

# Annual Accounts

## 2004/2005

Birmingham City Council



1. Foreword	3-6
2. Statement of Responsibilities	7
3. Statement of Internal Control	8-13
4. Statement of Accounting Policies	14-20
5. Consolidated Revenue Account	21
6. Notes to the Consolidated Revenue Account	22-32
7. Housing Revenue Account (HRA)	33-34
8. Notes to Housing Revenue Account	35-38
9. Collection Fund	39
10. Notes on Collection Fund	40-41
11. Consolidated Balance Sheet and Notes	42-61
12. Statement of Total Movement in Reserves	62
13. Cash Flow Statement and Notes	63-65
14. Group Financial Statements	66-67
15. Glossary	68-71
16. Auditors' Report	72-73



## A summary of the City Council's financial performance for the financial year 2004/2005

During 2004/2005 the Audit Commission again rated all authorities in the country through a Comprehensive Performance Assessment. As part of this the City Council's Use of Resources continued to score a maximum 4 out of 4. The City Council's performance improvement agenda is fully set out in the Council and the Performance Plan. These documents give details of future improvements planned in service delivery and efficient management of the Council.

### Financial Performance

The City Council continued to face financial pressure during 2004/05. The original budget included a number of areas where savings had to be made and anticipated the use of £2.8m of specific resources to enable a budget transfer of £1.5m. Strict financial discipline during the year has meant that the transfer from specific resources has not been necessary and amounts totalling £3.5m have been added to General Balances. The following table compares actual spending with the budget:

	2004/05	2003/04	2004/05
Net cost of City Council services	1,358.7	1,362.2	3.5
Funded by government grants and local taxpayers	(1,360.2)	(1,365.7)	(5.5)
Contribution (from)/to General Balances	1.5	3.5	2.0

### Financial Position

Balances at the end of 2004/05 stand at £25.6m. Of this £10.8m is a minimum working balance, £4.1m is committed to specific items in 2005/06; and £10.7m is available to the Portfolios and Committees to support future spending.

### Capital Expenditure

Total expenditure on capital schemes in 2004/05 was £268.7m (2003/04 £242.2m). This compared to the latest capital budget of £389.9 million. These totals include spending on operational leasing and deferred charges.

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

2004-05	2003-04	2002-03
Other Land & Buildings	61.5	76.2
Vehicles and equipment	9.8	21.0
Investment Properties	6.1	19.2
Infrastructure	40.2	118.0
Community Assets	13.8	33.2
Council dwellings	90.9	0.1
		Operational Leasing
		1.0
	222.0	
Deferred Charges	45.4	
Operational Leasing	1.0	
	230.0	

£5.8 million

The net surplus for 2004/05 was £5.8 million which will be added to the surplus of £11.1 million brought forward to make a carry forward surplus of £16.9 million.

### 2004/05

The City Council's revenue and capital budget is allocated between the Portfolio holders, who make up the Executive Cabinet, and Committees of the Council. Spending against these budgets is carefully monitored through the year and reported on a monthly basis to Cabinet. The end of year spending position, analysed by portfolio, is summarised in the table below.

Portfolio	2004-05	2003-04
Leaders	66,428	1,308
Deputy Leaders	26,679	11,805
Education & Lifelong Learning	714,981	50,639
Equalities & Human Resources	3,443	390
Housing General Fund	38,210	32,404
Housing Revenue Account (note)	0	91,043
Leisure, Sport & Culture	41,814	18,833
Local Services & Community Safety	4,632	4,823
Regeneration	18,680	10,601
Social Services & Health	320,222	3,435
Transportation, Street Services & Sustainability	91,426	43,328
Council Business Management Committee	8,219	0

Notes :

1. The Housing Revenue Account is funded by Rents and Government Subsidy.
2. Gross expenditure for 2004/2005 was £231.237m.

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The accounting policies used in the preparation of these accounts are set out in Section 4. Arising from changes to the Local Authorities Accounting Code of Practice there have been four changes from the policies used in the previous year.

1. A number of investment properties have been reclassified as operational. This is because, although let to third parties, they are used to provide services which are considered to further the overall policy objectives of the City Council.
2. The Council changed the accounting policy on accruals by raising the de minimis level for accruals from £100 to £5000. This is intended to improve the efficiency of the final accounts process, in order to achieve earlier closedown deadlines. Further detail can be found in the accounting policies note atide (thJT1G(ti16.9(lier )-9.8(hie)18(v)4per)-57.9(ties ha)188e1As

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The City Council is required to:

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

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The City Council's chief financial officer is the Strategic Director of Resources. He is responsible for the preparation of the City Council's Statement of Accounts. In preparing the statement, he has:

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

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

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I certify that the Statement of Accounts presents fairly the position of Birmingham City Council at

## 1. Overall Responsibility

Birmingham City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Birmingham City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Birmingham City Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Birmingham City Council's functions and which includes arrangements for the management of risk.

## 2. The System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Birmingham City Council'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.

The system of internal control has been in place at Birmingham City Council for the year ended 31st March 2005 and up to the date of approval of the Statement of Accounts.

### The Key Elements of the Internal Control Environment

The key elements of the internal control environment include:

- Birmingham City Council has established a Cabinet and Corporate Plan setting out its objectives and there is an accompanying Performance Plan in which achievement of the authority's objectives is monitored.
- Birmingham City Council facilitates policy and decision-making via a Cabinet Committee Structure with Member activity portfolios. There are Scrutiny Committees covering all portfolios and a Co-ordinating Overview and Scrutiny Committee. The Constitution is reviewed annually and has been codified into one document and is available on the intranet and external web pages.
- Birmingham City Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a comprehensive corporate induction programme in place and information regarding policies and procedures are held on our Intranet, which continues to be enhanced and developed. The City Council has a strong Internal Audit function (Birmingham Audit) and well-established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.
- Birmingham City Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures. In particular during 2004/5 we have introduced the 3C's (Comments, Complaints and Compliments) which is a city wide system for dealing with and learning from our customers.



- The City Council first established a risk management strategy in July 2002, and this has been updated subsequently. Leadership is provided to the risk management process by the Strategic Director of Resources being the Officer Corporate Governance Champion and the Deputy Leader is designated as the Member's Corporate Governance Champion. The City Council has approached embedding 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 is giving presentations, providing training; facilitating workshops and providing guidance through the publication 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.
- Birmingham City Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value duty.
- Birmingham City Council was categorised as weak in the updated Comprehensive Performance Assessment (CPA). The Audit Commission identified that there were many aspects of the Council's work that were very good but the overall judgement was held back by the poor performance in Housing and Children's Social Services
- Financial management in Birmingham City Council and the reporting of financial management was considerably enhanced 6 years ago with the implementation of a General Ledger and Management Information System, GLAMIS, which integrates the general ledger function with those of budgetary control and payments. These are supported by a Corporate Accounting Procedures Manual held on the Council's intranet which ..al managh ..al manas in

The Council has developed key policy documents, such as the Cabinet and Corporate Plan 2004/5 and the Performance Plan 2004/5 through which the Council expresses its objectives and puts in place the mechanisms by which it can monitor their achievement. The Council monitors and reports publicly on progress so residents can see how we are tackling the issues that matter to them. The Plan is monitored on a quarterly basis both by the Executive and Overview and Scrutiny Committees. The view that the Council had made significant progress in developing its performance management arrangements was confirmed in the recent corporate assessment undertaken by the Audit Commission. Further progress is outlined in the Council Plan 2005+ which has been published recently.

Directorate, Divisional and Service unit business plans that contain a variety of performance indicators and targets, that are regularly reviewed, support these plans.

The Council's constitution, which is annually reviewed by the Monitoring Officer, sets out the responsibilities of both Members and senior managers. In particular the Council has identified the three statutory posts as follows:-

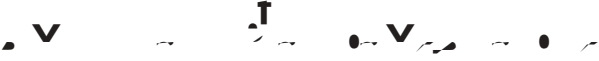
Head of Paid Service - Chief Executive  
Monitoring Officer - Chief Legal Officer  
Chief Financial Officer - Strategic Director of Resources


The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace guidance and has developed a Local code of corporate governance.

The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which is included within the Constitution. The Strategic Director of Resources is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003. The internal audit provision is managed, independently by the Assistant Director, Audit and Risk Management and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2003. 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 Members and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. The work plan is discussed and agreed with the Strategic Directors and Members and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided.

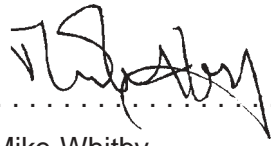


- Supporting People. During the year a considerable amount of time was spent on reviewing the supporting people initiative. Significant weaknesses including a lack of robust processes and procedures were identified. Managers have developed an improvement action plan which will be closely monitored.
- Kings Norton Three Estates New Deal for Communities (KN3Es). A review at KN3Es identified a number of very serious concerns, so fundamental that the ability of the organisation to manage its core objectives was called into question. Immediate action was taken to strengthen the management and action plan put in place to ensure continued improvement. The action plan will be monitored closely.
- The Council continues to be actively involved in developing the way it works with partners and organises itself to deliver services. Developments of this nature require careful management and the Council have sought to identify and minimise the impact of risks associated with this change. The major developments are:
  - 2004/2005 saw a considerable amount of work in turning Devolution of decision making and Localisation of service delivery to 11 Districts in the City, with effect from 1st April 2004, a reality. The Constitution, control mechanisms and internal procedures are in place. These arrangements will continue to bed down over the next 12 months as the process of devolution and localisation continues and processes develop.
  - The Council continues to explore the possibility of a PFI for Highways, second Schools PFI and major initiatives under Building Schools for the Future .
  - The Council continues to make progress towards entering a strategic partnership for Business Transformation. Good progress was made in 2004/5 and careful selection of a partner for this project continues.
  - The Council's response to the Gershon report and the need to identify significant ongoing savings in both the current and future years. This is being led by a member Performance Efficiency and Productivity Group and Officers Efficiency Champion. Work is being coordinated through an overarching Efficiency Programme which identifies, captures and implements savings across all areas of the Council
  - Other areas which have been highlighted in the review of the Council's internal control include those listed below. In each case the Directors responsible have identified the risk involved and prepared plans to contain the risks and deliver the necessary improvements.
  - Continuing to reduce error and claimant fraud and improving support systems within Housing Benefits which will be assisted by the implementation of a new computer system in the next 12 months.
  - Continuing to increase attendance and reduce sickness levels to enable better services to be provided
  - Improving the control environment regarding funding to partners to support the city of vibrant urban villages priority

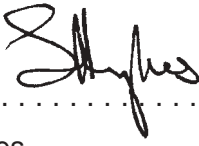


Signed  .....

Lin Homer  
Chief Executive

Signed  .....

Councillor Mike Whitby  
Leader of the Council

Signed  .....

Stephen Hughes  
Strategic Director of Resources

The City Council's Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2004. The code has been approved as a Statement of Recommended Practice (SORP).

### ***Best Value Accounting Code of Practice (BVACOP)***

In 2000 the Chartered Institute of Public Finance and Accountancy published their Best Value Accounting Code of Practice (BVACOP). Several substantial revisions to this Code have been published, the most recent in 2004. BVACOP sets out "proper practice" with regard to consistent financial reporting below the level shown in this statement of accounts. The Code covers a definition of Total Cost and a revised Service Expenditure Analysis. The Total Cost part of the code also covers the treatment of partnerships, trading accounts, Corporate and Democratic Core and other overheads. The Consolidated Revenue Account and note 1 on trading activities have been prepared in accordance with BVACOP.

### ***Accruals***

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

Income and expenditure are accounted for in the year to which they relate by the creation of debtors and creditors.

Certain periodic payments, such as those to utilities, are not accrued for per FRS18. These are accounted for on a cash basis, but result in no material difference to the accounts.

For 2004/2005 and future years, the City Council has adopted a de minimis level for accruals of £5,000. Debtors and Creditors below this level are not included in the accounting statements. This is intended to improve the efficiency of the final accounts process in order that earlier closedown deadlines can be achieved in the future. If this de minimis level had not been in place a further £12.0m of creditors and £1.5m of debtors would have been shown on the Consolidated Balance Sheet.

### ***Support Services***

In line with CIPFA guidance, the cost of corporate management is not charged to service departments. Corporate management includes such items as the costs of external audit, treasury management and Member services. Where support services are allocated, the bases vary between staff time spent, number of employees, usage, areas occupied and in accordance with Service Level Agreements (see also item on the Best Value Accounting Code of Practice).

### ***Asset Charges***

Service revenue accounts, including the Housing Revenue Account, are debited with asset charges equivalent to depreciation plus a notional interest charge of 3.5% of the asset value (4.8% for infrastructure). The percentages for General Fund assets are determined by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and

Accountancy and subject to regular review. The percentage for HRA assets is determined by the ODPM in the Housing Resource Accounting Manual. A corresponding credit is made to the Asset Management Revenue Account, which ensures that asset charges do not affect the level either of local taxation or of Council Housing rents.

### **Deferred Charges**

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

### **Leases**

#### **v) Finance Leases**

The City Council has no finance leases in primary rental. All amounts paid are treated as interest, since the principal value of the asset is deemed to have been fully repaid during the primary period.

#### **v) Operating Leases**

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

### **Pension schemes**

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

#### **v) Teachers' Pension Scheme**

Teachers may be members of the Teachers' Pension Scheme. This is a defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education and Skills. The employers' rate is set nationally by that department. Further information on this scheme may be obtained from the website at [www.dfe.gov.uk](http://www.dfe.gov.uk). Although this is a defined benefit scheme, it is accounted for as a defined contribution scheme as the Council's share of the assets and liabilities cannot be separately identified. A liability is shown in the balance sheet arising from the award of added years to retired teachers.

#### **v) Local Government Pension Scheme**

Employees of the City Council, other than teachers, may be members of the Local Government Pension Scheme. This is a funded defined benefit scheme. The appropriate Fund is the West Midlands Pension Fund, which is administered by Wolverhampton City Council, from whom a copy of the annual report may be obtained. The fund's website may be visited at [www.wolverhampton.gov.uk](http://www.wolverhampton.gov.uk).

The fund is subject to an actuarial valuation every three years, the last one being 31st March 2004. At this time the fund's assets were valued at 74.0% of the value of the liabilities. Financial Reporting Standard 17 requires the recognition of the council's share of the fund's assets and liabilities in its accounts, as well as requiring recognition in the Council's revenue account of the full costs of providing for future retirement benefits. The Council implemented this standard in full in 2003-04. In accordance with Government regulations, a Pensions Reserve has been set up and the Council's liabilities arising from its participation in the scheme have been

written onto the balance sheet. The revenue account has been debited with the full cost of providing for future pension liabilities arising from in year service. Appropriations equal to the difference between this amount and the actual employers pension contribution are made from the Pensions Reserve so that the additional costs of providing for retirement benefits in accordance with FRS17 do not impact on levels of local taxation.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/04 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.1% actual). For the 2004/05 Statement of Accounts, a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 2.5% real (5.4% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £295.217m, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements on Reserves.

Disclosure note 3 to the Consolidated Revenue Account provides details of contributions made in respect of both pension schemes.

### ***Interest Charges***

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

### ***Government Grants***

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

### ***Value Added Tax***

VAT is included in the accounts only to the extent that it is irrecoverable.

### ***Fixed Assets***

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Fixed assets are categorised as follows:

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The 2004 SORP amended the definition of investment properties. The Council previously





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Government and Housing Act 1989. Formal restrictions on borrowing have been removed and replaced by authority to borrow within “prudential” limits of what the Council can afford to service from revenue resources. The prudential limits are calculated by reference to balance sheet figures. The requirement for a Minimum Revenue Provision in the Housing Revenue Account has been removed. The Council has, however, elected to make a voluntary provision for HRA debt repayment of £600,000. These amounts are not charges to service revenue accounts which receive an asset charge consisting of notional interest and depreciation as described in notes (f) and (g) on Fixed assets above. The difference between MRP and depreciation is appropriated to or from the Capital Financing Account (CFA) so that depreciation does not impact on the City Council’s net revenue expenditure.

### ***Provisions***

Provisions are made for any known quantifiable liabilities arising from past events in accordance with Financial Reporting Standard 12. Provisions are created by charging the relevant service revenue accounts. When expenditure is incurred to which the provision relates, it is offset directly against the specific provision. Provision is made for doubtful debts, and known uncollectable debts are written off against this.

### ***Reserves***

Amounts set aside for specific purposes that do not meet the criteria for provisions laid down in FRS12 are treated as reserves. Expenditure funded from reserves is charged directly to service revenue accounts with a compensating appropriation being made from the reserve. Accounting standards do not permit direct reserve accounting.

Details of reserves held at 31st March 2005 are shown in the notes supporting the Balance Sheet and the Statement of Total Movements in Reserves.

### ***Contributions from developers (Section 106 monies)***

Contributions from Developers (section 106 monies) are now shown on the Balance Sheet as Capital contributions unapplied. Where these monies are invested externally they are shown under short term investments.

### ***Post Balance Sheet Events***

Where a material post balance sheet event occurs, concerning conditions that did not apply at the balance sheet date, the nature of the event and its financial effect are disclosed in the accounts. Two events occurring after 31st March 2005 are disclosed in Note 28 of the Consolidated Balance Sheet.

### ***Group Accounts***

The City Council has material interests in a number of subsidiary and associated companies. In accordance with FRS 2 (Accounting for Subsidiary Undertakings) consolidated financial statements have been prepared as an annex to the main accounts. The 2004 SORP introduced enhanced requirements for the preparation of consolidated financial statements, specifically the requirement for a group cash flow statement and Statement of Total Movements in Reserves and the requirement to align accounting policies. It has not proved possible to obtain current cost valuations of the fixed assets of the Council’s subsidiary companies and the Council has elected to make use of the transitional arrangements allowed by the SORP and prepare consolidated financial statements on the same basis as previous years.

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000		000	000
12,162	Central Services to the Public	99,340	12,568
4,462	Court & Probation Services	33,275	4,987
178,216	Cultural, Environmental & Planning Services	362,758	197,884
673,676	Education Services	971,898	720,698
98,335	Highways, Roads & Transport	126,447	107,000
39,785	Housing Services	647,643	69,569
280,281	Social Services	443,171	326,295
16,511	Corporate & Democratic Core	18,393	18,109
21,106	Non Distributed Costs	18,706	18,706
<b>1,222,939</b>		<b>2,211,111</b>	<b>1,222,939</b>
53	Parish Precept		32
(7,683)	(Surpluses)/Deficits on Trading Undertakings		(9,069)
21,358	Levies		70,359
(31,325)	Surplus on Asset Management Revenue Account		(66,522)
120,783	Interest Cost - Pensions		134,508
(88,433)	Expected return on Pensions Assets		(108,202)
(8,413)	Interest and investment income		(9,826)
1,330,874	Net Operating Expenditure		1,487,096
(29,537)	Appropriation to/(from) Pensions Reserve		(43,533)
4,434	Contributions to/(from) HRA Balances		5,777
	Contributions to/(from) Earmarked Reserves		
11,486	Schools Balances		7,355
6,918	Other Reserves		(44,074)
(41,252)	Appropriation to/(from) Capital Financing Account		(50,396)
<b>1,222,939</b>			<b>1,222,939</b>
(728,976)	Revenue Support Grant*		(814,779)
(285,874)	Non domestic rates redistribution		(276,538)
(273,025)	Council Tax		(274,955)
(77)	Transfer in respect of Collection Fund surpluses		517
<b>(,029)</b>			<b>(,0)</b>
<b>(1,029)</b>			<b>(22,10)</b>
(5,029)	(Surplus)/Deficit for Year		(3,530)
<b>(22,10)</b>			<b>(2,10)</b>

\* This figures include PFI Grant of £5.763 million in 2003-04 and £5.533 million in 2004-05.



The transactions on the asset management revenue account in 2004-05 are summarised below:

£ 1.0m

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

£ 1.0m

£ 1.0m

The Council is required by Section 5(1) of the Local Government Act 1986 to provide details of its spending on Publicity. During 2004/2005 £9.0m was spent including £0.6m in respect of the

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Employees of the City Council, other than teachers, may be members of the Local Government Pension Scheme (LGPS) which is a funded defined benefits scheme. The appropriate Fund is the West Midlands Pension Fund which is administered by Wolverhampton City Council. The Fund is subject to an actuarial valuation every three years, the last one being 31st March 2004.

Teachers may be members of the Teachers Pension Scheme (TPS). This is also a defined benefit scheme where all employers in England and Wales pay pension contributions to the scheme which is managed by the Department for Education and Skills. The contributions are invested in a notional fund, which is valued at least every five years by the Government Actuary. Because the scheme is not valued on an individual employer basis the Council's share of the assets and liabilities of the scheme cannot be identified.

- i The City Council's employer's contribution for the year 2004/2005 was £57.6m (£53.9m in 2003-04).
- ii The cost of awarding discretionary additional benefits and their associated inflation proofing is borne separately by the City Council. Expenditure in 2004/2005 was £5.3m (representing 1.15% of members' aggregated pensionable pay). This amount is made up of £5.1m (£4.9m in 2003-04) in respect of ongoing added years pension payments and associated pensions increase charges and £0.2m (£0.3m in 2003-04) in respect of one off added years lump sum payments.
- iii In the latest Actuarial Valuation as at 31st March 2004 74% of past service liabilities were funded. An employer's contribution rate was set for the City Council of 12.50% for the three years from 1st April 2002 to 31st March 2005. Over the next three years the employer's contribution rate has been set at 12.50%, 13.3% and 14.0% respectively. Up to 31st March 2005, the employer's rate included an assumption regarding the number of potential early retirements over that three-year period. If the actual level of early retirements exceeded those provided for in the Valuation, it may have been necessary to review the employer's contribution rate, or otherwise make a lump sum contribution to the Pension Fund. For the years 2002/2003 to 2004/2005 the City Council had cause to exceed its early retirement allowance slightly and thus made an additional payment to the Pension Fund. From 1st April 2005 the City Council has also elected to fund the cost of its early retirements on an individual basis rather than through an addition to the employer's pension contribution rate.

For Teachers, the City Council paid an employer's contribution of £43.6m (13.5% of pensionable pay) in 2004/2005 to the Teachers' Pension Scheme. The equivalent figure for 2003/2004 was £41.8 million (13.5% of pensionable pay). The teachers' pension scheme is administered by Capita Teachers' Pensions and is not the direct responsibility of the City Council. In addition, £5.4m (£5.6 million in 2003-04) was paid to retired teachers in respect of added years benefits and, in certain cases, the employer share of teacher pension benefits. These figures include pension increases, where appropriate. A liability is shown on the balance sheet in respect of the Council's obligations to pay added years benefits.

- iv The following costs have been charged to the City Council's revenue account to reflect full compliance with FRS17 in 2004-05



	200 -0 ,000	200 -0 ,000
Current Service Cost	55,315	77,370
Past Service Cost	4,978	1,637
Curtailment Cost	342	1,104
Total Cost	60,635	80,111
Expected Return on Assets	88,433	108,202
Interest on Pension Liabilities	(120,783)	(134,508)
	<b>( 2, 0 )</b>	<b>(2, 0)</b>

Current service cost is charged directly to services. Past service and curtailment costs are shown as Non Distributed Costs.

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

	1.0 .200	1.0 .200
Market Value of Assets	1,544.8	1,713.4
Liabilities	(2,135.1)	(2,667.4)
	<b>( 90. )</b>	<b>(9 .0)</b>

The City Council's share of the assets of the Local Government Pension Fund may be analysed as follows:

	/	/	/	/
	v 1	v . 200	v 1	v . 200
	000	%	000	%
Equities	1,181.8	76.5	1,290.1	75.3
Government Bonds	149.8	9.7	161.1	9.4
Other Bonds	63.3	4.1	77.1	4.5
Property	112.8	7.3	123.4	7.2
Other	37.1	2.4	61.7	3.6
	<b>1, .</b>		<b>1, 1 .</b>	

The movements on the pensions reserve may be summarised as follows:

Balance at 1.4.04	(590,340)
Appropriation to CRA	(43,533)
Benefits paid to Retired Teachers	5,391
Actuarial loss on LGPS and TPS	(325,491)
	<b>(9 ,9 )</b>



During 2004-2005, the City Council paid £0.05m (2003-2004 £0.05m) in finance lease rentals and £6.96m (2003-2004 £7.40m) in operating lease rentals.

As at 31st March 2005, the City Council has a commitment to meet the following rental charges on operating leases:

	2004-05	2003-04
2005-06	0.05	3.53
2006-07	0.03	2.92
2007 to 2011	0.02	4.50
<b>Total</b>	<b>0.10</b>	<b>10.95</b>

The assets financed by these leases consist entirely of vehicles, plant and equipment.

The number of employees whose remuneration, including employee superannuation contributions, was £50,000 or more in bands of £10,000 were:

2004-05	Band	2003-04
255	£50,000 - £59,999	346
88	£60,000 - £69,999	104
32	£70,000 - £79,999	39
6	£80,000 - £89,999	22
2	£90,000 - £99,999	4
3	£100,000 - £109,999	2
1	£110,000 - £119,999	1
1	£120,000 - £129,999	5
1	£140,000 - £149,999	0
1	£170,000 - £179,999	1
<b>390</b>		<b>2</b>

The increase in numbers is due primarily to the effect of the annual pay award together with progression up incremental pay scales.

Allowances paid to members of the City Council in 2004-05 totalled £2.2m (2003-2004 £2.1m)

The City Council received a number of general and specific grants from central government totalling £1,566.6 million. Precepts were paid to the West Midlands Police Authority, the West Midlands Fire & Civil Defence Authority and New Frankley in Birmingham Parish Council

amounting to £33.3 million. Payments to other local authorities and health authorities, excluding precepts, totalled £11.7 million. Receipts from other local authorities totalled £8.0 million. In addition, payments of Employers' Pension Contributions were made to Wolverhampton M.B.C. in respect of members of the Local Government Pension Scheme, and to the Teachers' Pensions Agency in respect of teachers. The amounts of these are detailed in disclosure note 3 above. The City Council paid £103.6 million in grants to a range of voluntary and community organisations. These grants were the main source of funding for a number of these organisations. The City Council also has interests in a number of companies, as detailed in the notes to the Balance Sheet. The following transactions are considered material

Optima Community Association	2.9
NEC Finance plc	0.7
Groundwork Birmingham	1.1
Witton Lodge Community Association	0.5
Direct Connections	0.3
Millenium Point Property Ltd.	0.1
Birmingham Wheels Ltd.	0.1
Birmingham Technology (Property) Ltd.	0.1
Academy of Youth	0.1
Local Leagues Ltd.	0.1

Groundwork Birmingham	0.3
Birmingham Technology (Property) Ltd.	0.6
National Exhibition Centre	0.4
Optima Community Centre	0.4
Birmingham Wheels Ltd.	0.2
Birmingham & Solihull Connexions	0.9
Marketing Birmingham	0.4
Afro Carribean Resource Centre	0.2

There was one material transaction between the City Council and its Chief Officers, other than the payment of salaries, of which details of these are disclosed in Note 5 above. This was the repayment of a loan of £412,000 advanced in 2003-04 to facilitate relocation to the West Midlands. This was repaid in full on 24th September 2004.

The Building Act 1984 and Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non chargeable activities. The cost of non-chargeable activities is met from the Council's revenue budget.



The budgeted contributions were:

	%		
Eastern	24.77	39,137	
North	13.66	21,583	
South	33.48	52,898	
Heart of Birmingham	28.09	44,382	
	100	158,000	1,000
HOB PCT	100	48,000	,000
Access equipment	100	410,000	10,000
			200,000

Additionally the City Council and the PCTs both spend in excess of £750,000 per year on equipment purchases.

Expenditure in 2004-05 was:

Pooled Equipment	10,000	10,000	0
Equipment Services Manager	75,000	37,584	37,416
Telecare Development	43,000	40,638	2,362
Project support costs	20,000	-	20,000
IT interfaces	10,000	-	10,000
	158,000	88,222	69,778
Children's Equipment purchases	48,000	48,000	-
Access equipment	410,000	410,000	0
Eastern 24.77%	17,284		
North 13.66%	9,532		
South 33.48%	23,361		
HOB 28.09%	19,601		

הנה דגמי זרועות המערכת הנ"ל. כל זרועות מערכת הן זהות.







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	Revenue Contributions to Capital	
10,675	HRA Set-aside	0
8,652	Revenue Contribution to Capital	0
(6,671)	(Surplus) / deficit at beginning of year	(11,105)
(4,434)	(Surplus) / deficit for year	(5,777)
(11,105)	(Surplus) / deficit at end of year	(16,882)

---

1. Housing Stock

At the end of the year the stock was made up as follows:

	1 April 2005	2 April 2006	3 April 2007	4 April 2008
Flats	17,007	12,548	5,178	34,733
Housing & Bungalows	3,844	9,512	22,346	35,702
Housing Stock at 31 March 2005	20,851	22,060	27,524	70,435

The movement in stock is analysed below:

	2005-06	2006-07
Stock at 1 April	76,758	73,036
Sales	2,879	1,847
Demolitions	843	754
Repurchases	0	0
Stock at 31 March	73,036	70,435

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

The balance sheet values of HRA fixed assets are as follows:

	31 March 2006	31 March 2007
Council Dwellings	1,688	2,139
Other Land and Buildings	5	5
Total Operational Assets	1,693	2,144
Non Operational Assets	29	20
Total	1,722	2,164

The change reflects properties lost through sales, demolitions, acquisitions and revaluation of Beacon values and depreciation.

The balance sheet value of non-operational assets includes surplus vacant property awaiting demolition and development land, as well as HRA properties let to third parties such as shops. The only non-operational assets valued were vacant properties awaiting demolition and these were assessed at a liability of £6m.

## 2. Vacant possession value of dwellings within the authority's HRA (valued in accordance with the Guidance) as at 1 April 2004 is £2,869m.

- (a) the vacant possession value of dwellings within the authority's HRA (valued in accordance with the Guidance) as at 1 April 2004 is £2,869m.
- (b) The difference between the above figure and the £1,688m in the balance sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the former DETR's stock valuation model.

## 3. Deferred charges

Deferred charges are a reflection of capital expenditure that does not result in an asset. There are no deferred charges in the financial year 2004/05.

## 4. Impairment charges

Impairment charges reflect a reduction in the value of fixed assets due to the economic environment or something has occurred to the assets. This could include a decline in demand, obsolescence and commitments to make significant changes to housing. No impairment charges have been identified in the 2004/05 accounts.

## 5. Major Repairs Allowance

The major repairs allowance is a cash sum allocated per property per annum based on type and size. The allowance is provided to maintain properties in their present condition of repair.

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

## 6. Housing Subsidy

This now includes two components namely, Housing Subsidy and the Major Repairs Allowance. The rent rebate subsidy is not accounted for in the HRA from 2004/05 in line with the transfer of rent rebates to the General Fund. The HRA Subsidy element is calculated using stock numbers, allowances for management/maintenance, capital financing costs and notional rent income. The MRA (explained in Note 5) is paid through HRA Subsidy administration system.

An analysis of the HRA subsidy payable to the authority for this financial year and prior years in



200 -0  
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200 -0  
000

227,913	Council Tax: Income	2	233,879	
77,697	Transfers from General Fund: Council Tax Benefit		78,233	
1,278	Decrease in provision for bad debts	5	15	
0,000				12,12
291,524	Business ratepayers: Income collectable	3		289,456
64	Community charge: Income collected resulting in a reduction to provision for bad debts			26
0,000				01,009
273,049	Demands on the Collection Fund: Birmingham City Council	4	274,406	
53	Frankley in Birmingham Parish		32	
10,253	West Midlands Fire and Civil Defence Authority		10,938	
19,995	West Midlands Police Authority		22,281	
0,000				0,000
0	Council Tax: Increase in provision for bad debts	5		0
4,629	Debts Written Off			4,172
289,612	Business rate: Payment to national pool		287,491	
1,912	Cost of collection allowance		1,965	
2,912				2,912
(111)	(111) / 1,000 v.			91,000
99,92				02,201
91,000	(111) / 1,000 v.			92

## 1. Collection Fund

These accounts represent the transactions of the Collection Fund.

This is a statutory fund which the City Council administers on its own behalf, and that of New Frankley in Birmingham Parish Council and of the West Midlands Police, and Fire and Civil Defence Authorities. It records major sources of funding and their distribution. As the City Council is the billing authority, the fund is consolidated with other accounts in the Consolidated Balance Sheet on page 41 of these accounts.

The accounts have been prepared on an accruals basis.

## 2. Valuation Band Conversion

The council's tax base at January 2004 (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:

Valuation Band Conversion

Under the arrangements for uniform business rates, the council collects National Non-Domestic



Details of the NNDR transactions during 2004/2005 are analysed as follows:

200 -0 '000		200 -0 '000
392,121	a) Contribution to the NNDR pool: Non-domestic rates	426,801
1,242	Less: transitional relief adjustments	(674)
(103,751)	Less: allowances and adjustments	(138,636)
<b>2,99,12</b>		<b>2,99,12</b>
271,207	Amount actually paid during the year	290,965
18,405	Payment to/ (refund due from) pool	(3,474)
<b>2,99,12</b>		<b>2,99,12</b>
285,874	b) Redistribution from the NNDR pool: Net income to City Council	278,543

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

Every effort is made to recover all amounts due from council/community tax and business ratepayers. However, where it has been proved impossible to recover unpaid charges, such amounts are written off to the Collection Fund Account. In 2004-2005, £3.1m (£3.3m) in respect of unpaid NNDR and £4.2m (£4.6m) of Council Tax was written off. These write-offs represented 1.02% (1.08%) of NNDR due as at 1st April 2004 including amounts brought forward from earlier years and 1.18% (1.33%) of the amount of Council Tax due including arrears from earlier years. The figures in brackets are those for the previous year.

1 200	000				1 000	000	200	000
		Fixed Assets						
		Other land and buildings						
1,721,949		- council dwellings and other HRA properties	}			2,164,654		
1,583,800		- other land and buildings	}			2,004,706		
28,249		- vehicles, plant, furniture and equipment	}	1, 2 & 3		30,417		
			}					
379,675		Other land and buildings	}			393,736		
			}					
1		Other land and buildings	}		0			
			}					
327,149		Other land and buildings	}			253,126		
1,002			}			1,002		
			}					
13,673		Premature debt repayment premiums		4		13,579		
74,506		Long term investments		5		83,590		
33,928		Long term debtors		6		32,887		130,056
		Other Investments				1,002		

200 / 0

The City Council financed capital expenditure on a payments basis until 2003-04. With effect from the 2004-05 financial year the Council finances capital expenditure on an accruals basis.

The City Council's capital expenditure on an accruals basis, including amounts owing but not paid in 2004/05, analysed between types of asset, is summarised below. This also includes deferred charges.

	200 -0	200 -0		200 -0	200 -0
Other Land & Buildings	64.7	61.5	Borrowing	87.5	76.2
Vehicles and equipment	7.0	9.8	Prudential Borrowing	0.0	21.0
Investment Properties	7.7	6.1	Capital Receipts	24.7	19.2
Infrastructure	41.2	40.2	Capital Grants	100.2	118.0
Community Assets	8.5	13.8	Other Grants Contributions	17.4	33.2
Council dwellings	64.8	90.9	Revenue	8.8	0.1
Deferred Charges	45.2	45.4	Operational Leasing	3.1	1.0
Operational Leasing	3.1	1.0			
	222.2	222.2			
Movement in Accruals (2003-04 only)	(0.5)				
	221.7	221.2			

The difference between expenditure on fixed assets and additions to the asset register relates to expenditure not deemed to have a material effect on asset values.

	200 -0	200 -0	200 -0	200 -0	200 -0	200 -0	200 -0
Net Book Value at 1 April 2004	1,721.9	1,583.8	28.3	379.7	0.0	327.1	4,040.8
Additions	0.1	54.8	9.1	40.2	0.0	0.0	104.2
Disposals	(69.5)	(2.8)	0.0	0.0	0.0	(0.9)	(73.2)
Revaluation	551.8	318.2	0.0	0.0	0.0	12.9	882.9
Restatements	0.0	81.4	1.1	0.0	0.0	(86.0)	(3.5)
Depreciation for year	(39.6)	(30.7)	(8.0)	(26.2)	0.0	0.0	(104.5)
Net Book Value at 31 March 2005	2,173.7	2,003.7	31.4	393.7	0.0	339.1	4,840.3

The restatements include the reclassification of investment properties valued at £86 million as other Land & Buildings

The 2004 SORP introduced a new category of intangible assets to account for items such as computer software licences previously accounted for as deferred charges. The Council held no intangible assets at 31st March 2005.

## 2. Valuation of property assets

1. Valuation of property assets

0. Valuation of property assets

Approximately one fifth of the Council's property assets are valued each year. Peter Jones MRICS, Assistant Director and other similarly qualified staff in Birmingham Property Services, Economic Development Department, carried out all valuations, and valuation certificates were

O . . . A . . . (H . . .):

The entire housing stock was revalued as at 1st April 2000 by Peter Jones MRICS, according to the Government's 'Guidance on Stock Valuation for Resource Accounting' issued in 2001. The valuation was on the basis of Existing Use-Social Housing using sample "beacon properties" and a valuation certificate was issued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Not all properties were inspected by the Valuer. A desktop review of the beacon values was carried out as at 01.04.04 by Peter Jones MRICS in accordance with the former DETR guidance. A full revaluation of Housing stock will be carried out in 2005-06.

Infrastructure Assets:

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

Community assets were valued at a nominal £1 each as at April 1st 1994. Expenditure since that date was added to the values in previous years. However, in order to ensure consistency of treatment between assets, all are now included at the £1 nominal valuation.

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

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

1.0 .0		1.0 .0
	Sums due from:	
48.3	Council tax payers	49.0
5.7	Community Charge payers	0.0
13.4	Business ratepayers	18.6
26.3	Residential & commercial rents	23.3
71.4	Government departments	65.6
119.6	Others	112.4
<b>22 .</b>		<b>21 .</b>
(55.9)	Provision for bad debts	(54.4)
<b>22 .</b>		<b>21 .</b>

Of the total cash held by the City Council, £18.9 million was held by schools operating their own bank accounts under schemes of delegated financial management.

The Council's financial instruments comprise borrowings, cash and investments. In common with all local authorities, it may not trade in financial instruments or use derivatives, and it is subject to 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.

The Council approves and monitors a treasury management policy and an annual treasury management strategy in order to manage its financial instrument risks. It also sets a number of related limits and indicators in accordance with the Prudential Code. The main risk arising from the Council's financial instruments is interest rate risk. The Council does not have a material currency risk.

### **Overall level of borrowing**

The Council approved an authorised limit for borrowing and other long term liabilities of £1,537m for 2004/05 and the maximum actual level in the year was £1,170m.

### **Interest rate risks**

The Council set an upper limit on its variable interest rate exposure of 35% of its borrowing net of investments. The maximum actual exposure during the year was 20%. The split of financial liabilities and financial assets in terms of interest risk was as follows at 31 March:

	2011	2010
Variable rate	238.7	24.9
Fixed rate	891.9	56.8
	<b>1,130.6</b>	<b>81.7</b>

**Liquidity risk and maturity profile**

The Council had no undrawn committed borrowing facilities but was able to obtain unsecured borrowing from the sterling financial markets and could borrow from the Public Works Loans Board for up to 30 years for all its needs within its authorised limit of £1,537m. Because the Council funds long term infrastructure assets much of its borrowing is long term, with 63% of its borrowing maturing in excess of 10 years, within a limit of 80% set by the Council. The analysis by type and the maturity structure of financial liabilities was as follows:

2011		2010
20.1	Stock	20.1
0.0	Bonds	
884.0	Public Works Loan Board	911.8
89.6	Other Market Loans	96.9
101.3	Short Term loans	101.8
<b>1,095.0</b>		<b>1,120.6</b>

The balance sheet shows these borrowings as follows:

2011		2010
161.2	Borrowings repayable within 12 months	238.6
30.0	Between 1 & 2 years' time	35.1
10.0	Between 2 & 3 years' time	144.7
0.0	Between 3 & 4 years' time	154.6
0.0	Between 4 & 5 years' time	221.7
153.9	Between 5 & 10 years' time	101.1
159.9	Between 10 & 15 years' time	20.0
580.0	After more than 15 years	214.8
<b>1,095.0</b>		<b>1,120.6</b>



**Fair values of financial liabilities and assets**

Set out below is the book value and fair value of financial instruments at 31 March 2005. The fair value reflects the amount of fixed rate debt taken in earlier years at a relatively high rate of interest:

The fair value of PWLB borrowing has been determined in accordance with PWLB circulars, and for other long term borrowing by using market prices or present value calculations as appropriate.

**10. Long term debt**

An analysis of creditors is shown below.

**11. Other long term debt**

Full details of the calculation of the pensions liability may be found in Disclosure Note 3 to the Consolidated Revenue Account.

**12. Deferred liabilities**

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

1 . . . . .

This account holds the various Government capital grants and contributions from private developers. These will be written off to revenue over the life of the relevant assets in accordance with the depreciation schedule. Grants funding assets which are not depreciated are written off to the Capital Financing Account. During the year grants totalling £63.8 million (2003/2004 £55.1 million) used to finance the acquisition of fixed assets was taken to the account and £9.2 million (2003/2004 £6.7m), equivalent to depreciation on assets financed by grants in previous years, was written off to revenue.

1 . . . . .

**14.1 NEC Ltd.**

The City Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC loan stocks. The City Council has set up a provision to repay the principal of £215m due in 2016 and £73m due in 2027 (see also note 5 and 19).

**14.2 Bad Debt Provision**

The provision for bad debts is shown separately in the balance sheet as a deduction from current debtors (see note 8 above).

1 . . . . .

The system of capital accounting introduced in 1994-95 required the establishment of the fixed asset restatement reserve, (renamed account by the 2004 SORP). The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations, adjustments and disposals. The account will be written down each year by the net book value of assets as they are disposed of and debited or credited with

the deficits or surpluses arising on future revaluations. Expenditure on fixed assets not resulting in a material change in asset values is also written off to this account.

The movements on the fixed asset restatement account in 2004-05 are shown below:

	200 /0	200 /0
Opening Balance at 1 April	1,317.9	1,672.4
Revaluation and restatement of fixed assets	524.4	882.8
Exp not resulting in a change in asset values	(86.9)	(120.0)
Disposal of fixed assets	(82.9)	(73.3)
Prior Year Adjustment	(0.1)	0.0
	<b>1,382.4</b>	<b>2,361.9</b>

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

The movements on the Capital Financing Account are shown below:

	200 /200	200 /200
Opening Balance	725.8	773.3
Adjustment re Financing of 2003-04		6.4
Capital Receipts Reserved		
Sales of Fixed Assets	65.1	0.0
Mortgage Principal	0.3	65.4
Financing of Capital Expenditure		
Use of Capital receipts	24.7	19.2
Direct Revenue Financing	9.8	0.0

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

	1.0 .0	2005	1.0 .0
Sums set aside to finance capital expenditure	9.6	1.2	10.8
Reserves for budgets delegated to schools	33.2	7.3	40.5
Service Development Reserve	2.4	0.0	2.4
Treasury Management Reserve	2.2	3.1	5.3
Property Portfolio Strategy Reserve	2.5	0.3	2.8
General Maintenance Reserve	1.4	0.6	2.0
PFI Schools Reserve	3.2	1.5	4.7
Insurance Reserve	4.3	1.3	5.6
Other	14.5	(2.4)	12.1
		<b>12.9</b>	<b>12.2</b>
Usable Capital Receipts	50.2	28.2	78.4
Capital Contributions Unapplied	23.0	(4.3)	18.7
Housing Major Repairs Reserve	16.1	(16.1)	0.0
	<b>122.5</b>	<b>20.</b>	<b>111.</b>

The reserve in respect of budgets delegated to schools is a net figure held by schools at 31st March 2005 and is an earmarked reserve which must in totality be available for schools' use. These balances include £4.6m (2003/2004: £3.7m) relating to former Grant Maintained schools.

The net figure held by schools, before any temporary loans to the General Fund are taken into account, is made up of £59.7m underspent by schools and £8.3m overspent by schools.

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

The Housing Major Repairs Reserve is a reserve to which is credited the Major Repairs Allowance which may be applied to the financing of housing repair work. £16.1 million was brought forward from 2003-04 and £39.6 million received during the year. £55.7 million was applied to the funding of Housing capital expenditure leaving a nil balance.

The Usable Capital Receipts Reserve has been increased from £50.2m at 31st March 2004 to £78.4m at 31st March 2005. It represents the carry forward of unspent capital receipts at the year end. The increase is due largely to a higher than expected level of capital receipts in year; the planned use of receipts for specific purposes in later years; and the slippage of planned capital expenditure into later years.



outputs, ineligible expenditure or disposal of assets. As at 31st March 2005 commitments under the Council's Accountable Body roles totalled £304.5m (2004: £181.6m) with projected future commitments arising in years to 2011/12 of £175m. To minimise the impact of these possible liabilities the City Council has introduced various controls and mechanisms such as legal agreements, charges on assets and detailed expenditure verification and monitoring procedures.

- v. The City Council has agreed to provide the benefit of a guarantee for an overdraft facility advanced by HSBC to Thinktank Trust Ltd amounting to £0.5m (2003/04 £0.5m).
- vi. The City Council's final Housing Benefit claims for 2002/2003 and 2003/04 are still being considered by the Department of Work and Pensions. There may be a clawback of subsidy from the City 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.
- vii. The Council has agreed to provide the benefit of a guarantee for any shortfall in income below £1.8m per annum up to a maximum of £275,000 per annum to enable Millennium Point Property Ltd to meet its commitments on a £12.9m bank loan from Barclays Bank plc. The loan is required as part of the project's £113m funding. Millennium Point is a 100% owned subsidiary of Millennium Point Trust Ltd who are charged with procuring, designing, building, financing and operating Millennium Point.

## 20. Capital spending commitments

The City Council has to plan its capital spending in advance of work proceeding. Thus, at 31 March 2005, a number of contracts had been entered into under which payments will become due in future years as the work is carried out. Significant commitments (£1.0m or more) under capital contracts at that date were as follows:

## 21. Net Assets

The Council had net assets of £2,411 million as at 31st March 2005 of which £857 million related to the General Fund and £1,554 million to the Housing Revenue Account.

## 22. Insurance

The City Council maintains an Insurance Reserve to assist in managing claims falling against negotiated policy excesses accepted by the City Council. The policy excesses, which change from time to time, are for the major risks (2004/2005 policy year):

Fire:	£750,000 per claim
Terrorism:	£750,000 per claim
Employers Liability:	£500,000 per claim
Public Liability:	£150,000 per claim
Motor Vehicle:	£ 50,000 per claim up to £850,000 in aggregate pa

The balance on the reserve is £5.6m (2003/04: £4.3m) as shown in the table at Note 17.

Municipal Mutual Insurance Co Ltd (MMI) ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not fully know the full e







Council holds 1,250 £1 ordinary shares (25%) in Birmingham Technology (Property) Limited and is guaranteeing £13.5m of commercial loans by the company. The City Council also has 500 £1 ordinary shares (9%) and £800,000 of preference shares in Birmingham Technology (Venture Capital) Limited.

The Groups figures for the year ending June 2003 and 2004 are as follows:

200

200

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

In addition to the City Council's major investments in the associated and subsidiary companies detailed above, the City Council maintains an involvement in a number of other associate and subsidiary companies set out below. Of the companies listed below, the City Council only holds a shareholding in Birmingham Research Park Ltd. The City Council holds 237,160 £1 ordinary shares (49%) in Birmingham Research Park Ltd.

Aekta Project Limited, Afro Caribbean Resource Centre Ltd, Birmingham Academy Trading Ltd, Birmingham and Solihull Connexions Services Limited, Birmingham Business Support Centre Limited, Birmingham Carnival 2000 Limited, Birmingham Conservation Trust, Birmingham Conservation Trust (Trading) Ltd, Birmingham Core Skills Development Partnership Limited, Birmingham Economic Development Partnership Limited, Birmingham Hippodrome Theatre Trust Ltd, Birmingham Research and Development Limited, Birmingham Research Park Limited, Birmingham Royal Ballet, Birmingham Venture Capital Limited, Birmingham Wheels (Enterprises) Limited, Birmingham Wheels Limited, Ex Cathedra Limited, Groundwork Birmingham Limited, Local Leagues Limited, Marketing Birmingham, Matchbox Enterprises Limited, Midlands Arts Centre, Millennium Point Trust, National Exhibition Centre Finance PLC, Optima Community Association, Saint Pauls Community Development Trust, Symphony Hall (Enterprises) Limited, The Academy of Youth Limited, The Birmingham Centre for Manufacturing limited, Witton Lodge Community Association Ltd, Witton Lodge Community Association (Subsidiary) Ltd.

Copies of all Company Accounts can be obtained from the Directorate of Resources  
Telephone 0121 303 3938

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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). The remaining ordinary shares are held by Macquarie Airports Group Limited (24.125%), Aer Rianta International cpt which is owned by Dublin Airport Authority plc (24.125%) and 2.75% by an Employee Share Trust.

The Shareholders' Agreement provides for the Districts to cast their 49% vote at Company Main Board and General Meetings in one block. The vote of 75% of ordinary shareholders is required for certain major decisions of the company.

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

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

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

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

The group performance is as follows:

\* The accounts to 31 March 2004 have been restated

2003/04 2002/03 2001/02 2000/01 1999/00

#### ***i) Schools PFI***

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

At 31st March 2003, all 10 schools had been completed. In accordance with FRS5 the balance sheet reflects these 10 schools as the Council's assets because the Council bears the majority of the risks and rewards of ownership. The value of assets recognised on the Balance Sheet is

The deferred liability for this scheme, shown in Note 12, is based only on the Basic Availability payments of £3.2m per annum. The remaining availability payments are charged to AMRA as an approximation for interest, further availability payments are charged to the Education Service Revenue Account.

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

The forecast payments are calculated using an assumed annual rate of inflation of 2.5% for services and further availability and a constant level of charges for basic availability element of the unitary fee. Payments under the contract may, however, differ materially from the forecast, depending on actual inflation and/or penalty deductions applied in respect of under performance and non availability.

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

### ***ii) Public Conveniences PFI***

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

The authority pays a performance related annual fee per convenience for 19 locations. The contract is a Private Finance Initiative under the Capital Finance Regulations.

At 31st March 2005 there are 7.1 (The wh)-16.9 (tions)25.8 (0rces are 18.2 (visioundib8.2 (visiou-3va3 n-16.9 (ti

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

**2** *[Illegible text]*

The Government's policy is that it will consider the UK's formal entry into the European Single Currency (Euro) only when certain economic criteria have been met and a referendum has been

	200 -0	200 -0
Surplus/(Deficit) for Year		
- General Fund	3.5	5.0
- Housing Revenue Account	5.8	4.4
Movements on Earmarked Revenue Reserves	12.9	18.4
Appropriation from Pensions Reserve	43.5	29.5
Actuarial gains & Losses on Pensions	(325.5)	(179.2)
	(2.9)	(121.9)
Increase (Decrease) in Useable Capital Receipts	28.2	21.1
Increase (Decrease) in Unapplied Capital Grants.Conts	(4.3)	1.1
	2.9	22.2
Gains(Losses) on revaluations of Fixed Assets	882.8	524.4
Impairment Losses on Fixed Assets	(3.2)	0
	9.9	2.1
	(.)	(2.9)
Capital Receipts Set Aside	0.0	65.4
Revenue Resources Set Aside	(50.4)	(41.2)
Movement on Government Grants Deferred	54.6	48.4
Movement on Major Repairs Reserve	(16.1)	15.8
	(11.9)	.
	(9.9)	1.9
	19.9	9.9

Details of the movement in the pensions liability may be found in Disclosure Note 3 To the Consolidated Revenue Account

<b>200 -0</b>			<b>200 -0</b>
1-1-	Revenue activities	1-1-	1-1-
	Cash paid to and on behalf of employees		
1,117.1		1,174.0	
973.3	Other operating cash payments	1,067.3	
0.0	Housing Capital Receipts Pooling Payments	40.5	
271.2	National non-domestic rate Payments to	290.9	
	Housing benefit paid out		
144.7		162.9	
30.2	Precepts paid	33.2	
<b>2, 1-1-</b>			





1.  $\int_{-\infty}^{\infty} \delta(x) dx = 1$

2.  $\int_{-\infty}^{\infty} \delta(x) f(x) dx = f(0)$

The City Council has a 50% interest in the companies making up the National Exhibition Centre Ltd. Group. In addition, the council acts as guarantor of the company's borrowing and underwrites its operating losses. The company made no profit in the year ended 31st March 2005, (Nil: 2004). The group balance sheet has been produced by consolidating the assets and liabilities of the City Council with those of the NEC Ltd. Group on a line by line basis. The major effect of this is an increase in long term borrowing from £2,259 million (2004: £1,284 million) to £2,519 million (2004: £ 1,549 million) and in fixed assets from £4,846 million (2004: £4,042 million) to £5,095 million (£4,295 million). Additionally the Council holds a 45% stake in NEC (Developments) Ltd. The group revenue account shows the Council's share of the Company's loss in 2004-05 while the Group Balance Sheet includes the Council's share of the Company's accumulated deficit consolidated on a net equity basis.

The accounts of the NEC Ltd. Group have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the provisions of company law. The accounts of the City Council have been prepared in accordance with the Statement of Recommended Practice for local Authorities (SORP) produced by the Chartered Institute of Public Finance and Accountancy and endorsed by the Accounting Standards Board. Legislation relating to local authorities does not currently permit full compliance with UK GAAP. There are, therefore, a number of differences of accounting treatment between the Council and the NEC Ltd. Group. The major difference is that the Council's accounts reflect the full implementation of FRS17 (Retirement Benefits), compliance with which is not required for Public Limited Companies until financial periods beginning on or after 1st January 2005. The effect of such compliance by the NEC Ltd. Group is disclosed in Note One below.

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

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**Note 1:**

Income and expenditure

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

Fixed Assets

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

Total funds

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

Charge to service revenue

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

Expenditure on acquisition

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 expenditure

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

Minimum Revenue Provision

An amount calculated as Long Term Assets less the balances on Capital Financing Account and Fixed Asset Restatement Account, and Deferred Grant Account. The Council is required to make a provision of 4% of this amount from revenue resources to meet its debt repayment obligations. This is known as the Minimum Revenue Provision (qv).

Money received from disposal

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

General Fund

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

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Accounting treatment

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Amount owed

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

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

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

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

A sum set aside for a specific purpose.

Payments received in cash and benefits for employment.

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

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.

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

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

Financial Reporting Standard.

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

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

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

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

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

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A diminution in value of a fixed asset resulting from, inter alia, obsolescence or physical damage.

To







• 1 -

In my opinion the statement of accounts presents fairly the financial position of Birmingham City Council as at 31 March 2005 and its income and expenditure for the year then ended.

• 1 ✓

I certify that I have completed the audit in accordance with the requirements of the Audit

