

Annual Accounts

2004/2005

Birmingham City Council



ACCOUNTS 2004 / 2005	Page
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

Foreword

Introduction

These accounts set out the financial results of Council activities for the year ended 31st March 2005. The City Council manages its affairs to ensure the economic, efficient and effective use of resources and to safeguard its assets. This is vital if the Council is to continue to play a leading role in the life of the City and provide high quality services for the benefit of all its citizens. This task is shared by all Members and Officers of the Council under the leadership of Cabinet and Chief Executive. The Strategic Director of Resources has a particular role in ensuring financial stewardship.

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

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

- An understanding of the accounting statements
- A review of the authority's financial performance in 2004/2005
- An explanation of the authority's financial position
- A summary of changes to accounting policies.

The main statements within the accounts and their purposes are:

- **Consolidated Revenue Account** – this account gives details of the cost of services which the City Council provides and shows how the net cost (after departmental income and movements to and from reserves) has been financed from Revenue Support Grant and local taxpayers.
- **Housing Revenue Account** – this account reflects the statutory obligation to 'ring-fence' and show separately the financial transactions relating to the provision of Council housing.
- **Collection Fund** – is maintained separately, as a statutory requirement, to show the transactions of the Council as Billing Authority in relation to non-domestic rates and council tax. It illustrates the way in which the income has been distributed to Precepting Authorities.
- **Consolidated Balance Sheet** – summarises the financial position of the City Council including the Housing Revenue Account and the Collection Fund. It provides a statement of the assets and liabilities at the end of the financial year (31st March 2005).
- **Statement of Movements in Reserves** – summarises the movements in the City Council's revenue and capital reserves.
- **Cash Flow Statement** – summarises the total cash movements during the year for revenue and capital purposes.
- **Group Accounts** – these statements consolidate the City Council's accounts with those of The National Exhibition Centre (NEC) Ltd.
A glossary is provided in section 13 to assist the reader.

Foreword

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.

Revenue Expenditure

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:

	Original Estimate 2004/2005 £m	Actual Net 2004/2005 £m	Variation £m
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

General Fund Reserves and Balances

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.

Foreword

Capital Expenditure Type of Asset	2004-05 (£m)	Capital Financing Source	2002-03 (£m)
Other Land & Buildings	61.5	Borrowing	76.2
Vehicles and equipment	9.8	Prudential Borrowing	21.0
Investment Properties	6.1	Capital Receipts	19.2
Infrastructure	40.2	Capital Grants	118.0
Community Assets	13.8	Other Grants Contributions	33.2
Council dwellings	90.9	Revenue	0.1
		Operational Leasing	1.0
Total Capital Expenditure re Fixed Assets	222.3		
Deferred Charges	45.4		
Operational Leasing	1.0		
Total Capital Expenditure	268.7	Total	268.7

Housing Revenue Account (HRA)

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.

Financial Summary 2004/2005

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.

Portfolios	Net Revenue Spending £'000	Capital Spending £'000
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

Foreword

Regulatory Committees	Net Revenue Spending £'000	Capital Spending £'000
Development Control Committee	3,367	0
Licensing Committee	(94)	0
Public Protection Districts	11,558	120
Capital Accounting and Other	96,469	
	(83,809)	0
Amounts to be met from government grants	1,362,225	268,729

Notes :

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

Accounting Policies

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 at page 12.
3. The Discount Rate for Defined Benefit Pension Scheme Liabilities has been changed from a rate determined each year by the Government Actuaries Department based on the assumed long-term real rate of return expected to be earned on a portfolio of long-dated index linked stocks to the 'current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities' (see also note 3 to the Consolidated Revenue Account).
4. The balance sheet figure for Land and Buildings now includes former Grant maintained schools.

Statement of Responsibilities

The City Council's Responsibilities

The City Council is required to:

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

The Chief Financial Officer's Responsibilities

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:

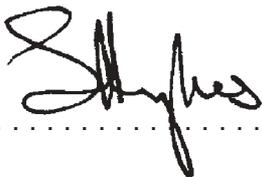
- selected suitable accounting policies and applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code of Practice on Local Authority Accounting.
- applied the accounting concept of a 'going concern' by assuming that the Authority's services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

The Chief Financial Officer has also:

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

Certification of Accounts

I certify that the Statement of Accounts presents fairly the position of Birmingham City Council at 31st March 2005 and its income and expenditure for the year ended 31st March 2005.



..... Stephen Hughes
Strategic Director of Resources

I confirm that these accounts were approved by the Council Business Management Committee on 27th June 2005. Signed on behalf of Birmingham City Council:



..... Cllr Mike Whitby
Leader of the Council and Chair of meeting and
approving the accounts

Statement of Internal Control

1. Scope of 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 purpose of 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.

3. 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.

Statement of Internal Control

- 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 contains information on financial and business procedures and processes to be followed in all areas of the City Council. A Scheme of Delegation which sets out the powers of Directors, the Financial Regulations and Contract Standing Orders form part of the Constitution. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
- Performance management in Birmingham City Council and the reporting of performance management continues to be improved with a more focussed Cabinet and Corporate Plan setting our priorities and is supported by a Performance Plan. The Performance Plan explains how we will deliver the priorities and the commitments made in the Cabinet and Corporate Plan. The Performance Plan focuses on corporate priorities and reflects our determination to prioritise the areas of greatest importance for the people of Birmingham. Information on performance across the remaining Best Value Performance Indicators is also included. The Performance Plan is also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service.

4. Review of Effectiveness

Birmingham City Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Statement of Internal Control

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. All Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These are submitted to Members, Strategic Directors, School Heads and Chairs of Governors as appropriate. The Council's review of the effectiveness of the system of internal control is informed by:

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

From the work undertaken during by Birmingham Audit in 2004/5 the Assistant Director, Audit & Risk Management was able to give the following assurance 'I am able to provide a '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

Statement of Internal Control

that would materially affect the Council's standing or Annual Accounts. I found that adequate controls were in place and were operating as intended. However, although I am able to provide this 'reasonable assurance' I did identify a number of concerns that required remedial action. I reported my concerns to the appropriate Strategic Director or Senior Manager during the year.'

I have been advised on the implications of the result of the review of the effectiveness of the system of internal control by Birmingham City Council, and a plan to address weakness and ensure continuous improvement of the system is in place.

5. Significant Internal Control Issues

The Council has set three central priorities:

- Investing for improvement
 - Excellence in all our services
 - A city of vibrant villages
-
- These form the basis for the Cabinet and Corporate Plan and Performance Plans and the recently published Council Plan 2005+ referred to above and focus the improvements which are being made in all areas of the Council.
 - The Comprehensive Performance Assessment (CPA) in 2004 identified the Council as weak. The report does however confirm that improvements have been made in a number of areas such as environmental services, focusing on priorities and managing performance and working well with partners to reduce crime. Both the Benefits and Education Service retained their high scores with attainment in education continuing to improve. Other recent inspections indicate progress is being made or are well placed to make progress.
 - The review of internal control also highlights these as significant areas for the delivery of change by the Council although the systems to ensure the management of the risks have been shown to be sound. The main areas are:
 - Improving Social Care provided to children. The City Council's Social Care & Health Services were reassessed in 2004 and currently have a zero rating. The annual review letter identified that progress had been made and that prospects for improvement were 'promising' but this has not yet made sufficient difference to services and outcomes. Key performance indicators require further improvements to be made in advance of the next children inspection in July 2005. Budget management in this directorate during 2004/5 has given cause for concern strong management action has successfully reduced the deficit identified through monitoring. The proposed budget settlement for 2005/6 recognises the service pressures faced by the directorate and that along with strengthened financial management should see an improved performance in 2005/6. The Director and senior officers meet regularly with the External Support Team. All outstanding recommendations are managed and monitored through Delivery and Improvement Statements and the Directorate Business Plan.
 - Improving landlord services, in particular the housing repairs service. Following the second 'no star' inspection score for housing repairs and maintenance, the Council has been receiving special supervision and support from the Audit Commission Housing Inspectorate. An interim report from the Audit Commission in September 2004 recognises progress continues to be made on a wide range of improvements. Further progress has been made since the interim report. Another inspection is planned for May 2005.

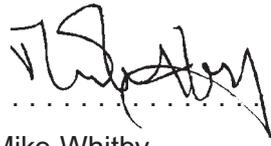
Statement of Internal Control

- 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

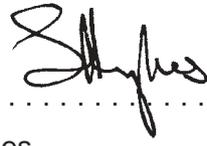
Statement of Internal Control

Signed 

Lin Homer
Chief Executive

Signed 

Councillor Mike Whitby
Leader of the Council

Signed 

Stephen Hughes
Strategic Director of Resources

Accounting Policies

Introduction

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).

The following policies have been adopted in compiling the accounts:

Best Value Accounting Code of Practice (BVACOP)

In 2000 the Chartered Institute of Public Finance and Accountancy published their Best Value Accounting Code of Practice (BVACOP). 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

Accounting Policies

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

a) 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.

b) Operating leases

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

Pension schemes

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

a) Teachers' Pension Scheme

Teachers may be members of the Teachers' Pension Scheme. This is a defined 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.teacherspensions.co.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.

b) Local Government Pension Scheme

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

Accounting Policies

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

a) Asset Categories

Fixed assets are categorised as follows:

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

Accounting Policies

The 2004 SORP amended the definition of investment properties. The Council previously classified all properties let to third parties at commercial rents as investment properties. The 2004 SORP requires all properties used for activities furthering the overall aims and objectives of the Council to be treated as operational properties even where the Council lets them to third parties. 106 properties with a value of £86.0 million have, therefore, been reclassified as operational properties. Further information is given in Note 1 to the Consolidated Balance Sheet.

b) Recognition of Fixed Assets

New assets are recognised in accordance with the provisions of Financial Reporting Standard 15. Expenditure on existing assets is taken to the balance sheet only where it is considered to have a material effect on the value of the asset. Otherwise it is written off to the Fixed Asset Restatement Account.

c) Valuation Bases

Operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use (Existing Use Value – EUV). Short life operational assets, such as vehicles, plant and equipment, are included at historic cost less depreciation as a proxy for the current value required by the SORP. This is not considered to have a material effect on the accounts.

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

Infrastructure assets are included in the balance sheet at historical cost less depreciation.

Community Assets are assets which are not used for service provision and, in many cases, may not be sold or otherwise disposed of. Additionally there may be restrictive covenants regarding their use. Examples include parks, historic buildings and museum exhibits. These assets were valued at a nominal £1 at April 1st 1994. Expenditure incurred after that date has been written off to the Fixed Asset Restatement Account.

d) Revaluation Cycle

When an asset is included in the balance sheet at Open Market Value (OMV) or Existing Use Value (EUV), it is formally revalued at intervals of not more than five years, and the revised amount included in the balance sheet. The difference between the value and the amount at which that asset was included in the balance sheet immediately prior to the latest valuation is credited or debited to a Fixed Asset Restatement Account. The City Council has a rolling programme in place to revalue approximately 20% of its property assets each year. The entire housing portfolio was revalued in 2000/01 to meet the Government's requirements for Housing Resource Accounting. It is due to be revalued again in 2005-06.

e) Disposals

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserve, and accounted for on an accruals basis. The proportion reserved for the repayment of external loans is credited to a Capital Financing Account. New arrangements for pooling of Housing capital receipts came into effect on April 1st 2004. The percentage, (75% for house sales and 50% for disposals of land), previously reserved for repayment of debt and taken to the Capital Financing Account is now required to be paid over to the ODPM on a quarterly basis. These payments are shown in the Consolidated Revenue Account as levies below the Net Cost of Services and an appropriation is made from the Usable Capital Receipts Reserve to finance the levy. Upon disposal, the net book value of the asset disposed of is written off against the Fixed Asset Restatement Account.

Accounting Policies

f) Depreciation

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

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

Vehicles, plant, furniture, and equipment – depreciation is applied on a straight-line basis over the useful life of the asset. The book value of these assets is not materially different to the current value which is the basis of valuation required by the SORP.

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

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

(1994 was the year when the current capital accounting arrangements were introduced.)

Community Assets – community assets are not depreciated.

Investment Properties – the depreciation provisions of FRS 15 do not apply to investment properties. These assets are, therefore, not depreciated. Former investment properties, reclassified as operational, will be depreciated with effect from the 2005-06 financial year. Had the revaluations been available during the 2004-05 financial year, depreciation of £3.1 million would have been charged.

g) Charges to Revenue

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. This percentage is determined by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy and subject to regular review. A corresponding credit is made to the Asset Management Revenue Account, which ensures that asset charges do not affect the amount to be met from government grants and local taxation.

h) Impairment of Fixed Assets

In accordance with FRS 11 (Impairment of Fixed Assets), a review was carried out to identify any land and/or buildings whose current values had fallen below the carrying amount (the balance sheet value) as a result of, for example, obsolescence or physical damage. Assets so identified are considered to be impaired. The diminution in value is charged to the relevant service revenue account with a corresponding appropriation being made from the Capital Financing Account so that there is no impact on the Council's net revenue expenditure. In 2004-05 11 assets were found to be impaired. The total impairment was £3.178 million

Accounting Policies

i) Housing Stock Revaluation

The entire housing portfolio was revalued in 2000/2001 to meet the Government's guidance on Housing Resource Accounting. The basis used was Existing Use Valuation (Social Housing). In accordance with the guidance, a sample of properties was chosen to be representative of each type property and were valued as "beacons". The full valuation was obtained by extrapolating these beacon values across the whole housing stock. These beacon values will be reviewed to reflect movements in property market values: this took place in 2004/5, a full revaluation will take place in 2005/06. High rise flats and defective dwellings continued to be valued using a Discounted Cash Flow method, in the absence of appropriate market evidence.

Private Finance Initiative (PFI)

The City Council follows FRS5 (Reporting the Substance of Transactions). Where the balance of risks and rewards of ownership of the PFI are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the balance of risks and rewards of the PFI property are borne by the City Council, it is recognised as a fixed asset along with the liability to pay for it. The transaction is accounted for as a finance lease in accordance with SSAP21, with the exception that the assets are revalued in accordance with the Council's policy on fixed asset valuation. Payments made to the contractor are split between service payments, such as cleaning, and availability payments for making the asset available for use. Service payments are accounted for in the year in which the service was provided. Availability payments are split between interest and principal elements. Over the term of the lease the interest is charged to the Consolidated Revenue Account and the liability to pay for the PFI property is written down by the principal element.

The particular application of this policy is further explained in Note 26 to the Consolidated Balance Sheet.

Investments

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

Stocks and Work in Progress

Stocks are included in the balance sheet at latest price. This valuation method does not comply with SSAP9 which requires stocks to be valued at the lower of cost or net realisable value. 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.

Redemption of Debt

The City Council is required to set aside from revenue each year, a minimum amount for the redemption of debt. The Revenue Account is charged with the minimum revenue provision (MRP) which represents 4% of the Capital Financing Requirement, effectively the net sum of Long Term assets and Long Term liabilities derived from the opening balance sheet. This is a change from the previous calculation of MRP based on outstanding loans less reserved capital receipts. This change results from the introduction of prudential borrowing from April 1st 2004 under the Local Government Act 2003 which repealed the provisions of Section Four of the Local

Accounting Policies

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.

Consolidated Revenue Account

2003-04 Net Expenditure £'000		Expenditure £'000	2004-05 Income £'000	Net Expenditure £'000
12,162	Central Services to the Public	99,340	(86,772)	12,568
4,462	Court & Probation Services	33,275	(28,288)	4,987
178,216	Cultural, Environmental & Planning Services	362,758	(164,874)	197,884
673,676	Education Services	971,898	(251,200)	720,698
98,335	Highways, Roads & Transport	126,447	(19,447)	107,000
39,785	Housing Services	647,643	(578,074)	69,569
280,281	Social Services	443,171	(116,876)	326,295
16,511	Corporate & Democratic Core	18,393	(284)	18,109
21,106	Non Distributed Costs	18,706	0	18,706
1,324,534	Cost of Services	2,721,631	(1,245,815)	1,475,816
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
	Appropriations			
(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)
1,282,923	Amounts to be met from Government Grants and Local Taxation			1,362,225
	Sources of Finance			
(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
(5,029)	(Surplus) Deficit for Year			(3,530)
(17,076)	General Balance Brought Forward			(22,105)
(5,029)	(Surplus)/Deficit for Year			(3,530)
(22,105)	General Balance Carried Forward			(25,635)

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

Notes to the Consolidated Revenue Account

Explanatory Notes

1. Trading Services

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

2003-2004 Profit (Loss) £'000		2004-2005 Turnover £'000	Expenditure £'000	Profit (Loss) £'000
446	Highways and Sewers	9,335	9,270	65
4,101	Property Services	80,133	74,007	6,126
(65)	Legal Services	8,270	8,114	156
786	Markets	6,866	5,776	1090
(4)	Non-Schools Cleaning	3,530	3,460	70
152	Catering	1,999	1,860	139
(142)	Street Lighting	6,808	6,829	(21)
88	Vehicle Maintenance	4,703	4,682	21
643	Education Catering	25,086	25,202	(116)
671	Education Staff Agency	9,153	9,076	77
509	Trade Refuse	5,534	5,102	432
906	Urban Design	16,016	15,373	643
93	Grounds Maintenance	5,656	5,437	219
66	Education Cleaning	7,503	7,475	28
(567)	Other Trading Activities	14,753	14,613	140
7,683		205,345	196,276	9,069

2. Minimum Revenue Provision

The Local Government Act 2003 requires the City Council to charge to the revenue account a provision for the redemption of debt calculated as 4% of the Capital Financing Requirement. There is no longer a requirement to make a revenue provision in the Housing Revenue Account. The amount set aside in 2004-05 was £ 32.9 million. An additional voluntary provision of £0.6 million was made in the Housing Revenue Account.

Service revenue accounts are charged with depreciation on the fixed assets to which the loan debt relates. Where this depreciation is more or less than MRP, a corresponding appropriation is made from or to the Capital Financing Account. This is explained further in the Note on Accounting Policies.

3. Transactions in the Asset Management Revenue Account

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

Notes to the Consolidated Revenue Account

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

2003-04			2004-05	
£m	£m		£m	£m
		Income		
(227.5)		Capital charges	(250.9)	
(0.2)		Government grants - magistrates court	(0.2)	
(6.7)		Deferred Grant write down	(9.2)	
	(234.4)			(260.3)
		Expenditure		
97.8		Provision for depreciation	104.5	
11.1		Premiums on premature repayment of debt	3.2	
94.2		External interest charges	86.1	
	203.1			193.8
(31.3)		Balance to Consolidated Revenue Account		(66.5)

4. Council Tax

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

Disclosure Notes

1. Publicity Expenditure

The Council is required by Section 5(1) of the Local Government Act 1986 to provide details of its spending on Publicity. During 2004/2005 £9.0m was spent including £0.6m in respect of the National Exhibition Centre (2003/2004 £0.7m).

2003-04		2004-05
£m		£m
2.3	Recruitment Advertising	1.9
0.9	Other Advertising	1.0
6.1	Promotions & Other Publicity	6.1
9.3	Total	9.0

2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended by the Local Government and Housing Act 1989 and The Local Government Act 2000 permits the Council to spend up to £3.80 per annum for each resident on grants and donations to voluntary and not for profit organisations. Total expenditure incurred in 2004-05 was £0.6 million (2003-2004 £0.8 million) against a limit of £3.8 million (2003-2004 £3.8 million).

Notes to the Consolidated Revenue Account

3. Pensions

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

Notes to the Consolidated Revenue Account

Operating Costs	2003-04 £,000	2004-05 £,000
Current Service Cost	55,315	77,370
Past Service Cost	4,978	1,637
Curtailement Cost	342	1,104
Total Cost	60,635	80,111
Finance Costs		
Expected Return on Assets	88,433	108,202
Interest on Pension Liabilities	(120,783)	(134,508)
Net Gain (Cost)	(32,350)	(26,306)

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.

Balance Sheet Items	31.03.2004 £m	31.03.2005 £m
Market Value of Assets	1,544.8	1,713.4
Liabilities	(2,135.1)	(2,667.4)
(Deficit)	(590.3)	(954.0)

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

	Assets at 31st March 2004		Assets at 31st March 2005	
	£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
Total	1,544.8		1,713.4	

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)
Balance at 31.3.05	(953,973)

Notes to the Consolidated Revenue Account

The balance on the Pensions Reserve is included in the Balance Sheet on page 41 and the movement for the year included in the Statement of Total Movement in Reserves on page 61.

The following assumptions were made.

Financial Assumptions	31.03.2004	31.03.2005
Rate of inflation*	2.8%	2.90%
Rate of increase in salaries*	4.30%	4.65%
Rate of increase in pensions	2.80%	2.90%
Discount rate*	6.30%	5.40%
Expected rate of return on assets		
Equities	7.50%	7.50%
Government Bonds	4.70%	4.70%
Other Bonds	5.50%	5.40%
Property	6.50%	6.50%
Cash/Liquidity	4.00%	4.75%

* These percentages apply to both LGPS and TPS. Other values relate only to LGPS.

For the financial year ending 31st March 2005, the following additional disclosures are required:

Movement In Deficit	2003-04 £,000	2004-05 £,000
Deficit at Beginning of Year	(740,001)	(590,340)
Current Service Cost	(55,315)	(77,370)
Employer Contributions	63,448	68,275
Past Service/Curtailment Cost	(5,320)	(2,741)
(Net Interest)/Return on Assets	(32,350)	(26,306)
Actuarial (Loss)/Gain	179,198	(325,491)
Deficit at End of Year	(590,340)	(953,973)

Statement of Actuarial Gains and Losses	2003-04 LGPS £'000	2004-05 LGPS £'000	2004-05 TPS £'000
Asset Gain LGPS (4% of assets)	179,198	68,617	
Liability Gain LGPS (2.6% of liabilities)	0	68,346	
Liability gain TPS (2.3% of liabilities)	0		1,509
Effect of Changes in Actuarial Assumptions LGPS (17.6% of liabilities)	0	(457,872)	
Effect of Changes in Actuarial Assumptions TPS(9.4% of liabilities)	0		(6,091)
Net Actuarial Gain (Loss) (12.3% of liabilities LGPS) (7.1% of liabilities TPS)	179,198	(320,909)	(4,582)

Notes to the Consolidated Revenue Account

4. Leasing

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:

	Finance Leases £m	Operating Leases £m
2005-06	0.05	3.53
2006-07	0.03	2.92
2007 to 2011	0.02	4.50
Total	0.10	10.95

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

5. Officers Emoluments and Members Allowances

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

No. of Employees 2003-04		No. of Employees 2004-05
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
390		524

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)

6. Related Party Transactions

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

Notes to the Consolidated Revenue Account

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

Payments	£m
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
Receipts	£m
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.

7. Building Control Account

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.

Notes to the Consolidated Revenue Account

Planning

Building Regulations Outturn 2004/2005

Outturn 2003-04		Planning Building Regulations Outturn 2004/2005		
Total £000	Total Chargable	Total Non-chargable Activities £000	Activities £000	Total £000
2,982	Expenditure	2,507	533	3,040
(2,634)	Income	(2,553)	(99)	(2,652)
348	Net (Surplus)/deficit	(46)	434	388
98	Appropriation to reserve	46	0	46
	Net (surplus)/deficit			
446	After appropriation	0	434	434

8. Pooled Funding

The Council established a partnership agreement with Birmingham & Black Country Strategic Health Authority using powers under section 31 of the Health Act 1999 to pool funds from the two organisations and create a single budget. The Performance Improvement Plan dated 9th November 2001 identified two separate elements of spend to improve the delayed hospital discharges situation and established the principle of a pooled budget to fund them. An immediate placement of 42 individuals into residential or nursing homes was the first element and the pooled budget was to provide an average of 18 months funding, finishing on 8th May 2003. A balance on the pooled budget was brought forward into 2004/05 and, following discussions with North Primary Care Trust, returned to contributing partners.

Balance Brought Forward	£ 204,104
Returned to Contributing Partners	
North PCT	102,000
Birmingham City Council	102,104

Integrated Community Equipment Service

A pooled budget has been established with four Primary care Trusts (PCTs) to promote the more effective and efficient equipment purchase and maintenance. The aim is to support intermediate care, palliative care and hospital discharge initiatives.

Notes to the Consolidated Revenue Account

The budgeted contributions were:

CONTRIBUTIONS TO POOLED BUDGET:

		£	£
PCT'S Main fund:	%		Total
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	158,000
Children's Equipment:			
HOB PCT	100	48,000	48,000
Birmingham City Council			
Access equipment	100	410,000	410,000
TOTAL POOLED BUDGET 2004/05			616,000

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

Expenditure in 2004-05 was:

	PLANNED SPEND £	ACTUAL SPEND £	CARRY FORWARD £
PCT'S Main fund - £158,000			
Scheme:			
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
HOB - Children's equipment - £48,000			
Children's Equipment purchases	48,000	48,000	-
Social Care and Health - £410,000			
Access equipment	410,000	410,000	0
TOTAL CARRY FORWARD 69,778			
MEMORANDUM CARRY FORWARD:			
Eastern 24.77%	17,284		
North 13.66%	9,532		
South 33.48%	23,361		
HOB 28.09%	19,601		
	69,778		

Notes to the Consolidated Revenue Account

Pooled Fund to Support the provision of adult learning disability services

The Council established a partnership agreement with Eastern Birmingham Primary Care Trust using powers under section 31 of the Health Act 1999 to pool funds from the two organisations and create a single fund necessary to receive and manage the Development Fund and combined Advocacy Fund. Eastern Birmingham PCT has been nominated by the remaining Birmingham PCTs to commission the services on their behalf.. The aims of the Partners in establishing this agreement are to:-

- Fulfil national objectives set out in the Joint Investment Plan and the white paper
- Make more effective use of resources by the establishment and maintenance of a joint fund

There are five projects included in this plan

1. Advocacy Services
2. The complex needs service
3. Supported Living
4. Person Centred planning
5. Local provision Initiative

	£	Cash Contribution £
	2003-04	2004-05
Eastern Birmingham PCT	540,823	490,116
Birmingham City Council	133,744	240,762
Balance Brought Forward	0	20,000
Total Funding	674,567	750,878
Expenditure 2004-05	654,567	750,878
Net Underspend/carried forward	20,000	0

9. Auditors Remuneration

The Council's appointed auditors are the Audit Commission. Payments to the auditors in 2004-05 totalled £1.5 million (£1.2 million in 2003-04) of which £1.0 million (£0.8 million in 2003-04) related to the audit of the Council's statutory accounts, service inspections, and assessments of the Council's improvement programmes. The £1.0 million was made up of £0.2m inspection work and £0.8m code of practice work. The remaining £0.5 million (£0.4 million in 2003-04) related to the audit of grant claims submitted to central government and the European Union.

Notes to the Consolidated Revenue Account

10. Local Government (Goods and Services) Act 1970

Income and expenditure on goods and services provided to other public bodies are as follows:

	2003-04 Net £'000	2004-05 Expenditure £'000	2004-05 Income £'000	2004-05 Net £'000
Propety Service	0	6	(7)	(1)
Education Services	(13)	2,139	(2,165)	(26)
Catering Services	(7)	223	(262)	(39)
Birmingham City Laboratories	36	160	(170)	(10)
Purchasing and Procurement	0	87	(87)	0
Urban Design	(90)	118	(120)	(2)
Highways	0	613	(613)	0
Total	(74)	3,346	(3,424)	(78)

11. Levies

The following levies were paid by the Council in 2004-05.

Payments	£m
Passenger Transport Authority	19.0
Environment Agency	0.3
Housing Capital Receipts Pooling Payment To the Office of the Deputy Prime Minister	51.1
Total	70.4

The pooling payments for Housing capital receipts were made for the first time in 2004-05. The element of receipts (75%) now subject to pooling was, in previous years, held on the balance sheet as reserved capital receipts, a component of the Capital Financing Account. The pooling arrangements are not retrospective and the CFA, therefore, continues to include all reserved receipts for earlier years. These payments were funded by an appropriation from the Useable Capital Receipts Reserve and are not, therefore, part of expenditure chargeable to government grants and local taxpayers.

12. Private Finance Initiative

The Council currently has two Private Finance Initiative Schemes in operation, one for the provision of ten new schools and the other for the replacement of public conveniences. Full details of these are given in Note 26 to the Balance Sheet.

Housing Revenue Account

Actual 2003/04 £'000s	Actual 2003/04 £'000s		Actual 2004/05 £'000s	Actual 2004/05 £'000s
		Management & Maintenance		
65,843		Repairs	62,072	
2,359		Leasing	2,492	
39,113		General Management	39,827	
15,557		Estate Services	15,935	
	122,872	Total Management & Maintenance		120,326
		Rents, Rates, Taxes & other Charges		
1,875		Other Premises Costs	1,706	
4,334		Compensation Claims s82/11	5,421	
	6,209	Total Rents, Rates, Taxes & other Charges		7,127
	131,807	Rent Rebates		0
	3,660	Provision for bad or doubtful debts		3,734
		Cost of Capital / Impairment /Deferred Charges		
	49,604	Cost of Capital		60,257
		Depreciation		
	39,875	Dwellings		39,618
	166	Debt Management Expenses		175
	354,193	Total Expenditure		231,237
		Gross Rental Income		
(193,486)		Gross Debit - Dwellings	(194,859)	
4,824		Voids	4,709	
(1,681)		Shop Rents	(1,650)	
(3,391)		Land & Various Properties	(3,153)	
927		Voids	892	
	(192,807)	Total Gross Rental Income		(194,061)
	(1,738)	Charges for Services & Facilities		(516)
	(6,499)	Supporting People		(5,700)
		HRA Subsidy Receivable (inc. MRA)		
(132,817)		Rebates Element	0	
10,592		Housing Element	24,533	
(39,875)		MRA	(39,618)	
	(162,100)	Total HRA Subsidy Receivable (inc. MRA)		(15,085)
		Contributions Towards Expenditure		
	(1,049)	GF Contributions		0
		Housing Benefit Transfers from General Fund		
	(253)	Housing Benefits transfer to/from General Fund		2,912
	(364,446)	Total Income		(212,450)
	(10,253)	Net Cost of Services		18,787
	(14,691)	Adjusting Transfer from AMRA		(27,068)
	1,539	Amortised Premiums and discounts		2,736
	(356)	Investment Income / mortgage Interest etc.		(232)
	(23,761)	Net Operating Expenditure		(5,777)

Housing Revenue Account

Appropriations		
	Revenue Contributions to Capital	
10,675	HRA Set-aside	0
8,652	Revenue Contribution to Capital	0
Housing Revenue Account Balance		
(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)

Notes to Housing Revenue Account

Housing Revenue Account (HRA) – Notes

1. Housing Stock

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

	1 Bed	2 Bed	3 or more Bed	Total
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:

	2003-04	2004-05
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 (EUV-SH).

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

	1 April 2004 £'M	31 March 2005 £'M
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.

Notes to Housing Revenue Account

2. Value of dwellings on vacant possession

- (a) the vacant possession value of dwellings within the authority's HRA (valued in accordance with the Guidance) as at 1 April 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 Reserve

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

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

	2003-04 £'000's	2004-05 £'000's
Opening balance on the Major Repairs reserve on 1 April	319	16,128
The Amount transferred to the Major Repairs Reserve during the year	39,875	39,618
The charge to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the authority's HRA	(24,066)	(55,746)
The balance on the Major Repairs Reserve on 31 March	16,128	0

6. Housing Revenue Account 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.

Notes to Housing Revenue Account

An analysis of the HRA subsidy payable to the authority for this financial year and prior years in accordance with the regulations of the General Determination of Housing Revenue Account Subsidy 2004/05 is;

	2003-04 £'000's	2004-05 £'000's
Rent Rebate Subsidy	132,817	0
HRA Element	(10,592)	(24,533)
Major Repairs Allowance	39,875	39,618
Total	162,100	15,085

7. Capital Expenditure on HRA Assets

The total expenditure for HRA assets in 2004-05 was £90.9m. This was funded from the following sources;

	2003-04 £'000's	2004-05 £'000's
Supported Borrowing (Regional Housing Board)	9,672	10,703
Prudential Borrowing	0	15,000
Useable Capital Receipts (Right to Buy)	21,560	6,065
Major Repairs Reserve	24,066	55,746
Revenue Contributions	8,652	0
Other Resources primarily Grants	0	3,394
Total	63,950	90,908

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £90.1m (land £16.3m, houses £73.8m). The values for 2003-04 were £88.1m (land £1.5m and houses £86.6m). The government introduced a new capital receipts pooling framework for 2004-05. The total receipts generated in the financial year were £90.1m, of which £51.1m was forwarded to the Government and £39m retained by the City Council.

8. Cost of Capital Charges

The cost of capital charge is calculated using the EUV-SH valuation as explained in notes 1 and 2. The charge is calculated using the statutory interest rate of 3.5% and totals £60.257m for 2004/05 (£49.604m for 2003/04).

The actual capital finance charge is calculated in accordance with the Item 8 Debit (General Determination 2004/05) and is based on the interest payable on average debt outstanding. This was calculated at £35.501m (£47.293m for 2003/04) and the key change from 2003/04 reflects the abolition of the minimum revenue provision of 2% for the repayment of debt.

Notes to Housing Revenue Account

9. Depreciation Charges

	2003-04 £'000	2004-05 £'000
Dwellings	39,875	39,618
Other Land, Buildings and garages	0	0
Operational Total	39,875	39,618
Non Operational	0	0
Total Depreciation	39,875	39,618

The total charge for depreciation for the land, houses and other property within the authority's HRA is £39.618m.(£39.875m in 2003-04). The principle adopted by the authority follows guidance from ODPM that the major repairs allowance is a satisfactory proxy as this is based on maintaining properties in their present condition.

10. Rent Arrears

Rent arrears from current tenants at 31 March 2005 totalled £12.4m (31 March 2004: £13.7m). Other services and income arrears totalled £6.4m at 31 March 2005 (31 March 2004: £6.9m).

A provision for bad debts has been made to meet possible future write offs of rent and other services/income. The provision was £15.9m at 31 March 2005 (31 March 2004 £15.4m) and has been calculated based a value/aged analysis in accordance with government guidelines.

11. Rent Rebates

The expenditure incurred as rent rebates for council tenants and the reimbursement from government grants was accounted for in the HRA in 2003-04. This has changed with effect the 2004-05 financial year as part of the new framework for the HRA to ensure consistency with other social housing providers and to reflect a "landlord account". This expenditure, together with the reimbursement from the Government, is now accounted for in the General Fund.

Collection Fund

2003-04 £'000		Note	£'000	2004-05 £'000
	INCOME			
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	
306,888				312,127
291,524	Business ratepayers: Income collectable	3		289,456
64	Community charge: Income collected resulting in a reduction to provision for bad debts			26
598,476				601,609
	EXPENDITURE			
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	
303,350				307,657
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	
291,524				289,456
(111)	(Surplus) brought forward			916
599,392				602,201
916	(Surplus)/Deficit carried forward			592

Collection Fund

1. General

These accounts represent the transactions of the Collection Fund.

This is a statutory fund which the City Council administers on its own behalf, and that of 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. Contribution from council tax payers

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:

Band	No. of Properties	Ratio	Band D equivalent dwellings
AR	374	5/9	208
A	125,922	6/9	83,948
B	100,766	7/9	78,373
C	60,099	8/9	53,421
D	28,228	1	28,228
E	16,461	11/9	20,120
F	7,309	13/9	10,557
G	4,997	15/9	8,329
H	662	18/9	1,324
TOTAL	344,818		284,508
less: adjustment for collection rate			(5,690)
			278,818

3. Business ratepayers

Under the arrangements for uniform business rates, the council collects National Non-Domestic Rates (NNDR) for its area which are based on local rateable values multiplied by a uniform rate which is set by the Government (45.6p for 2004/2005 : 44.4p for 2003/2004). The total non-domestic rateable value at 31 March 2005 was £808.4m (£810.2m at 31 March 2004). The total amount, less certain reliefs and deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

Collection Fund

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

2003-04		2004-05
£'000		£'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)
289,612	Net contribution to NNDR pool	287,491
271,207	Amount actually paid during the year	290,965
18,405	Payment to/ (refund due from) pool	(3,474)
289,612		287,491
	b) Redistribution from the NNDR pool:	
285,874	Net income to City Council	278,543

4. Precept Payments

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.

5. Bad debts

Every effort is made to recover all amounts due from council/community tax and business ratepayers. However, where it has been proved impossible to recover unpaid charges, such amounts are written off to the Collection Fund Account. In 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.

Consolidated Balance Sheet

31st March 2004 £'000	Notes to the accounts		31st March 2005 £'000	31st March 2005 £'000
	Fixed Assets			
	<i>Operational assets</i>	}		
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	}	30,417	
		}		
379,675	<i>Infrastructure assets</i>	}	393,736	
		}		
1	<i>Community assets</i>	}	0	
		}		
327,149	<i>Non-operational assets</i>	}	253,126	
4,040,823			4,846,639	
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
4,162,930	Total long term assets		4,976,695	
	Current assets			
46,273	- other investments	5	42,473	
3,341	- stocks and work in progress	7	3,060	
228,834	- debtors	8a	214,499	
71,161	- cash in hand	8b	21,139	281,171
	Current liabilities			
(161,229)	- borrowings repayable within 12 months	9	(238,629)	
(324,047)	- creditors	10	(321,236)	
(102,307)	- cash overdrawn	8b	(29,554)	(589,419)
3,924,956	Total assets less current liabilities		4,668,447	
(933,859)	Long term borrowing	9		(891,926)
(590,340)	Pensions Liability	11		(953,973)
(119,294)	Deferred liabilities	12		(117,607)
(170,582)	Deferred Grants	13		(225,222)
(60,566)	Provisions	14		(69,849)
2,050,315	TOTAL ASSETS LESS LIABILITIES			2,409,870
1,672,405	Fixed Asset Restatement Account	15		2,361,909
773,316	Capital Financing Account	16		776,702
50,177	Useable Capital Receipts Reserve	17		78,421
23,022	Capital Contributions Unapplied	17		18,727
(590,340)	Pensions Reserve	11		(953,973)
73,313	Earmarked reserves	17		86,159
16,128	Housing Major Repairs Reserve	17		0
22,105	Balances - General fund	}		25,635
11,105	- Housing Revenue Account	}	18	16,882
(916)	- Collection fund	}		(592)
2,050,315	NET EQUITY			2,409,870

Consolidated Balance Sheet

1. Capital Expenditure and movement in fixed assets 2004/05

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.

Capital Expenditure Type of Asset	2003-04 £m	2004-05 £m	Capital Financing Source	2003-04 £m	2004-05 £m
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
Total Capital Expenditure re Fixed Assets	193.9	222.3	Operational Leasing	3.1	1.0
Deferred Charges	45.2	45.4			
Operational Leasing	3.1	1.0			
Total Capital Expenditure	242.2	268.7	Total	241.7	268.7
Movement in Accruals (2003-04 only)	(0.5)				
Capital Expenditure (Cash Basis)	241.7				

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.

	Council Dwellings & Garages £m	Other Land & Buildings & Equipment £m	Vehicles, Plant & £m	Infrastructure Assets £m	Community Assets £m	Investment Properties £m	Total £m
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	2,164.7	2,004.7	30.5	393.7	0.0	253.1	4,846.7

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

Consolidated Balance Sheet

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. Land, buildings and other assets

31.03.04	Property Assets (major categories)	31.03.05
73,036	Council Dwellings	70,435
5,100	Investment Properties	4,994
478	Schools and Nurseries	468
58	Other Educational Establishments	59
90	Office and Administrative Premises	93
132	Social Services Properties	130
41	Libraries	41
7	Museums and Art Galleries	7
23	Swimming Pools, Leisure Centres and Sports Stadia	23
82	Public Halls and Community Centres	82
146	Parks	133
31	Depots and Vehicle Workshops	31
66	Public Car Parks	66
282	Hectares of Leisure Gardens and Smallholdings	282
3	Markets	4
12	Cemeteries and Crematoria	12
2,475	Kilometres of Roads	2,475
	Council Dwellings comprise the following types of properties:	
71,760	Freehold	69,076
941	Long Leasehold	1,034
335	Short Leasehold	325

3. Fixed Asset Valuation

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

Approximately one fifth of the Council's property assets are valued each year. Peter Jones MRICS, Assistant Director and other similarly qualified staff in Birmingham Property Services, Economic Development Department, carried out all valuations, and valuation certificates were issued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The effective date of the current year's valuation is the 1st April 2005. Properties regarded as operational were valued on the basis of Existing Use Value. Where no evidence of market value of suitable comparable property was available, and/or where the asset is of a specialist nature, the method of valuation was Depreciated Replacement Cost.

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

Consolidated Balance Sheet

Operational Assets (Housing):

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 and Community 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.

4. Premature Debt Repayment Premiums

	2003/04 £m	2004/05 £m
Opening Balance as at 01 April	8.8	13.7
Net discounts/premiums on premature redemption of debt	15.9	3.1
Amounts charged to asset management revenue account	(11.0)	(3.2)
Closing Balance as at 31 March	13.7	13.6

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

5. Investments

31.03.04 £m		31.03.05 £m
74.5	Long Term Investments Unlisted Investments intended to be held for the medium or long term at cost or valuation.	83.6
46.3	Short Term Investments Temporary Money market Deposits and Section 106 Monies	42.5
120.8	Total Investments	126.1

The Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC Limited loan stocks (See Note 24). The City Council is making a provision to repay the principal on these loan stocks. Part of these sums is now being invested by Morley Fund Management on behalf of the City Council. This arrangement is reflected in the movement in unlisted investments above.

Consolidated Balance Sheet

6. Long Term Debtors

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

31.03.04		31.03.05
£m		£m
12.9	University of Central England	12.4
1.6	Mortgages:- Former council house tenants	1.2
7.1	Birmingham Airport Holdings	7.1
3.0	Birmingham Technology Group	3.0
2.5	Birmingham Hippodrome	2.9
0.3	Birmingham Rep	0.3
1.9	Employee Loans	1.8
1.6	N.E.C. Developments Plc	1.4
0.5	Learning and Skills Council	0.5
2.2	Millennium Point	2.7
0.3	Other long term debtors	0.3
0.0	Bad Debt Provision	(0.7)
33.9	Total Long Term Debtors	32.9

7. Stocks and Stores

An analysis of stocks and stores is shown below:

31.03.04		31.03.05
£m		£m
957	National Exhibition Centre	887
781	Local Services	839
340	Libraries And Museums	368
743	Transportation	621
497	Other	335
23	Work in Progress	10
3,341		3,060

Consolidated Balance Sheet

8a. Debtors

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

31.03.04 £m		31.03.05 £m
	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
284.7		268.9
(55.9)	Provision for bad debts	(54.4)
228.8	Total Debtors	214.5

8b Cash

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.

9. Financial Instruments

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:

Consolidated Balance Sheet

	Liabilities £m	Assets £m
Variable rate	238.7	24.9
Fixed rate	891.9	56.8
	1,130.6	81.7

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:

31.03.04 £m		31.03.05 £m
	Analysis by source:	
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
1,095.0	Total Borrowing	1,130.6

The balance sheet shows these borrowings as follows:

31.03.04 £m		31.03.05 £m
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
1,095.0	Total Borrowings	1,130.6

Consolidated Balance Sheet

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:

	Book value £m	Fair Value £m
Borrowing repayable within 12 months	238.6	255.2
Long term Borrowing from PWLB	851.8	1,159.4
Other long term borrowing	40.1	41.2
Financial assets	(81.7)	(81.8)

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. Creditors

An analysis of creditors is shown below.

11. Pensions Liability

31.03.04 £m		31.03.05 £m
56.6	General Creditors	52.2
30.7	Government Grants	30.2
21.3	HM Collector of Taxes (Income Tax and National Insurance)	22.7
3.4	Housing Benefit	8.0
84.0	Receipts in Advance	52.5
5.6	Amounts Owed to Employees	17.6
16.7	NNDR	16.8
105.8	Other	121.2
324.1	Total Creditors	321.2

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:

Consolidated Balance Sheet

31.03.04 £m		31.03.05 £m
76.5	Debt taken over from the former West Midlands County Council	75.4
3.2	Walsall Waste Disposal	3.1
39.2	Schools PFI	38.7
0.4	Other	0.4
119.3	Total Deferred Liabilities	117.6

13. Deferred Government Grants

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

14. Provisions

	31.03.04 £m	Increase in year £m	Applied in year £m	31.03.05 £m
NEC Ltd Loan Debt	56.0	11.3	1.3	66.0
Other	4.6	0.0	0.8	3.8
	60.6	11.3	2.1	69.8

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).

15. Fixed Asset Restatement Account

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

Consolidated Balance Sheet

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:

	2003/04 £m	2004/05 £m
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
Closing Balance at 31 March	1,672.4	2,361.9

16. Capital Financing Account

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:

	£m	2003/2004 £m	£m	2004/2005 £m
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	0.0	0.0
Financing of Capital Expenditure				
Use of Capital receipts	24.7		19.2	
Direct Revenue Financing	9.8		0.0	
Use of Major Repairs Reserve	24.1	58.6	39.6	58.8
Depreciation	(58.0)		(64.9)	
Impairment of Fixed Assets	0.0		(3.2)	
Transfer from Major Repairs Reserve	(39.9)		(39.6)	
Write Down of Deferred Grant	6.7		9.2	
Write Off of Grants Not Funding Assets	14.6		29.1	
Write Off of Premiums	(9.0)		0.0	
Deferred Charges - Expenditure	(46.4)		(45.4)	
Deferred Charges - Income	16.3		19.2	
Minimum Revenue Provision	38.6		33.5	
Other	0.6	(76.5)	0.3	(61.8)
		773.3		776.7

Consolidated Balance Sheet

17. Earmarked Reserves

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

	31.03.04	Movement in year	31.03.05
	£m	£m	£m
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
	73.3	12.9	86.2
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
	162.6	20.7	183.3

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.

Consolidated Balance Sheet

18. Balances on revenue accounts and the Collection Fund

	31.03.04 £m	Movement in year £m	31.03.05 £m
General Fund	22.1	3.5	25.6
Housing Revenue Account	11.1	5.8	16.9
Collection Fund	(0.9)	0.3	(0.6)
	32.3	9.6	41.9

For 2005-06 the City Council has budgeted to make a contribution of £1.0m to General Fund balances.

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. Amounts due to the precepting authorities are shown as a creditor in the balance sheet.

19. Contingent Liabilities

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

- i. The City Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC Ltd loan stocks raised for the construction of the International Convention Centre, the National Indoor Arena and Hall 10 at the National Exhibition Centre. At 31st March 2005 the amount of the loans guaranteed was £215M (2004: £215M). At 31st March 2005, the City Council had a provision of £65.9M (2004: £56.0M) in respect of the repayment of principal on loans raised for the construction of the International Convention Centre, National Indoor Arena and additional halls at the National Exhibition Centre (see note 14). Since 1 April 2005, the City Council has acquired the £215 million loan stocks in exchange for new £215 million City Council bonds maturing in 2030. This transaction is described in detail in Note 28.
- ii. The City Council is guaranteeing payment of the full amount on the principal of and interest accruing on the National Exhibition Centre (Developments) PLC loan stock raised in May 1997 for the construction of the four new halls at the National Exhibition Centre. The amount of the loan guaranteed is £73m (2004: £73M), due in 2027.
- iii. The City Council has agreed to guarantee up to a maximum of £13.5m of commercial loans made by Württembergische Hypothekenbank AG to Aston Science Park Limited. At 31 March 2005 the full amount of £13.5m (2004: £13.5m) had been drawn down against this facility. The loan facility is due for repayment over 17 years and repayments commenced in May 2004.
- iv. The City Council has an Accountable Body role for a range of grant funding regimes such as Single Regeneration Budget, New Deal for Communities, Birmingham Children's Fund and European Funding. This role can be project specific, where the Council accesses funding directly for itself or on behalf of another organisation, or programme related, where the Council is accountable for the delivery of or underwrites the performance of a specific programme. There is a potential liability to the Council arising from potential non-delivery of

Consolidated Balance Sheet

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. Commitments under Capital Contracts

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:

Consolidated Balance Sheet

	£m	2005/06	2006/07	2007/08
Transportation Schemes				
Straford Rd Red Route	2.4	2.3	0.1	
Walsall Rd	4.1	3.4	0.7	
Northfield Relief Rd	13.9	7.7	6.2	
NEC				
NEC Refinancing and Venue Improvement programme	255.0	225.0	20.0	10.0
Local Services				
LS414 Handsworth Park (restoration and renovation of public park)	3.7	3.2	0.5	
Economic Development Schemes				
Princes Trust Shard End (construction of community centre)	2.7	2.4	0.3	
Kyotts Lake (mid range industrial units construction)	1.1	1.1		
Total	282.9	245.1	27.8	10.0

21. Segmental Analysis of 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 extent of its liability claims as it may take a number of years for them to arise.

The City Council had part of its fire insurance and a number of contingency covers with MMI. Claims totalling £0.47m are currently outstanding.

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

Consolidated Balance Sheet

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

23. Trust Funds

The City Council administers a number of trust funds which have been established from donations and bequests made to it to meet a variety of objectives and purposes. The total monies held at 31st March 2005 were £7.1m (2004: £ 6.8m).

In addition, the City Council held £0.4m (2004: £ 1.6m) of Social Services Clients' Funds.

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

The major trust funds were:

	Balance at 31.03.04 £'000	Income 31.03.05 £'000	Expenditure £'000	Balance at £'000
Bodenham Trust - for children with special educational needs	512.8	34.3	24.1	523.0
Centre for the Child - healthy recreation for Birmingham citizens	188.6	0.3	10.0	178.9
Charles Baker Trust - accommodation for the elderly and disabled	190.7	11.1	1.9	199.9
Clara Martineau Trust - for children with special educational needs	2,367.0	282.4	94.3	2,555.1
Cropwood Estate	226.0	8.8	0.0	234.8
Francis Lyn Betteridge Memorial Trust	106.4	10.3	3.9	112.8
Girls Night Shelter for women and girls in need or distress	270.4	12.0	0.0	282.4
Holinsworth Fund - to further the work of voluntary hospitals	131.7	18.9	7.0	143.6
Museum & Art Gallery Development Trust - enhancement of city museums	326.7	22.6	0.0	349.3
Rupert St. Endowment - improving leisure facilities	500.0	18.9	18.9	500.0
The Elford Trust -to promote the education of children & their carers	242.6	49.4	9.8	282.2
The Harriet Louisa Loxton Charity - for the aged and infirm	887.1	31.8	15.9	903.0
The Lord Mayor's Charity Appeal - for charitable purposes	184.4	98.1	101.0	181.5
Other	712.3	265.7	356.2	621.8
	6,846.7	864.6	643.0	7,068.3

The City Council is sole trustee of funds highlighted in bold.

Foreward

The opening balances on the following funds have been restated: Bodenham Trust and Cropwood estate.

24. Associated and Subsidiary Companies

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

The major investments are in the following companies.

THE NATIONAL EXHIBITION CENTRE LIMITED – DRAFT COMPANY ACCOUNTS

The City Council holds 5,000 £1 shares (50%) in the company, the purpose of which is to promote and operate the National Exhibition Centre, the International Convention Centre and the National Indoor Arena. At 31st March 2005, the City Council was guaranteeing loans of £215M (2004: £215M) to the company (see notes 19 (i)).

The Company did not make any profit or loss before or after tax during the year to 31st March 2005 (2004: £0). The Company's net assets at 31st March 2005 amounted to £11,000 (2004: £11,000). The National Exhibition Centre limited is a regulated influenced company under the Local Authorities (Companies) Order 1995 (S.I. 849). This means that a number of finance and propriety controls apply in relation to NEC Ltd activities.

In Agreements dated 17th March 1986 and 17th December 1987, as amended by an agreement dated 4th April 1996. Birmingham City Council has agreed to ensure that finance will be available in such a way and of such amount, as will make certain that the company will remain solvent within the meaning of Section 123 of the Insolvency Act 1986 (that is that it will be able to meet its debts as they fall due). During such time as all or any part of the loan stock referred to in note 19 of the financial statements, in issue at the date of the agreements, or any interest costs or expenses payable in respect thereof remain to be repaid or paid. During 2004/05, the City Council made reimbursements totalling £20.313m to the Company NEC Ltd, (2003/04, £21.512m).

There was no qualification to the audit opinion on the latest audited accounts of this company.

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC – DRAFT COMPANY ACCOUNTS

The Company was set up to provide an additional 30,000 square metres of exhibition space in four new halls. The new building has been financed by a loan stock issue of £73million to the company which is guaranteed by the City Council. The City Council was allotted 450 of 1,000 ordinary shares of £1 each and 50,000 of 100,000 preference shares of £1 each in the company. The City Council has loan notes totalling £1.6 million in the company and has agreed to make available additional loans of £3.1 million should the Company require further funds. The loss before and after tax for the year to 31st March 2005 amounted to £14,000 (2004: £14,000). The net liabilities at 31st March 2005 amounted to £1,142,000 (2004: £1,128,000). There was no qualification to the audit opinion on the latest audited accounts of this company.

Birmingham Technology Group

The Birmingham Technology Group of companies aims to promote, encourage and secure the development and management of a science park in Birmingham. The City Council appoints seven out of the thirteen members of Birmingham Technology Limited, which has loans outstanding from the City Council as at 30 June 2004 of £2.96m (2003: £2.96m). The City

Consolidated Balance Sheet

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:

2003		2004
£m		£m
0.6	Profit/(loss) on Ordinary Activities before taxation	(0.3)
0.5	Profit/(loss) on Ordinary Activities after taxation	(0.5)
7.9	Net Assets	7.3

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

Other associated and subsidiary 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

25. Other Company Interests

BIRMINGHAM AIRPORT HOLDINGS LTD (BAH) – DRAFT COMPANY ACCOUNTS

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.

Consolidated Balance Sheet

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:

Year to 31.03.2004*		Year to 31.03.2005
30.9	Net profit before tax	29.1
19.9	Net profit after tax	18.8
205.6	Net Asset at 31 March	212.9
2.3	City Council dividend income	2.5

* The accounts to 31 March 2004 have been restated

26. Private Finance Initiative Commitments

i) Schools PFI

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

At 31st March 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 £48.1m net of depreciation of £3.3m. The deferred liability recognised in respect of this scheme, amounts to £38.7m.

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

Consolidated Balance Sheet

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:-

	Services £'000	Availability £'000	Total £'000
Within one year	2,893	4,746	7,639
2006-07 to 2007-08	6,004	9,601	15,605
2008-09 to 2012-13	16,377	24,678	41,055
2013-14 to 2017-18	18,530	25,747	44,277
2018-19 to 2022-23	20,964	26,958	47,922
2023-24 to 2027-28	23,719	28,327	52,046
2028-29 to 2031-32	21,201	23,767	44,968
Total	109,688	143,824	253,512

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 were 19 conveniences provided under the contract. All 22 conveniences are expected to be operational in 2005-06. There are no payments made under the contract for facilities that are not operational.

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

Consolidated Balance Sheet

	£'000
2005-06	472
2006-07	483
2007-08 to 2011-12	2,606
2012-13 to 2016-17	2,948
2017-18 to 2021-22	3,336

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

27. Possible Introduction of the Euro

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 held and voted in favour of entry. A referendum may be held at some time in the future. The Government expects Local Authorities to play a significant part in the changeover and is in the process of requesting Local Authorities to prepare contingency plans

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

28. Post Balance Sheet Events

- i. On 21st April 2005 the City Council acquired all £215m of NEC Finance plc bonds described in note 19 above, in exchange for the issue of new City Council bonds of £214,971,000 (a few small holdings were acquired for cash). As a result of the transaction the City Council will receive interest at an average rate of 12.26% to September 2016 and will pay interest on the new bonds at 9.675% to April 2030. The provision in the City Council's accounts to fund the repayment of the NEC Ltd bonds will no longer be required but £30m of the provision will be retained to fund the repayment of the NEC Developments plc bonds. By a separate agreement dated 4th August 2005, NEC Finance plc agreed to purchase from the City Council £14,925,718 of its own bonds for cancellation. NEC Ltd in turn purchased an equal value of its own bonds from NEC Finance for cancellation. The nominal value of NEC Ltd stocks outstanding and guaranteed by the City Council is therefore £200,074,28.
- ii. With effect from 1st April 2005 the Council ceased to have responsibility for the administration of magistrates' courts. The balance sheet figure for Fixed Assets includes £18.9 million of assets relating to the magistrates courts service. These assets will be written out of the Council's accounts in 2005-06. The figure for debtors includes £2.2 million of grant due to the Council in respect of the 2004-05 financial year. Receipt of this money will not be affected by the transfer of the courts.

Statement of Total Movement in Reserves

BIRMINGHAM CITY COUNCIL STATEMENT OF TOTAL MOVEMENTS IN RESERVES YEAR ENDING 31ST MARCH 2005

	2004-05 £m	£m	2003-04 £m
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)
Total Increase(Decrease) in Revenue Resources		(259.8)	(121.9)
Increase (Decrease) in Useable Capital Receipts	28.2		21.1
Increase (Decrease) in Unapplied Capital Grants.Conts	(4.3)		1.1
Total Increase (Decrease) in Realised Capital Resources		23.9	22.2
Gains(Losses) on revaluations of Fixed Assets	882.8		524.4
Impairment Losses on Fixed Assets	(3.2)		0
Total Increase(Decrease) in Unrealised Value of Fixed Assets		879.6	524.4
Value of Assets Sold, Disposed of or Decommissioned.		(73.3)	(82.9)
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
Total Increase (Decrease) in Amounts Set Aside To Finance Capital Investment		(11.9)	88.4
Increase (Decrease) on the Pensions Reserve		(363.6)	149.7
Total Recognised Gains and Losses		194.9	579.9

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

Cash Flow Statement

2003-04 £million		£million	2004-05 £million
	Revenue activities		
	<i>Cash Outflows:</i>		
1,117.1	Cash paid to and on behalf of employees	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 <i>national pool</i>	290.9	
144.7	Housing benefit paid out	162.9	
30.2	Precepts paid	33.2	
2,536.5			2,768.8
	<i>Cash Inflows:</i>		
(97.5)	Rents (after rebates)	(91.6)	
(225.5)	Council tax income	(232.5)	
(285.9)	National non-domestic rate receipts from national pool	(276.5)	
(255.2)	Non-domestic rate receipts	(282.4)	
(723.2)	Revenue support grant	(809.2)	
(215.4)	DWP grants for benefits	(234.7)	
(430.3)	Other government grants (note 4)	(450.2)	
(278.2)	Cash received for goods and services	(318.3)	
(172.3)	Other operating cash receipts	(231.2)	
(2,683.5)			(2,926.6)
(147.0)	Revenue activities net cash flow (note 1)		(157.8)
	Returns on investments and Servicing of finance		
	<i>Cash Outflows</i>		
103.2	Interest paid	88.9	
103.2		88.9	
	<i>Cash Inflows</i>		
(9.3)	Interest received	(9.8)	
93.9			79.1
	Capital activities		
	<i>Cash Outflows</i>		
194.5	Purchase of fixed assets	231.5	
5.6	Purchase of long term investments	9.1	
47.1	Other capital cash payments	47.0	
247.2		287.6	
	<i>Cash Inflows</i>		
(111.0)	Sale of fixed assets	(101.5)	
(24.5)	Capital Contributions received	(11.5)	
(163.1)	Capital grants received (note 4)	(101.7)	
(298.6)		(192.2)	
(104.5)	Net cash outflow/(inflow) before financing		95.4
	Management of liquid Resources		16.7
14.4	Net increase/(decrease) in short term deposits	(3.9)	
	Financing		
	<i>Cash Outflows</i>		
79.0	Repayments of amounts borrowed	17.3	
		17.3	
	<i>Cash Inflows</i>		
(10.0)	New loans raised - long term	(52.8)	
		(52.8)	(39.4)
(21.1)	Net (Increase) / decrease in cash (note 2)		(22.7)

Cash Flow Statement

Note 1.

Reconciliation of deficit on revenue accounts and the Collection Fund to revenue activities net cash flow

	2003-04 £m	2004-05 £m
Surplus on Revenue Account	5.0	3.5
Surplus on Housing Revenue Account	4.4	5.8
Surplus on Collection Fund	(1.0)	0.3
	8.4	9.6
Add Back : Appropriations to Reserves	18.4	13.8
Provisions set aside	(3.4)	9.3
	23.4	32.7
Items Included Under Another Classification		
Interest Paid	105.2	85.5
Interest Received	(9.3)	(9.8)
Capital Financing Costs	40.0	33.9
PFI grant	(5.8)	(5.5)
Other Adjustments	(34.1)	0.0
Adjust for Non-Cash Items	0.0	10.9
Items on an Accruals Basis:		
Movement in Stock	(0.2)	0.3
Movement in Debtors	(35.4)	17.9
Movement in Creditors	63.2	(8.1)
	147.0	157.8

Note 2.

Reconciliation of net cash flow to movements in net debt

	Long Term Loans	Loans maturing in 12 months	Other Creditors	LT Investments	Cash Overdrawn	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000
31.03.2004	933,859	161,229	119,294	(46,273)	31,146	1,199,255
31.03.2005	891,926	238,629	117,607	(42,473)	8,415	1,214,104
Movement in year	41,933	(77,400)	1,687	3,800	22,731	(14,849)
Made up of Movements in						
		Cash				22,731
		Borrowing				(35,467)
		Investments				(3,800)
	Repayments of deferred Liabilities					1,687
						(14,849)

Cash Flow Statement

Note 3. Analysis of changes in net debt

	01.04.2004 £'000	Cash Flow £'000	31.03.2005 £'000
Cash Overdrawn	31,146	(22,731)	8,415
Due Within One Year	161,229	77,400	238,629
Due After One Year	933,859	(41,933)	891,926
Investments	(46,273)	3,800	(42,473)
Deferred Liabilities	119,294	(1,687)	117,607
	1,199,255	14,849	1,214,104

Note 4. Other Government grants

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

Revenue	£m 2003-04	£m 2004-05
Housing Subsidy	162.1	149.8
NRF	14.2	22.0
Rent Allowances	131.0	146.3
Council Tax Benefit	75.0	78.2
European Social Fund	2.1	2.7
European Regional Development Fund	1.0	0.9
Single Regeneration Budget	3.3	3.3
Education Grants	137.9	125.5
PFI Grant	5.8	5.7
Other	113.3	150.5
	645.7	684.9
Capital		
ERDF	31.4	0.8
SRB	5.3	6.3
PRG	0.0	7.7
Magistrates Courts	2.4	5.6
Education Capital Grants	0.0	7.8
Other	124.0	73.5
	163.1	101.7

Group Financial Statements

Group Accounts

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.

BIRMINGHAM CITY COUNCIL GROUP, GROUP REVENUE ACCOUNT Year Ended 31st March 2005

2003/04 £'000		2004/05 £'000
1,324,534	Net Cost of Services	1,475,816
53	Parish Council Precept	32
21,358	Levies not attributable to services	70,359
(7,683)	Surpluses/Deficits on Trading Undertakings	(9,069)
(31,325)	Surplus on Asset Management Revenue Account	(66,522)
(8,413)	Interest and Investment Income	(9,826)
32,350	Movements on Pensions Assets/Liabilities	26,306
0	Share of Deficits/(Surpluses) of Subsidiaries	6
1,330,874	Net Operating Expenditure	1,487,102
(47,951)	Appropriations	(124,871)
1,282,923		1,362,231
(728,976)	Government Grants	(814,779)
(558,976)	Collection Fund	(550,977)
(5,029)	Surplus for Year	(3,525)

Group Financial Statements

Group Balance Sheet

31.03.2004	BALANCE SHEET AS AT 31ST MARCH 2005	31.03.2005
£'000		£'000
4,294,131	Fixed Assets	5,095,390
47,587	Long Term Debtors	46,452
73,993	Long Term Investments	83,071
4,415,711	Total Long Term Assets	5,224,913
314,238	Current Assets	319,952
(540,346)	Current Liabilities	(616,333)
4,189,603	Total assets less Current Liabilities	4,928,532
(2,139,780)	Long Term Liabilities	(2,519,160)
(11)	Minority Interests	(11)
2,049,812	Total Assets Less Liabilities	2,409,361
2,018,021	Reserves	2,367,945
21,602	General Fund balances	25,126
10,189	Other Balances	16,290
2,049,812		2,409,361

Note 1:

Had FRS17 (Pensions) been fully implemented in 2004/05, the NEC Ltd. Group would have reported a profit of £3.3 million. There are no FRS17 disclosures in the accounts of NEC (Developments) Ltd., as the company has no employees.

Note 2:

At 31 March 2005 the amount owed by the Council to the NEC Group totalled £1.4 million (2004: £2.7 million) and amount owed by the NEC Group to the Council totalled £2.2 million (2004: £10.9 million).

The amounts owed by the Council to the NEC Group comprise trading balances only. The amounts owed by the NEC Group to the Council consist of trading balances of £2.184 million and a loan balance of £14,000.

Glossary

Accruals

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

Asset Management Revenue Account (AMRA)

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

Balances

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

Capital Charge

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

Capital Expenditure

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

Capital Financing Account

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

Capital Financing Requirement

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).

Capital Receipt

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

Collection Fund

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

Community Assets

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

Consistency

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

Creditors

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

Glossary

Deferred Charges

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

Depreciation

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

Debtors

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

Earmarked Reserve

A sum set aside for a specific purpose.

Emoluments

Payments received in cash and benefits for employment.

Fees and Charges

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

Finance Lease

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

Fixed Assets

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

Fixed Asset Restatement Account (FARA)

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

FRS

Financial Reporting Standard.

General Fund

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

Government Grants

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

Government Grants Deferred Account

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

Housing Revenue Account (HRA)

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

Glossary

HRA Subsidy

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

Impairment

A diminution in value of a fixed asset resulting from, inter alia, obsolescence or physical damage. To comply with accounting standards the City Council undertakes annual reviews of its assets to identify any assets which have been impaired.

Infrastructure Assets

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

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the City Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investment Properties

Interest in land and/or buildings:

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

Liabilities

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

Materiality

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Operating Leases

Leases other than a finance lease.

Post Balance Sheet Events

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

Glossary

Precept

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

Prior Year Adjustments

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

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

Provisions

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

Prudence

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

Related Party

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

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

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

SSAP

Statement of Standard Accounting Practice.

Auditors' Report to Birmingham City Council

Independent Auditors' Report to Birmingham City Council

I have audited the statement of accounts on pages 5 to 67 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 12 to 18.

This report is made solely to Birmingham City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 5 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year. I review whether the statement on internal control on pages 6 to 11 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

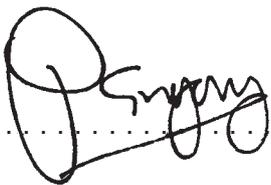
Auditors' Report to Birmingham City Council

Opinion

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.

Certificate

I certify that I have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: 

Date: 21 OCTOBER 2005

Name: John Gregory

Address: Audit Commission,
No. 1 Friarsgate
1011, Stratford Road,
Solihull,
West Midlands

If you have any comments on these accounts
or would like any further information, please contact:

**Peter Bateman, Corporate Accountant,
Birmingham City Council, The Council House,
Birmingham B11BB. Tel: 0121 464 8441.
email: peter_bateman@birmingham.gov.uk**