2012/13: £4.4m).

The year end of the charity is 31 March 2014 and for the purposes of consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the charity.

At the 31 March 2014 the amount owed by the Council to Birmingham Museums Trust totalled £0.6m (2012/13: £0.2m). The amount owed by Birmingham Museums Trust to the Council totalled £1.4m, (2012/13: £1.5m).

VI. Acivico Limited

Acivico Limited is a registered company, which is wholly owned by Birmingham City Council. The company was launched in April 2012, with three special purpose vehicles (SPVs), one holding company and two trading companies. The two trading companies, Acivico Design Construction and Facilities Management Limited and Acivico (Building Consultancy) Limited, have been operational since April 2012 and provide a range of statutory and non-statutory services on behalf of and to Birmingham City Council and to other public and private sector clients. The Council has agreed to receive specified services from Acivico for the five years up to 31 March 2017. The Council owns 1 £1 share (100%) of the Company’s ordinary share capital and with effect from the 2013 financial year, (the first year of trading), the company was consolidated as a wholly owned subsidiary.

The group made a loss after tax of £1.2m during the year to 31 March 2014 (2012/13: £0.5m profit) and the group’s net liabilities at 31 March 2014 amounted to £0.9m (2012/13: net assets £6.8m).

The year end of the company is 31 March 2014 and for the purposes of consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

At the 31 March 2014 the amount owed by the Council to Acivico Ltd totalled £7.4m of trading balances (2012/13: £10.7m). The amount owed by Acivico Ltd to the Council totalled £4.4m of trading balances (2012/13: £3.6m).

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

I. Birmingham Airport Holdings Ltd (BAH)

The main ordinary shareholders of BAH are the seven West 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 (Finance) Plc, First Castle Developments Limited, Birmingham Airport Developments Limited and BHX Fire and Rescue Limited, Birmingham Airport Services Limited, BHX (Scotland) Limited and BHX Limited partnership.

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

The year end of the company is 31 March 2014. 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 the company.

BAH is accounted for as an associate for the following reasons:

- The Shareholders' Agreement provides for the Districts to cast their 49% vote in all circumstances in one consolidated block. As BCC hold 18.7% within this 49% it is considered that BCC have greater power to influence the voting of block;

- 25% of the BAH Board of Directors (4 of 16) are BCC officers or councillors.

The summarised financial information for the associate for the year ended 31 March is as follows:

31 March 2013 £m		31 March 2014 £m
474.3	Total assets	474.5
207.4	Total liabilities	286.9
107.5	Revenues	113.8
10.8	Profit/(loss)	12.5

Birmingham Airport Holdings Ltd at 31 March 2014 have disclosed within their financial statements three contingent liabilities: On 13 February 2001 guarantees were provided by Birmingham Airport Holdings Limited, Birmingham Airport Limited and Euro-hub (Birmingham) Limited in support of a £105 million Corporate Bond issued by Birmingham Airport (Finance) plc. The bond is for a period of 20 years maturing on the 22 February 2021 and caries a fixed interest rate of 6.25% per annum. On 3 December 2013 the company along with other group members of Birmingham Airport Holdings Limited provided guarantees in support of £75 million private placement senior notes received by Birmingham Airport (Finance) plc. Series A senior notes of £30 million are for a period of ten years maturing on 3 December 2023 and carry fixed interest rate of 4.472% per annum. Series B senior notes of £45 million are for a period of fifteen years maturing on 3 December 2028 and carry a fixed interest rate of 4.557% per annum. On 3 December 2013 the company along with other members of Birmingham Airport Holdings Limited provided guarantees to the Royal Bank of Scotland plc in support of a £20 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 3 December 2018. At the date of these accounts the total amount outstanding under this facility was £nil.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14, the share of the Investments in Associates and Joint Ventures of £51.7m (2012/13: £66.3m) shown in the Group Balance Sheet in respect of this entity is £49.4m (2012/13: £61.2m).

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 2014 showed a profit before tax of £4.6m (2012/13: £5.3m) and the net assets at that time amounted to £7.3m (2012/13: £16.0m).

The year end of the company is 31 December 2013. For the purposes of the consolidation these accounts have been used as they fall within three months of the Council's year end. There was no qualification on the audit opinion for these audited accounts of the company.

The summarised financial information for the associate for the year ended 31 December is as follows:

31 December 2012 **£m**		31 December 2013 **£m**
57.7	Total assets	41.8
47.0	Total liabilities	39.0
123.5	Revenues	107.4
16.0	Profit/(loss)	15.0

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14, the share of the Investments in Associates and Joint Ventures of £51.7m (2012/13: £66.3m) shown in the Group Balance Sheet in respect of this entity is £2.3m (2012/13: £5.1m).

Annual Governance Statement

1. Scope of responsibility

1.1. Birmingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the 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 website. This statement explains how the Council has complied with the code and also meets the requirements of *Accounts and Audit (England) Regulations 2011*, regulation 4 (3) which requires all relevant bodies to prepare an annual governance statement (AGS).

2. The purpose of the governance framework

2.1. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3. The governance framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3. **The governance framework**

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

The Council’s purpose and vision for Birmingham

3.2. In a Policy Statement to Council in June 2013, the Leader set out a core mission to “work together to create a fair, prosperous and democratic city”.

3.3. The approach to planning and delivering services is based on the vision of an inclusive city, seeking to work for a better future for Birmingham and its citizens despite difficult financial circumstances. The Council’s three key priorities are:

- A Fair City
  - Safety net – People are safe, especially the most vulnerable
  - Wellbeing – All benefit from improved health and wellbeing
  - Poverty – Children and families will not live in poverty – Birmingham will be a “Living Wage City”

- A Prosperous City
  - Businesses – Businesses will be growing and new ones starting up
  - Education – People will have the qualifications they need for work, including qualifications for school leavers and working age population skills
  - Employment, education and training – Young people will be in employment, training or education
  - Unemployment – No groups or areas will be blighted by high unemployment

- A Democratic City
  - Engagement / Influence – Local people will be engaged in local democracy, and have more influence on local decisions.

3.4. The Council Business Plan and Budget 2013+ (The Plan) set out the Council’s priorities in terms of the Council’s contribution to strategic outcomes: succeed economically, stay safe in a clean and green environment, be healthy, high quality of life and public service excellence. The Plan is updated each year and is available on the Council’s web-site.

3.5. The Council has a strong public, third sector, and business engagement role. There is an established Partnership Toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets. A programme of review against these requirements is led by Overview and Scrutiny.

3.6. Working with partners, the Council assumes a strategic role for the Greater Birmingham area, working with the Local Enterprise Partnership (LEP) to develop collaborative solutions to common problems, and facilitating coherent programmes with regional and international partners to deliver an economic strategy for the city and region. LEP projects follow the Council's governance processes, managed and monitored through a Project Delivery Board, with regular reporting to the LEP Board by the LEP Champion.

3.7. The Council Business Plan articulates the strategic direction for the Council with a clear set of corporate priorities. These priorities have been informed by extensive consultation with the public and reflect the vision articulated in the Leader's Policy Statement 2013. Progress against these priorities is monitored through a set of Council Business Plan measures, which have been formally agreed by Cabinet following discussion with Members. Regular monitoring and quarterly reporting against these measures ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.

3.8. The Plan also includes a summary of high level actions for each Directorate to achieve the Council's priorities. These are supported in turn by more detailed Directorate and Service Plans which are also regularly monitored and reviewed against a set of performance indicators.

3.9. 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 the Council's long term financial strategy.

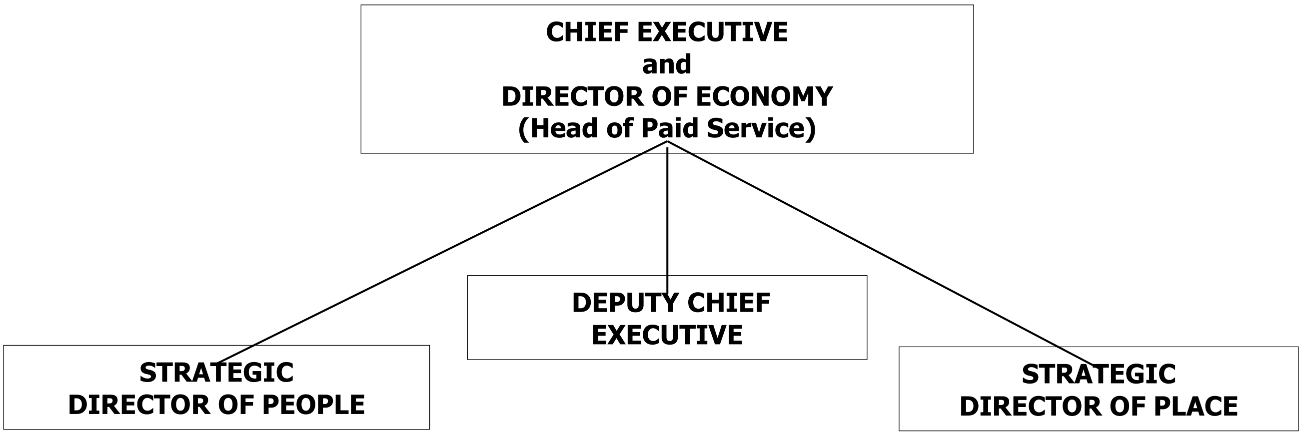
Roles of Members and Officers

3.10. The Council's Constitution is codified into one document which is available on the intranet and the City's website. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice. The Constitution is reviewed annually by the Director of Legal and Democratic Services and any amendments are agreed at the Annual General Meeting. A revised and updated Constitution was agreed in May 2013 with further amendments in September, October and November 2013. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee.

3.11. During the 2013/14 financial year the Council changed the structure of its Directorates. The former Local Services, Development and Culture, Corporate Resources, Children, Young People and Families and Adults and Communities Directorates were replaced with the Directorates for Economy, People and Place. Strategic Directors were appointed, the Director for Economy also being the Chief

Executive. Mark Rogers was appointed as Chief Executive in March 2014 following the retirement of Stephen Hughes.

Management Structure



3.12. The Council facilitates policy and decision–making via an Executive Structure. There were eight members of Cabinet for the 2013/14 financial year: The Leader, Deputy Leader and six specific Cabinet Member Portfolios based on a thematic structure. A revised constitution agreed in June 2014 increased this to nine.

3.13. In addition to Cabinet, the remit of Districts has extended through the Localisation agenda. Regulatory and other committees cover Planning, Licensing and Public Protection, Education Awards, Employment and Human Resources, Audit, Trusts and Charities, Standards and Council Business Management.

3.14. The Council Business Management Committee (CBM) 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.

3.15. CBM also oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBM submits recommendations to the Council both as to the operation and membership of the Panel and as to amendments to the Councillors' Allowances Scheme.

3.16. 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 external audit and responsibility for the approval of the annual accounts.

3.17. The Council's Constitution sets out the responsibilities of both Members and senior managers. In particular the Council has identified four statutory posts as follows:-

Head of Paid Service - Chief Executive
Chief Finance Officer - Director of Finance
Monitoring Officer - Director of Legal & Democratic Services
Scrutiny Officer - Head of Scrutiny Services

3.18. 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 Strategic Directors.

Financial Management Arrangements

3.19. The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

Role of the Chief Financial Officer:

The Chief Finance Officer (CFO) is a key member of the Executive Management Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

The CFO is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy.

The CFO leads the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Director of Finance as the Council's CFO:

- leads and directs a finance function that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

Values and standards of conduct and behaviour

3.20. The Council has 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, Accountability and Risk Management

3.21. The Overview & Scrutiny Committees cover all Cabinet Member portfolios and the Districts collectively. All Executive decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy. 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.

3.22. The Council has a procedure for handling complaints, compliments, and comments that 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.

3.23. The Council ensures compliance with established policies, procedures, laws, and regulations – including risk management. For transparency, all reports to Cabinet, Cabinet Members and Districts are required to include governance information relating to: Council Policy, internal and external consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.

3.24. 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 Director of Legal and Democratic Services (& Monitoring Officer) who is the Officer Corporate Governance Champion and the Deputy Leader who is designated as the Member's Corporate Governance Champion.

3.25. 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.

3.26. 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 Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Capacity and Capability

3.27. The financial reductions facing the Council are impacting on workforce capacity and having a flexible, skilled and mobile workforce will be a critical to enable the Council to effectively respond to increasing demand and reducing resources.

3.28. The Council has in place a strategy for facilitating the implementation of the Service Reviews including managing significant workforce reductions through redundancy and potentially outsourcing. This includes an organisational design tool kit, training and online tools for managers along with a team of trained HR professionals to support the most complex projects. In addition there are number of work streams focused on immediate performance priorities which include the improvement agenda in Children's Services, improving attendance across the Council and ensuring a robust framework for terms and conditions and pay are in place to eradicate any potential for equal pay risks.

3.29. The Council is also developing a vision for its 20:20 workforce and putting in place an enabling framework that will support increased role mobility, effective talent management and succession planning and a refreshed behaviours and values foundation.

3.30. There is a dedicated area of the intranet for Member issues and a newsletter, City Councillor, is produced and circulated by Democratic Services, by e-mail. This gives detail of legislation, training opportunities and other issues of importance to Members. Regular monthly "market places" and briefing sessions are held to keep Councillors up-to-date with Council Services or services provided by Partner Organisations. Group Offices encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative.

3.31. During 2013/14 the Governance, Resources and Customer Services Overview and Scrutiny Committee carried out a review of Member training and a new approach to Member Development was agreed. The starting point for this approach will be the May 2014 elections. A programme of training and development options will be developed.

3.32. 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 in a changing environment and managing the Council’s system of competence based pay progression.

Engagement with the community and other stakeholders

3.33. 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 2013+ was informed by widespread consultation and research. The Council Business Plan 2014+ consultation process included consultation via an online survey, consultation via post, mail, text and through the City's website, public meetings, community workshops, consultation workshop for voluntary organisations organised in partnership with the Birmingham Voluntary Services Council, meetings with staff, Trade Unions and web chat sessions with the Leader of the Council.

3.34. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council.

3.35. The Customer First programme and Communications Review ensures that clear channels of communication are in place with service users, citizens and stakeholders. The Council holds meetings in public wherever possible. Directorates have extensive programmes of consultation and engagement activity for specific services.

4. Review of effectiveness

4.1. Birmingham City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Management Team within the Council 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 governance issues to be brought to his attention and the control procedures and mechanisms the Directorates have in place.

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

4.5. 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.

4.6. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The internal audit provision is managed, independently and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.7. The Birmingham Audit plan is prioritised by a combination of the key internal controls, assessment, and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Strategic Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the City Council and the Service Area. These are submitted to Members, Strategic Directors and service managers as appropriate.

4.8. From the work undertaken by Birmingham Audit in 2013/14 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: "I am able to provide reasonable assurance." In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts. As in any large organisation, Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Strategic Director or Senior Manager during the year. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to EMCB. The more significant of these are set out in the section entitled '**Significant governance issues 2013/14'** below.

4.9. 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 Governance Statement and in implementing recommendations made in significant, high risk audit reports.

4.10. The Council's Governance, Resources and Customer Services Scrutiny Committee received reports on key control issues throughout 2013/14 including budgetary monitoring, performance monitoring, Business Plan and Budget Consultation 2013 and risk issues including Welfare Reform.

4.11. The Council Plan is monitored through the Council Business Plan Measures 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.

4.12. The Director of Legal and Democratic Services advises that there are two whistleblowing complaints in the corporate register which present corporate concerns that require addressing during the coming year.

5. Review of 2012/13 governance issues

5.1. During 2013/14, the significant 2012/13 governance issues were considered by Audit Committee in June and November 2013 and March 2014. In addition, this Committee received reports relating to Equal Pay, Final Accounts Improvement Plan and organisational change issues.

5.2. Children's Safeguarding issues were considered by Cabinet and the Education and Vulnerable Children O&S Scrutiny Committee considered a Summary Position Statement on 19th March 2014.

5.3. Monthly Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports were considered by Cabinet.

6. Significant governance issues 2013/14

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

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	Safeguarding remains a priority. The range of reviews of Children's services during 2013-14 has confirmed the fragility of the service and the reviews have confirmed that many of the actions now in place are appropriate. A fuller set of actions will now be drafted and, will reflect the Minister's response to the DfE (Department for Education) review. This will include working with the new Commissioner Lord Warner, producing a robust Business Plan for 2014/15, evaluating the strength of Senior Management arrangements, developing an approach to unmet need and producing a five year Budget Plan.	In December 2013, Cabinet approved a substantial investment of £9.6m in Child Protection Services and work is now ongoing to recruit social workers to the council. The improvement plan was reported to Cabinet in June 2014, setting out a 3 year programme for improvement.
2	The Council faces reducing core 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, the management and development of its services and maintenance of its assets, and a specific plan over a period of up to 10 years. Given the Council is in the fourth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.	Planning for the period from 2015/16 onwards is already underway, with Member-led service reviews considering options for future service delivery in the light of corporate priorities, statutory duties, service performance standards and resources available. By focusing on the long-term, the Council is able to ensure that sustainable plans are put in place for its services and its assets, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions. The Council has a clear focus on the need for an effective and on-going equalities analysis of budget proposals, and on the need for proper public consultation on specific proposals.
3	The risk of Equal Pay Claims remains significant and is being actively managed by a joint team from Legal Services Human Resources and Finance to mitigate any financial liability against the City. Settlement agreements have been reached with a significant numbers of claimants.	The law in respect of equal pay is complex and has developed over the past 10 years Any entitlement to compensation has to be justified in accordance with the developing legal position. Equal pay claims issued against the Council are subject to detailed analysis and robust legal challenge. The Council has sought to

Issue No	Governance Issue	Mitigation Action / Proposed Action
		secure settlements that represented the best outcome for the taxpayer.
4	The current challenging financial environment has required significant organisational upheaval as well as workforce reductions and compulsory redundancies. These organisational changes can impact on the productivity and efficiency of the organisation through the loss of experienced staff; impacts on the morale of the workforce, with a potential consequence of higher sickness absence, negatively affected employee relations and increased the potential for industrial action.	The new Chief Executive is personally leading a new employee engagement programme focused on redefining organisational and employee expectations and requirements. The 20:20 workforce strategy is directly aligned with this. Despite the challenging environment, in response to a sustained and focused managerial effort, sickness absence has reduced for the first time in a number of years by nearly 2 days per full time equivalent. It is expected that the ongoing focus will enable a further albeit less ambitious reduction. In the forthcoming year the significant reductions required for 2015/16 may strain industrial relations. However deep positive local relationships with the trades unions and their understanding of the challenges will contribute to mitigating and managing this.
5	The Council is increasingly using or considering alternative delivery vehicles and innovative solutions in the delivery of Council services. In 2012 the Council created Acivico and further services are due to be transferred to this wholly owned company in 2014. Proposals to transfer Building Cleaning, Security, Birmingham City Laboratories and Civic Catering to Acivico will raise various considerations including: • The level of surplus income target sitting on budgets creating a budget pressure for the City Council.	The transfer of these services is subject to the development and Cabinet approval of robust business cases. Business cases are being developed with the full engagement of Corporate Finance, Acivico, Corporate Procurement and Clients and will seek to address and gain agreement on issues such as income targets, surpluses and cost of transfer. Services should only transfer when there is a mutual benefit to both Acivico Ltd and the Council. Given the income targets for these services are currently (and have historically been) unrealistic and way in

Issue No	Governance Issue	Mitigation Action / Proposed Action
	• Highbury - the responsibility for the maintenance of the building. • Financial costs of transfer e.g. pensions contributions and liabilities, etc. Specialist Care Services were considered last year for a move to Acivico which was agreed by DMT in June 2012. However, further consideration has been given to this project in light of service and political developments and discussion is now taking place to move the Specialist Care Services towards a co-operative by the end of the 2014/15 financial year.	excess of industry level rates of return this will inevitably create an additional budget pressure on the Council and may in addition create a pressure on the long term viability of Highbury unless addressed and mutually agreed by both BCC and Acivico Board.
6	Social Housing Allocation. An options appraisal is nearing completion to identify suitable solutions to meet both management of an updated housing allocations scheme and also provide an online housing applications portal.	Proposals will be taken to the new Cabinet Member for Health & Well-Being in the new municipal year.
7	Reports by the Council's independent chief advisor Ian Kershaw and the Department for education (DfE) commissioner, Peter Clarke, identified evidence of serious governance issues in a small number of schools in east Birmingham, because of serious malpractice by members of governing bodies compounded by the inability of head teachers and other governors to counter this behaviour and by the failure of the Council to intervene to instill proper governance. In addition, a wider review of governance by Sir Bob Kerslake will consider the operation, culture, and structures of the corporate governance arrangements at the heart of the Council.	The Council has set out a number of actions in response to Ian Kershaw's review. • We will collaborate with all of the city's schools, DfE and Ofsted to deliver a radically new way of working, developing the ideas set out by Ian Kershaw. The new model will be in place by early 2015. • We will instigate new procedures for the appointment and training of local authority appointments to governing bodies. Henceforth we will work specifically with local authority governors to ensure they represent the highest possible standards and challenge governing bodies to do the same. • We will publish clear action plans on

Issue No	Governance Issue	Mitigation Action / Proposed Action
		every council maintained school identified in the report by September 2014 and will expect them to respond to assure parents of their position; we will also be giving the academies identified in the report the same opportunity. • We will implement an audit system of good governance in line with the Nolan principles and we will verify this with a system of both announced and unannounced checks. • From the autumn, we will be publishing school scorecards that include information beyond traditional attainment, including details of complaints, whistleblowing and staff and governor changes. • We will encourage a culture which enables whistleblowing and improve our responses to it. • As the Ian Kershaw report recommends, we will regularly report publicly on progress and be transparent on implementation.

6.2. 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.

6.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ………………………………
Councillor Sir Albert Bore
Leader of the Council

Signed …………………………..
Mark Rogers
Chief Executive
(& Head of Paid Service)

Signed ………………………………
Jon Warlow
Director of Finance
(& Chief Finance Officer)

Signed ………………………..
David Tatlow
Director of Legal and Democratic Services (& Monitoring Officer)

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Director of Finance's Responsibilities

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

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

The Director of Finance has also:

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

Certification of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Birmingham City Council at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

. . . .

Jon Warlow, Director of Finance
30 September 2014

Glossary

Academy School
A school that chooses to opt out of Local Authority control and receive its funding direct from the Education Funding Agency.

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

Amortised Cost
Some financial assets and liabilities are carried at amortised cost, where part of their carrying amount in the balance sheet will be either written down or written up via the Comprehensive Income and Expenditure Statement over the term of the instrument.

Balance Sheet
The Balance Sheet shows the value, as at the Balance Sheet date, of the assets, liabilities and other balances recognised by the Council.

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

Beacon Properties
In valuing the Housing Stock the Council's properties are grouped into 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 non-current assets used in the provision of services.

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

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

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

financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

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.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement (CIES)
This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local 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.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

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

Debtors
Sums of money owed to the Council for work done, goods received, services rendered or taxation due but not received by the end of the year.

Deferred Capital Receipts
These represent income that is still due following disposal of an asset.

Defined Benefit Pension Scheme
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

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

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 arm's 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 a local authority, in return for past or future compliance with certain conditions relating to the activities of that local authority.

Heritage Assets
Assets that the council intends to hold for the purpose of informing or educating the public about their heritage, and which are not held for their investment value. Examples include collections of antiques in museums.

Housing Revenue Account (HRA)
A separate account detailing the expenditure and income arising from the provision of Council housing.

HRA Subsidy
Grant paid by Central Government to support the provision of rented housing up to 2012/13.

Impairment
A diminution in value of a fixed asset resulting from, for example, obsolescence or physical damage. To comply with accounting standards the Council undertakes annual reviews of its assets to identify any assets which have been impaired.

Infrastructure Assets
These are inalienable assets, the value of which is recognised only by continued use of the asset created. Examples of such assets are highways and footpaths.

Intangible Assets
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity.

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 arm’s length.

Liabilities
Amounts due to individuals or organisations, at the balance sheet date, which will have to be paid at some time in the future. Current liabilities are 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 the financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)
Minimum Revenue Provision is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements. The Council is required by law to make an annual determination of MRP that it considers to be prudent.

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

National Non-Domestic Rates (NNDR)
Rates which are levied on business properties.

Net Book Value
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Operational Assets
Non-current assets held, occupied, used or consumed in the direct delivery of services for which the Council has a statutory duty or discretionary power to provide.

Operating Leases
A lease 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 and Crime Commissioners, Fire and Rescue Authorities and Parish Councils), that cannot directly raise council tax themselves.

Prior Period Adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)
A Government initiative which enables authorities to carry out capital projects through partnership with the private sector.

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

Provisions
Contributions to provisions are amounts charged to the revenue account during the year for costs, resulting from a past event and with uncertain timing of payment and where a reliable estimate of the cost involved can be made.

Related Parties
There is a detailed definition of related parties in FRS8. For the Council’s purposes, related parties are deemed to include the elected Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an interest.

Reserves
Reserves are reported in two categories.

<u>Usable Reserves</u>
Usable reserves are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

Unusable Reserves
Unusable reserves are reserves that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Expenditure incurred during the year that is treated as capital expenditure under statutory provision but does not result in an non-current 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.

Soft Loan
Loans at nil or below prevailing interest rates are often referred to as soft loans.

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

Opinion on the financial statements

We have audited the financial statements of Birmingham City Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Account and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 financial statements sufficient to give reasonable assurance that the financial 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 Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword to the Accounts and the Group Foreword to the Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Birmingham City Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income 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 2013/14 and applicable law.

Emphasis of Matter – equal pay claims

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Foreword to the Accounts, the Comprehensive Income and Expenditure Statement, notes 1, 3, 4, 6, 7, 10, 13, 32, 33 and 41, the Housing Revenue Account Income and Expenditure Statement and note H10 to the financial statements and in the Annual Governance Statement concerning the uncertain outcome of claims made against the Council under equal pay legislation. The final amount payable and timing of the payments is uncertain and influenced by court judgements; the number of claims the Council receives; the outcomes of negotiations in respect of the claims and associated oncosts. The ultimate liability can fluctuate significantly and, therefore, may materially increase or decrease the provision in the financial statements. Accordingly, the impact of this uncertainty cannot be quantified.

Emphasis of Matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3 to the financial statements on the critical judgement made by the Council in applying accounting policies relating to going concern. The Council is continuing to face significant financial challenges as a result of the on-going reduction in central government support and the need to fund budget pressures internally, including those arising from equal pay claims. The Council is meeting these budget challenges by developing savings plans, and through the generation of capital receipts. The Council has appropriate contingency plans in place to provide protection against any timing differences with regard to the generation of capital receipts or any shortfall in the delivery of savings plans. The Council has identified that in addition to using general fund reserves it can take one or all of the following actions:

- redesignate earmarked reserves
- delay MRP contributions
- delay settlement of equal pay claims.

The Council considers that it can continue to meet its liabilities as they fall due and the financial statements have therefore been prepared on a going concern basis.

Opinion on other matters

In our opinion, the information given in the Foreword to the Accounts and Group Foreword to the Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our 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 2013, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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.

Basis of qualified conclusion

In seeking to satisfy ourselves that the Authority has made proper arrangements for securing financial resilience and for securing economy, efficiency and effectiveness in its use of resources, we have considered:

- equal pay settlements. The settlement of equal pay claims is having a significant impact on the Council's financial resilience, and on its wider delivery of economy, efficiency and effectiveness
- reports issued by other regulators. In October 2013 OFSTEDs Chief Inspector highlighted the Council's continuing failure to provide an acceptable service for vulnerable children. In May 2014 OFSTED reported that the most vulnerable children in Birmingham continue to be failed by the local authority and that there is an insufficient focus on children who need help and protection and who need to be cared for
- external reviews of schools governance. The Council has been subject to a number of allegations with regard to inadequate oversight of the governance arrangements at schools within Birmingham. These allegations are widely known as the 'Trojan Horse' letters. Peter Clarke's report into these allegations concerning Birmingham schools identified significant failings in the Council's governance arrangements for the management of schools. In addition, the Council's internal Trojan Horse Review Group found that "the Council and all key partners, including OFSTED, need to agree key actions that can deliver effective governance across all Birmingham schools".

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are 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 2014.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have considered the objection we have received with regard to Housing Revenue Account expenditure. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Mark Stocks
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

30th September 2014