



ACCOUNTS

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ACCOUNTS

I d:c

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. These accounts set out the results of Council activities for the year ended 31st March 2002 and its financial position at that date.

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.

1. FOREWORD

Financial Statement for 2001-2002

Revenue

An analysis by Portfolio / Committee of the City Council's net revenue spending is shown in the following table:

	Account
	'000
Portfolio	
Leader	70,230
Deputy Leader	40,529
Education & Lifelong Learning	622,518
Equalities & Human Resources	5,878
Housing (General Fund)	27,146
Leisure, Sport & Culture	85,147
Local Services and Community Safety	13,182
Regeneration	21,594
Social Services and Health	244,113
Transport, Street Services and Sustainability	124,650
Council Business Management	5,389
Revenue	
Development Control	2,484
Licensing	(24)
Public Protection	11,292
	<hr/> 1,274,028
Capital Accounting & Other Changes	<hr/> (127,306)
Government Grants and Local Taxes	1,146,822
Amounts to be met from government grants and local taxation	<hr/> (1,144,383)
Amount to be met from Council Balances	<hr/> <hr/> 2,439

Authorities are now required to calculate depreciation on all Operational Assets (e.g. schools, admin buildings etc.). Previously, the City Council could avoid charging depreciation if it could be proven that satisfactory maintenance would extend the useful life of these assets. Additional depreciation of over £20 million has been included in Advisory Team and Committee expenditure. However, there is no net effect on Council net spending as a result of the depreciation of 5,389

ACCOUNTS

1. FOREWORD

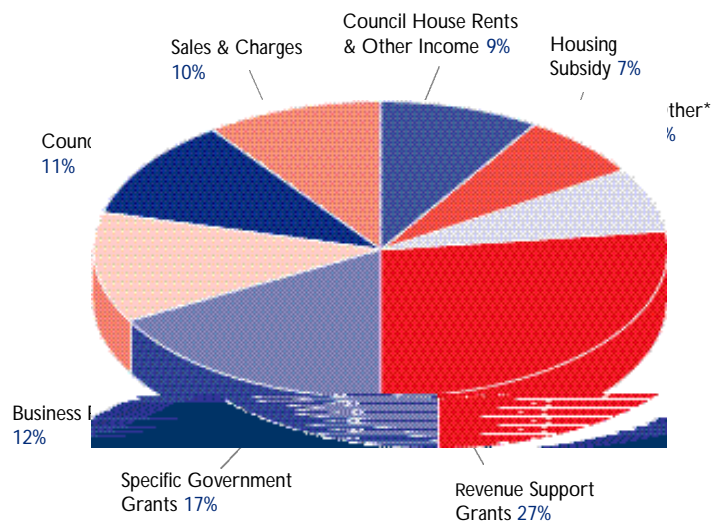
and this is particularly noticeable in Leisure Culture and Tourism, Regeneration, Social Services and Health Advisory Teams, and Leader's Portfolios.

The City Council actual expenditure for the year amounted to £1,147 million. Most of this was met from government grants and local taxation. The difference of £2.4 million was met from general balances.

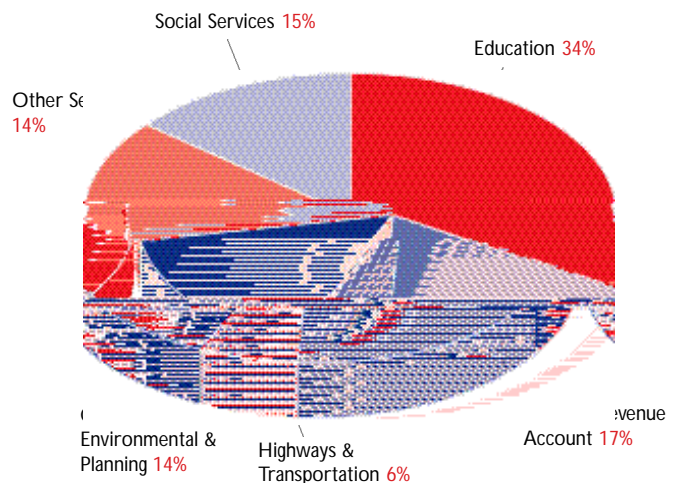
The graphs below show the sources of revenue funding for the City Council for 2001/2002 and where the money was spent by major service area.

W	M	Ca	F
Source			£m
Revenue Support Grant			620.8
Specific Government Grants			394.9
Business Rates			275.4
Council Tax			248.2
Sales & Charges			235.8
Council House Rents & Other Income			196.9
Housing Subsidy			164.4
Other*			180.6
Total			2317.0

* other Rents and Grants, Miscellaneous use of Reserves



W	M	a	S
Source			£m
Education Services			800.3
Housing Revenue Account			385.2
Social Services			340.4
Highways & Transportation			130.7
Cultural, Environmental & Planning			328.5
Other Services			331.9
Total			2317.0



1. FOREWORD

General Fund Balance

At the end of the year the balance on General Fund to be carried forward was £19.4 million comprising of £13.3 million of general balances and £6.1 million of committee carry forwards, which are permissible subject to certain parameters. Of these figures, £7.8 million are assumed to be used in support of the 2002/2003 budget.

As is the City Council's usual practice, £5.8 million will be retained as a minimum working balance, and the remainder will be used to assist budget pressures during the year. Cumulative balances for Local Management of Schools (LMS) at 31st March 2002 were £22.8 million.

In addition to the General Fund Balance, the City Council also prudently earmarks reserves (see Balance Sheet Note 16 and the Statement of Total Movements in Reserves in section 10).

Housing Revenue Account (HRA)

The Housing Revenue Account deals with transactions involving the management of the City Council's housing stock.(full details in Section 7).

The Local Government and Housing Act 1989 requires that the Housing Revenue Account is ring-fenced and cannot be subsidised by the General Fund.

The net surplus for 2001/2002 was £ 2.3 million which will be added to the surplus of £4.8 million brought forward to make a carry forward surplus of £7.1 million.

Capital Expenditure

Total expenditure on capital schemes in 2001/2002 was £197.3m (2000/2001 £175.2m), including spending on operational leasing and deferred charges. This compared to the latest capital budget, approved in February 2002, of £213.5 million. A breakdown of expenditure by Portfolio/Committee is shown below:

Portfolio/Committee	£' 000
Leader	2,874
Deputy Leader	7,938
Education & Lifelong Learning	23,936
Equalities & Human Resources	95
Housing	93,042
Leisure, Sport & Culture	12,269
Local Services and Community Safety	1,368
Regeneration	13,624
Social Services and Health	4,885
Transport, Street Services and Sustainability	37,249
Development Control	25
Public Protection	0
P e C	197,305
Provisions	0
T a P a	197,305

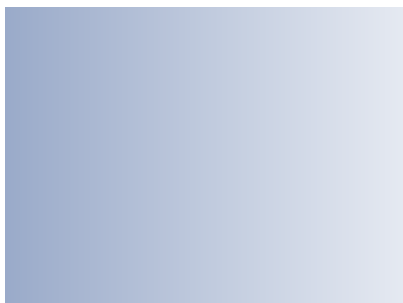
1. FOREWORD

The City Council's capital expenditure on an accruals basis, including amounts owing but not paid in 2001/02, analysed between types of asset, is summarised below. This also includes 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.

The City Council finances capital expenditure on a payments basis. However, the authority also needs to account for capital expenditure on an accruals basis, showing the amounts owing to contractors etc, for incorporation into the City Council's asset register and balance sheet. Accruals for 2001/02 are £2.5m.

An analysis of both where the money was spent, by major service areas, and the sources of funding are shown diagrammatically below:



1. FOREWORD

R c P

Among the City Council's achievements in 2001/2002 were :

- The completion of a pioneering Public Private Partnership rebuild of 10 schools and advanced plans for a further package.
- Obtaining £18m funding to develop services for children and their families in partnership with the voluntary sector, to support families within their communities and avoid statutory intervention.
- Completion and opening of Millennium Point (including ThinkTank – the museum of science and discovery) and the Water Hall gallery of Modern Art.
- A scheme to collect paper for recycling from over 200,000 homes launched in November and Government grants of £2.4m helped establish eight new CCTV schemes with 95 cameras.
- Made available £5m from the Neighbourhood Renewal Fund so local residents could engage in planning the future of their local services.
- Significantly reducing long term sickness and a first reduction in sickness absence rate since 1996.

Birmingham held its first Constitutional Convention in December 2001. Participants included members of local community and voluntary groups, residents and more who met to look at localised governance arrangements. The City Strategic Partnership was established to initiate work on the strategic planning for the city and the strategy for neighbourhood renewal.

The City Council introduced and implemented a new constitution during 2001/2002 on the Leader and Cabinet model. The information in this Statement reflects this structure.

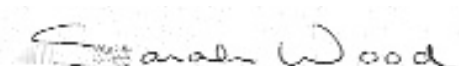
The Regeneration of the City Centre continued during the year with the completion of the Martineau Galleries, continued work on the New Bull Ring and the start to demolition and regeneration of the Masshouse site. A strategy for the regeneration of local centres was also agreed.

There continued to be difficult financial pressures in some services. This was particularly true for Social Services, reflecting the national pattern. Careful consideration of resource levels and active budget monitoring limited the impact of these pressures.

L A ad

The Cabinet Statement for 2002/2003 sets out the City Council's corporate priorities and objectives for the medium to long-term. Three corporate priorities are identified:

- Performance : to raise the performance and quality of all the City Council's services and address areas of current under-performance. This commitment is reflected in the Public Service Agreement which has been signed with the Government. The Local Government White Paper, published at the end of 2001, also included proposals to provide the best performing councils with greater powers and financial flexibility. As a consequence of this the Audit Commission has developed the Comprehensive Performance Assessment regime and the City Council expects its first rating in November.
- Flourishing Neighbourhoods :

 Sarah Wood

T C C a c ' R b

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.

T C F a c a c ' R b

The City Council's Chief Financial Officer is the Director of Resources. She is responsible for the preparation of the City Council's Statement of Accounts. In preparing the statement, she 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.
- a•

3. ASSURANCE STATEMENT

C a G a c A a c S a

Birmingham City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically efficiently and effectively. In discharging this accountability members and senior officers are responsible for putting into place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

To this end at their meeting on 22nd July 2002, the Cabinet, approved and adopted a local code of corporate governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.

During the year, the Council has started to put into place improved management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically it has introduced new Constitutional arrangements, approved a Code of Conduct for Members, drafted Member/Officer Relations and Monitoring Officer Protocols, revised the Scheme of Delegation to Officers, and adopted a risk management strategy. The Chief Executive has been given responsibility for

1. overseeing the implementation and monitoring of the operation of the code
2. reviewing the operation of the code
3. reporting annually to the Cabinet on compliance with the code and any changes necessary to maintain and ensure its effectiveness in practice.

We propose over the coming year to take steps to further enhance our corporate governance arrangements and will review their implementation and operation as part of our next annual review.



Cllr. Albert Bore
Leader of the Council



Lin Homer
Chief Executive

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 2000 and updated in 2001. The code has been approved as a Statement of Recommended Practice (SORP).

The following policies have been adopted in compiling the accounts:

F d A

a) A Ca

Fixed assets are categorised as follows:

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

b) R c F d A

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on the accruals basis.

c) Va a ba

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).

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

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate.

d) R a a C c

When an asset is included in the balance sheet at OMV or EUV, it is formally

ACCOUNTS

H o u s i n g S c R a a

"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 of 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 2001/2 and will take place annually thereafter, again in line with the guidance. High rise flats and defective dwellings continued to be valued using a DCF method, in the absence of appropriate market evidence.

P a F a c I a (PFI)

The PFI scheme to replace a number of schools in the city is being treated as a finance lease, in accordance with accounting standards. Service payments are accounted for in the year in which the service to which they relate was provided. Availability payments are split between interest and principal elements. A deferred liability has been created, representing the total principal payable in respect of schools brought into commission before 31st March 2002. The amount of this liability is £28.8 million. The total liability in respect of all the schools in the scheme will amount to £37.2 million.

ACCOUNTS

G a

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 reserve.

I

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.

L a

a) F a c a

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability, with both charges being allocated and charged to revenue over the term of the lease. The liability to repay the principal outstanding is shown as a long-term liability in the balance sheet.

b) O a a

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.

P c

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

a) T ac ' P Sc

Teachers may be members of the Teachers' Pension Scheme. This is a defined benefits scheme administered by Capita Teachers' Pensions on behalf of the Department for Education and Skills. The employers rate is set nationally by that department.

Disclosure note 3 to the Consolidated Revenue Account provides details of contributions. **ac ' P S67.68d ac b c2 b a ac c 4**

4. ACCOUNTING POLICIES

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 is subject to an actuarial valuation every three years, the last one being 31st March 2001. At this time the fund's assets were valued at 95.5% of the value of the liabilities.

Prior to 1993/94, the Regulations required that contribution rates were determined so that the Fund met only 75% of the funded liabilities. This did not comply with SSAP24 (Accounting for Pension Costs) which essentially requires that the City Council's accounts reflect the cost of securing 100% of the cost of pension liabilities. Under the Regulations, the Pension Fund had until 31st March 1999 to increase employer's contributions to achieve 100% funding of pension liabilities. Contribution rates were increased by 1.40% for each of the six years which commenced with 1993-94 (with the exception of 1996-97 when the increase was 1.30%), ending on 31st March 1999.

Disclosure note 3 to the Consolidated Revenue account provides details of contributions.

Financial Reporting Standard 17 requires the recognition of the council's share of the fund's assets and liabilities in its accounts. The Chartered Institute of Public Finance and Accountancy has decided on a phased implementation of this standard in local authorities with full compliance being achieved in 2003-04. In 2001-02 additional disclosures are being made and these are also shown in Disclosure Note 3 to the Consolidated Revenue Account on Page 20.

P

Provisions are made for any liabilities or losses which are likely to be incurred and are charged to the appropriate revenue account. When expenditure is incurred to which the provision relates, it is charged direct to the provision. Provision is made for doubtful debts, and known uncollectable debts are written off.

R

Amounts that are set aside for purposes falling outside the definition of a provision, are considered to be reserves. The City Council has a number of financial reserves, most of which are earmarked for specific purposes. In line with the SORP, expenditure is charged to revenue and not directly to any reserve.

Details of reserves held at 31st March 2002 are shown in the notes supporting the Balance Sheet and the Statement of Total Movements in Reserves.

S c a d c a c

Stocks are included in the balance sheet at either historic or replacement cost. 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.

ACCOUNTS

Value Added Tax

2000-01		2001-02		
Net Expenditure £'000		Expenditure £'000	Net Income £'000	Expenditure £'000
15,936	Central Services to the Public	92,715	-77,787	14,928
3,617	Court & Probation Services	23,230	-19,238	3,992
185,744	Cultural, Environmental & Planning Services	328,553	-142,065	186,488
601,075	Education Services	800,297	-171,731	628,566
110,207	Highways, Roads & Transport	130,703	-14,407	116,296
34,021	Housing Services	572,402	-498,893	73,509
240,454	Social Services	340,406	-95,694	244,712
15,223	Corporate & Democratic Core	16,913	-134	16,779
14,531	Unapportionable Central Overheads	11,733	0	11,733
1,220,808	Cost of Services	2,316,952		

EXPLANATORY NOTES

I. TRADING SERVICES

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

2000-2001 Profit (Loss) £'000		2001-2002 Turnover £'000	Expenditure £'000	Profit (Loss) £'000
-1,505	Highways and Sewers	9,674	9,854	- 180
-1,402	Property Services	34,426	33,572	854
18	Legal Services	6,119	5,918	201
- 241	City Supplies Organisation	1,822	2,212	-390
462	Markets	5,641	5,993	- 352
- 6	Non-Schools Cleaning	3,503	3,482	21
0	Catering	1,745	1,719	26
- 505	Street Lighting	6,312	6,418	- 106
109	Transport Consultancy	6,669	6,479	190
- 15	Vehicle Maintenance	4,255	4,228	27
1,201	Education Catering	24,065	24,458	- 393
212	Education Staff Agency	8,369	8,067	302
45	Trade Refuse	6,433	5,818	615
511	Birmingham Design Services	15,094	14,748	346
39	Grounds Maintenance	5,087	5,019	68
-44	Education Cleaning	6,629	6,700	-71
1,523	Other Trading Activities	1,354	1,752	- 398
- 400		147,197	146,437	- 760

2. M R P

The Local Government and Housing Act 1989 requires the City Council to charge to the revenue account a provision for the redemption of debt calculated as follows:

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT



6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended by the Local Government and Housing Act 1989, permits the City Council to spend up to £3.80 for each resident for the benefit of the people if no other powers are available.

During 2001/2002 the Council incurred expenditure of £0.3m (2000/2001 £0.3m) against a limit of £3.8m

3. P

i. Employees of the City Council, other than teachers, may be members of the Local Government Pension Scheme 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 31 March 2001.

ii. Actuarial Assumptions

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) -

Balance Sheet as at 31 March 2002

	£m
Market Value of Assets	1665.0
Liabilities	1834.9
Surplus/(Deficit)	(169.9)

This assumption is based on the following assumptions as at 31st March 2002

F a c t A s s u m p t i o n s	
Rate of inflation	2.50%
Rate of increase in salaries	4.00%
Rate of increase in pensions	2.50%
Discount rate	6.00%
E c o n o m i c a s s u m p t i o n s	
- Equities	8.00%
- Bonds	6.00%
- Other	6.50%
S e a r c h a s s u m p t i o n s	
- Equities	83.7%
- Bonds	7.4%
- Other	8.9%

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

N :

Comparative (beginning of year) figures are not required for disclosures as at 31 March 2002

- iii. The City Council's employer's contribution for the year 2001/2002 was £47,750,284, representing 12.5% of members' aggregated pensionable pay.
- iv. The cost of awarding discretionary additional benefits and their associated inflation proofing is borne separately by the City Council. Expenditure in 2001/2002 was £5,183,593 (representing 1.35% of members' aggregated pensionable pay).
- v. The cost of awarding discretionary additional benefits relating to the year 2001/2002 capitalised over 20 years is £4,429,976. The cost of awarding discretionary additional benefits in earlier years for which payments are still being made capitalised over an 18 years period is £75,039,414.
- vi. It is estimated that the pension costs that would have been required to be provided for in the year in accordance with SORP 2000 to meet future pension liabilities on a systematic and rational basis over the period during which the local authority derives benefits from our employees' services are £53,297,694, representing 13.85% of members' aggregated pensionable pay.
- vii. In the Actuarial Valuation as at 31 March 1998, 94% of past service liabilities were funded and in the latest Actuarial Valuation as at 31 March 2001 this had risen to 95.5%. An employer's contribution rate has been set for the City Council of 12.50% for the three years from 1 April 2002 to 31 March 2005. The employer's rate includes an assumption regarding the number of potential early retirements over that three-year period. If the actual level of early retirements exceeds those provided for in the Valuation, it may be necessary to review the employer's contribution rate, or otherwise make a lump sum contribution to the Pension Fund. For the years 1999/2000, 2000/2001 and 2001/2002, the City Council has managed its early retirements within the Actuarial guidelines.
- viii. The Building Services Division, which carried out repair work on the council's housing stock, ceased trading on 1st April 2001 and the service was transferred to two private sector providers. As a result of this employees of the BSD left the council's employment and the council is no longer liable to make contributions towards their retirement benefits.
- ix. For Teachers, the City Council paid an employer's contribution of £20.6m (7.4% of pensionable pay) in 2001/2002 to the Teachers' Pension Scheme. The teachers' pension scheme is administered by the Teachers Pensions Agency and is not the direct responsibility of the City Council. In addition, £5.5m 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.

6. NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

4. L a

During 2001-2002, the City Council paid £0.1m in finance lease rentals and £8.9m in operating lease rentals.

As at 31 March 2002, the City Council has a commitment to meet the following rental charges on both finance and operating leases:

	F a c a	O a a
2002-03	0.1	6.9
2003-04	-	5.4
2004-05	-	4.3
2005 to 2010	-	3.4
Total	0.1	<u>20.0</u>

As at 31 March 2002 there was a liability of £0.4m (2001 : £0.8m) on the deferred liability account in respect of a premium on a lease from Morgan Grenfell for Number 1, Lancaster Circus. This sum is to be repaid in instalments to 2002/2003

(see consolidated balance sheet note 11).

5. O c E a a d M b A a c

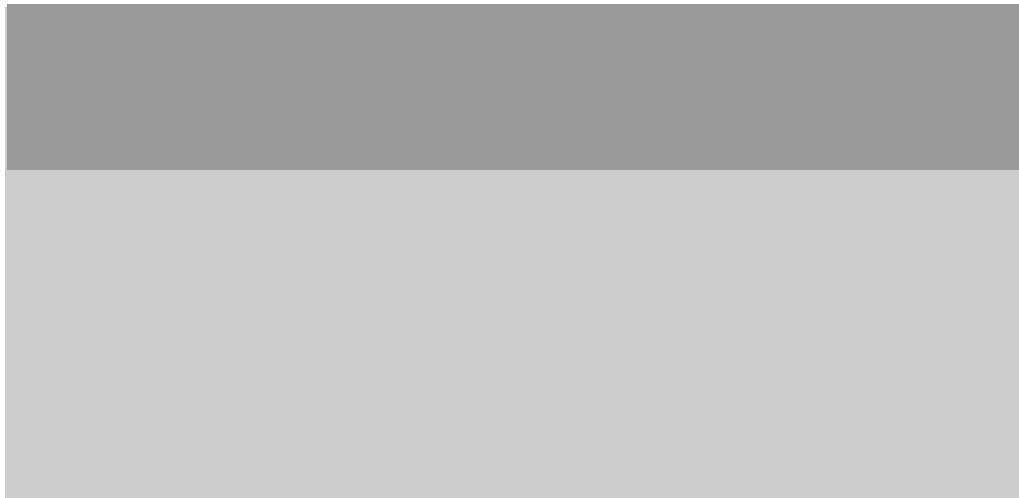
The number of employees whose remuneration, including employee superannuation contributions, was £40,000 or more in bands of £10,000 were:

N E 2000-01	R a a B a d	N E 2001-02
416	£40,000 - £49,999	603
95	£50,000 - £59,999	135
40	£60,000 - £69,999	55
9	£70,000 - £79,999	9
4	£80,000 - £89,999	4
5	£90,000 - £99,999	5
0	£100,000 - £109,999	2
0	£110,000 - £119,999	2
0	£140,000 - £149,999	1
1	£150,000 - £159,999	0

Allowances paid to members of the City Council in 2001-02 totalled £1.6m (2000-2001 £1.4m)

6. R a d P a T a a c

During the financial year 2001-02 there were no material transactions between



7. HOUSING REVENUE ACCOUNT (HRA)

2000-01 £'000		2001-02 £'000
	M a a & M a a a c	
65,993	Repairs Expenditure	60,135
1,341	Leasing	1,704
39,851	Housing General Management Expenditure	42,187
15,134	Expenses attributable to Estate Services	<u>14,746</u>
<u>122,319</u>	Total Management & Maintenance	118,772
3,465	Rents,Rates, Taxes and Other Charges	4,063
130,748	Rent Rebates	132,272
6,048	Provision for Bad and Doubtful Debts	4,402
48,889	Cost of Capital/Impairment/Def'd Chgs	82,860
0	Depreciation (dwellings)	42,626
198	Debt Management Expenses	192
<u>311,667</u>	Total Expenditure	<u>385 Tw (vc5mF2 9tes)62-340.093 2</u>
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____

7. HOUSING REVENUE ACCOUNT (HRA) - NOTES

Government has reviewed the financial framework for local authority housing and changes have been introduced from 1 April 2001. This new financial framework is referred to as the "A New Financial Framework for Local Authority Housing – Resource Accounting". The changes include a number of notes to the accounts (as set out in the Housing Revenue Account -Accounting Practices – Directions 2000) which provide more information about the income and expenditure in the accounts. These are detailed below.

1. Valued land and buildings

The housing stock, land and other property within the HRA has been 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).

Total balance sheet value of operational assets including shops and garages is;

	1 April 2001 £m	31 March 2002 £m
(i) dwellings	1,366	1,334
(ii) other land/buildings/garages	5	33
Total	1,371	1,367

The change reflects properties lost through sales, demolitions, acquisitions and revaluation of Beacon values. It also reflects depreciation. The movement in other land and buildings reflects reclassification of assets.

The balance sheet value of non-operational assets includes surplus vacant property awaiting demolition and development land. The only non operational assets valued were vacant properties awaiting demolition and these were assessed at a liability of £6m.

2. Vacant possession value of dwellings

- the vacant possession value of dwellings within the authority's HRA (valued in accordance with the Guidance) as at 1 April 2001 is £2,452m.
- The difference between the above figure and the £1,381m 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. D e f e r r e d c h a r g e s

Deferred charges are a reflection of capital expenditure that does not result in an asset. There are no deferred charges in the financial year 2001/02.

4. I m p a i r m e n t c h a r g e s

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 2001/02 accounts.

5. M a j o r R e p a i r s

The major repairs allowance was introduced from April 2001.

7. HOUSING REVENUE ACCOUNT (HRA) - NOTES

7. Capital expenditure on HRA assets

The total expenditure on a cash basis for HRA assets in 2001-02 was £66,653m. This was funded from the following sources;

	000'
Borrowing	26,268
Major Repairs Reserve	38,834
Other	1,551
Total	<u>66,653</u>

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £45.3m, of which £34.0m is reserved for debt repayment at 75%. This excludes mortgage principal repayments from ex council houses of £0.8m.

8. Capital charges

The cost of capital charges based on a 6% basis on the valuation are £82.86m. The capital finance charges calculated in accordance with Item 8 Debit (General Determination 2001-02) are £59.1m including interest and principal repayments at 2% of debt outstanding.

9. Depreciation

The total charge for depreciation for the land, houses and other property within the authority's HRA is £42.626m. The principle adopted by the authority is that depreciation is equal to the major repairs allowance which reflects the maintenance of properties in their present condition.

10. Rent arrears

Arrears of rent on housing dwellings at 31 March 2002 amounted to £12.7m (31 March 2001: £12.7m). Arrears of rent on other services and income amounted to £7.7m at 31 March 2002 (31 March 2001: £6.7m).

A provision for bad debts has been made to meet possible future write offs of rent outstanding. The provision was £13.9m at 31 March 2002 and has been calculated in accordance with government guidelines.

Arrears relating to former tenants are written out of the accounts at the year-end. The debts continue to be pursued by officers and income subsequently collected is credited to the Housing Revenue Account. The total former tenants' arrears written out in 2001-02 was £4.2m (2000-01 £3.6m).

8. COLLECTION FUND

2000-01 £'000	Note	£'000	2001-02 £'000
INCOME			
193,674	2	204,095	
69,521		71,771	
<u>1,928</u>		<u>0</u>	
265,123			275,866
248,543			271,083
213			128
513,879			547,077
EXPENDITURE			
238,852		248,310	
8,088			8,465
<u>15,257</u>		<u>15,918</u>	
262,197			272,693
0			2,197
2,757			2,964
246,623	3	261,023	
1,920		1,895	
<u>0</u>		<u>8,165</u>	
248,543			271,083
(197)			(579)
513,300			548,358
(579)			1,281

8. COLLECTION FUND - NOTES

1. G a

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 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 33 of these accounts.

The accounts have been prepared on an accruals basis.

2. C b, c a a

The council's tax base at January 2001 (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
A	129,099	6/9	86,066
B	100,730	7/9	78,346
C	59,533	8/9	52,918
D	26,680	1	26,680
E	15,013	11/9	18,349
F	6,975	13/9	10,075
G	4,919	15/9	8,198
H	674	2	1,348
TOTAL	343,623		281,980
Less: adjustment for collection rate			(5,640)
			276,340

3. B, a a

Under the arrangements for uniform business rates, the council collects National Non-Domestic Rates (NNDR) for its area which are based on local rateable values multiplied by a uniform rate which is set by the Government (43.7p for 2001/2002). The total non-domestic rateable value at 31 March 2002 was £778.8m. The total amount, less certain reliefs and deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

8. COLLECTION FUND - NOTES

Details of the NNDR transactions during 2001/2002 are analysed as follows:

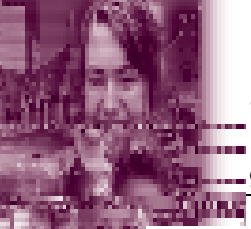
2000-01 £000		2001-02 £000
334,627	a) Contribution to the NNDR pool: Non-domestic rates	369,601
2,000 (90,004)	Less: transitional relief adjustments Less: allowances and adjustments	4,818 (105,230)
246,623	Net contribution to NNDR pool	269,189
266,623 (20,000)	Amount actually paid during the year Payment to/ (refund due from) pool	261,024 8,165
282,120	b) Redistribution from the NNDR pool: Net income to City Council	275,393

4. P c Pa

The preceptors on the Collection Fund are the City Council, the West Midlands Fire and Civil Defence Authority and the West Midlands Police Authority.

5. Bad d b

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 2001-2002, £3.1m in respect of unpaid NNDR and £3.0m of Council tax was written off.



ACCOUNTS

9. CONSOLIDATED BALANCE SHEET

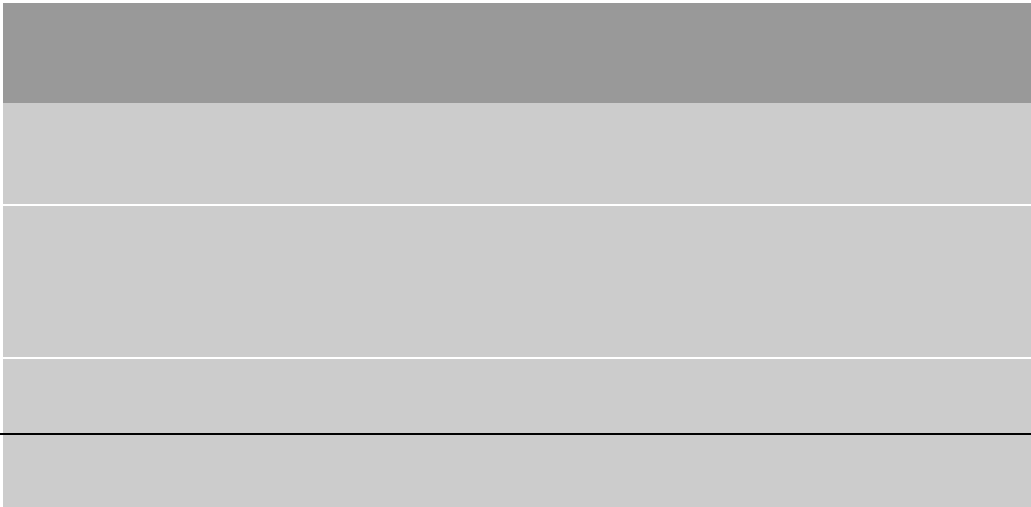


ACCOUNTS

9. CONSOLIDATED BALANCE SHEET - NOTES

I. Capital Expenditure Schedule 2001-02

The City Council finances capital expenditure on a payments basis. Ho



ACCOUNTS



* 50 properties (mainly Day Nurseries) were transferr

Operational Assets (Housing):

The entire housing stock was revalued as at 1st April 2001 by Peter Jones MRICS, according to the former DETR '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 effective 1.04.01 by Peter Jones MRICS in accordance with the former DETR guidance.

Infrastructure and Community Assets:

Infrastructure and community assets have been stated at the amount of outstanding debt as at 31st March 1994, with adjustments for subsequent capital expenditure and depreciation.

4. P a s s i b i l i t i e s	£m
Balance as at 31 March 2001	10.1
Net discounts/premiums on premature redemption of debt	(0.6)
Amounts charged to asset management revenue account	(0.7)
Balance as at 31 March 2002	8.8

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. I n v e s t m e n t s

31.03.01		31.03.02
54.8	L T Unlisted investments intended to be held for the medium or long-term, at cost/valuation	55.6
23.8	S T Temporary money market deposits	64.3
78.6	Total investments	119.9

The Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC Limited stocks.

The City Council is setting aside sums to repay the principal on these loans. Part of these sums are now being invested by Dresdner RCM Global Investors on behalf of the City Council. This arrangement is reflected in the investment held 54.8

ACCOUNTS

6. L T D b

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

31.03.01		31.03.02
15.0	University of Central England	14.3
3.1	Mortgages:- Former council house tenants	2.4
0.2	- Private borrower	0
1.1	- Housing associations	0
7.1	Birmingham Airport Holdings	7.1
3.0	Birmingham Technology Group	3.0
0	Birmingham Hippodrome	2.5
0	Birmingham Rep	0.3
2.9	Employee Loans	2.4
2.5	N.E.C. Developments Plc	2.5
0.7	Further Education Funding Council	0.6
0.6	Hyatt Regency Hotel	0.6
0.3	Other long term debtors	0.3
36.5	Total Long Term Debtors	36.0

7. S c

An analysis of stocks and stores is shown below:

31.03.01		31.03.02
'000		'000
723	National Exhibition Centre	827
1,405	City Supplies Organisation	0
701	Leisure Services	716
1,068	Building Services Division	0
548	Transportation	648
746	Other	869
5,191	Total Stocks	3060

8. D b

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

31.03.01		31.03.02
43.7	Sums due from: Council tax payers	47.9
2.5	Community Charge payers	2.3
20.5	Business ratepayers	19.7

9. C a c B

31.03.01		31.03.02
	Analysis by source:	
20.1	Stock	20.1
5.0	Bonds	5.0
1,145.4	Public Works Loan Board	1,105.1
0.4	European Investment Bank	0.0
19.6	Other Market Loans	39.6
59.0	Short Term loans	39.1
1,249.5	Total Borrowing	1,208.9

The balance sheet shows these borrowings as follows:

31.03.01		31.03.02
99.3	Borrowings repayable within 12 months	88.3
40	Between 1 & 2 years' time	15
25	Between 2 & 3 years' time	65
45	Between 3 & 4 years' time	41.9
51.9	Between 4 & 5 years' time	28.7
116.5	Between 5 & 10 years' time	110.5
149.7	Between 10 & 15 years' time	176.8
722.1	After more than 15 years	682.7
1,150.20	Long Term Borrowing	1120.6
1,249.50	Total Borrowings	1,208.9

10. C d

An analysis of creditors is shown below:

31.03.01		31.03.02
29.8	National Exhibition Centre	48.1
18	Amounts Owing to Govt. Depts	43.3
4	Amounts Owing to HM Customs & Excise	5.8
11.4	Education	22.0

9. CONSOLIDATED BALANCE SHEET - NOTES

11. D e b t L i a b i l i t i e s

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:

31.03.01		31.03.02
79.2	Debt taken over from the former West Midlands County Council	78.3
3.2	Walsall Waste Disposal	3.2
0.8	Finance lease obligations on 1 Lancaster Circus	0.4
2.9	Schools PFI	28.8
0.7	Other	0.7
<u>86.8</u>	Total Deferred Liabilities	<u>111.4</u>

The City Council purchased a finance lease on 1 Lancaster Circus in 1987 under which it acquires the freehold by making annual payments. At 31 March 2002, payments of £0.4m remained outstanding (see note 4 to the consolidated revenue account).

12. D e b t G o v e r n m e n t G r a n t s

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.

13. P r o v i s i o n

	31.03.01 £m	Increase in year £m	Applied in year £m	31.03.02 £m
NEC Ltd Loan Repayment	38.4	0	7.1	31.3
Other	1.1	0.7	0	1.8
	<u>39.5</u>	<u>0.7</u>	<u>7.1</u>	<u>33.1</u>

The City Council is guaranteeing repayment of the full amount on the principal of and interest accruing on the NEC Ltd stocks and has set up a provision to repay this amount in the event that the guarantee is called upon (see also note 5 and 19). Currently the present investment strategy will not be sufficient to meet the full amount required in due course. Alternative financing options are being developed. At the present time the estimated shortfall (dependent on interest/investment returns) could be £46 million in 2016 when the loan stocks are due to be repaid. At current prices this amounts to around £21 million.

During 2001/02 the overall balance on the Sinking Fund set up for the repayment of the NEC Ltd loan stock was reduced by £7 million. This is in line with an agreed smoothing strategy and Investment proposal.

The operating performance of the NEC Group facilities varies due to the cyclical nature of events. The smoothing strategy involves the phasing of the contributions to the Sinking Fund provision dependent upon the operating performance of the NEC Group facilities. Overall the smoothing strategy does not have any impact on the value of the fund.

During 2001/02 part of the Sinking Fund was used to invest in the NEC Business. The sinking fund benefits from the Investment since it receives a return in excess of that available elsewhere.

Provision for bad debts is shown in the balance sheet as a deduction from either long term or current debtors (see notes 6 and 8 above).

14. F d A R a R

The system of capital accounting introduced in 1994-95 required the establishment of the fixed asset restatement reserve. The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations, adjustments and disposals. The reserve will be written down each year by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations. Expenditure on fixed assets not resulting in a material change in asset values is also written off to this reserve.

The movements on the fixed asset restatement reserve in 2001-02 are shown below:

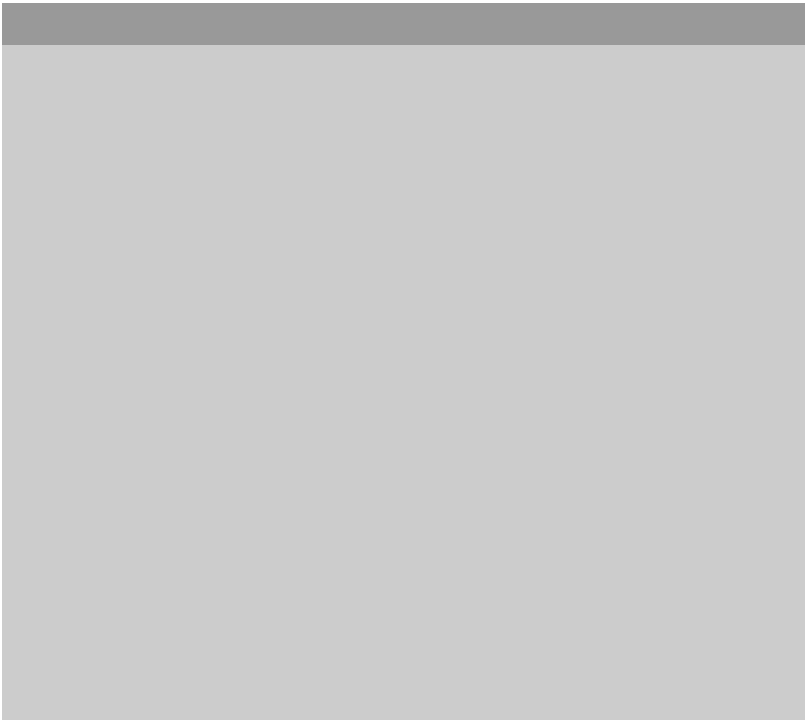
Balance at 1 April 2001	1255.1
Revaluation and restatement of fixed assets	181.7
Movement in deferred liability	(25.8)
Exp not resulting in a change in asset values	(74.1)
Disposal of fixed assets	(74.9)
Balance at 31 March 2002	1262.0

15. Ca a F a c R

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.

ACCOUNTS

The mov



9. CONSOLIDATED BALANCE SHEET - NOTES

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 new reserve to which is credited the Major Repairs Allowance which may be applied to the financing of housing repair work. £42.6 million was received of which £38.8 million was used in the year.

17. Balance Sheet - Capital Accounts

	31.03.01	M	a	31.03.02
General Fund	21.9	(2.5)		19.4
Housing Revenue Account	4.8	2.3		7.1
Collection Fund	0.6	(1.9)		(1.3)
	<u>27.3</u>	<u>(2.1)</u>		<u>25.2</u>

For 2002-03 the City Council has budgeted to use £7.8m from General Fund balances to support the City Council's revenue budget requirement.

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. The deficit on the fund must be recovered from the council tax in future years. It cannot be used to fund further General Fund spending. Amounts due to the precepting authorities are shown as a creditor in the balance sheet.

18. Provision for Capital Liabilities

These are amounts required by law to be set aside, mainly from charges made to the revenue account for the principal element of capital financing costs (minimum revenue provision), from the reserved element of receipts from the sale of assets. They are primarily used to repay debt and as a substitute for new borrowing. Each year the City Council uses all such monies collected so that no credit liabilities are carried forward at the year end.

2000-01		2001-02	
0.0	Balance brought forward	0.0	
34.0	Minimum revenue provision	34.7	
31.6	Reserved capital receipts	36.2	
1.4	Housing association grants	-	
(67.0)	Use of provision	(70.9)	
0.0	Balance carried forward	0.0	

19. C Lab

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 2002 the amount of the loans guaranteed was £215M (2001:£215M). At 31st March 2002, the City Council had a provision of £31.3M (2001: £38.4M) 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 13).
- ii) The City Council is guaranteeing a loan of £21.1M (2001: £21.6M) together with any outstanding interest and costs from Württembergische Hypothekenbank AG to NEC Ltd. This loan has been re-lent to Hyatt Regency Birmingham Limited (HRBL), whose principal activity is to operate the Conference Centre Hotel adjacent to the International Convention Centre. In accordance with future business strategy of HRBL's shareholders the Directors have decided to retain the services of a Consultant to assist in the future potential sale of the shares or net assets of HRBL to a third party.
- iii) 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 (2001: £73M).
- iv) 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, which is presently finishing Phase IX of the Aston Science Park. At 31 March 2002 the full amount of £13.5m (2001: £8.0m) had been drawn down against this facility. The loan facility is due for repayment over 6 years commencing in 2006.
- v) The City 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 £15m bank loan from Barclays Bank plc. The loan is required as part of the projects £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.

- vi) The City Council's final Housing Benefit claim for 1999/2000 and 2000/2001 is still being considered by the Department of Work and Pensions. The DWP have requested further information on the matter of Rent Officer Referrals and this is being prepared. Depending on the outcome on this issue, there may be a clawback of Subsidy from the City Council. Any clawback would reduce the level of benefit income shown and also reduce the General Fund balance carried forward.

20. Capital and Capital Expenditure

The City Council has to plan its capital spending in advance of work proceeding. Thus, at 31 March 2002, a number of contracts had been entered into/commitments made under which payments will become due in future years as the work is carried out. Significant commitments (£1m or more) under capital contracts at that date were as follows:

Resource	Value (£m)
Birmingham Outer Circle Radial Junction	10.0
Hagley Road Bus Showcase	6.5
Northfield Relief Road	13.2
Masshouse Circus	20.5

ACCOUNTS

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9. CONSOLIDATED BALANCE SHEET - NOTES

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 2002 were £7.0m (2001:£ 6.6m).

In addition, the City Council held £1.7m (2001:£ 1.5m) 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.

Trust accounts have been prepared on an accruals basis in all cases where the funds exceed £100,000. Other accounts have been prepared on either a cash or accruals basis. Their purposes are summarised below and include the movements on investments.

Fund and Purpose

Education

Barnon Hill Primary Male Gamma School
 George Peck School for Pioneers, financial aid and choral trip
 R Chipping-Arch Technical School of aid in Science
 King Health and Male League choral trip fund
 Clara Mainwaring Trust for children in special educational need
 Birmingham Bodenham Trust for children in special educational need *
 Other (Fund in balance below £5,000)

Housing

Charles Baker Trust accommodation for elderly handicapped
 Girl Night Shelter for women and girls in need of aid
 Jones L.A. for relief of unemployed men in Birmingham
 Alderson Disabled Employment Home building for ex-servicemen

Leisure

Rose Seely Endowment improving leisure facilities
 Birmingham Public Library maintenance of City library
 The Elford Trust for promotion, education of children and heiress
 Centre of the Child for promotion health education for Birmingham Children
 Mum & A. Gallender Endowment enhancement of city museum *
 Robina Allom Trust for aid for alloments improvement
 Other (Fund in balance below £5,000)

General

Jane Kaye Gilbey Endowment of good character *
 Holborn Fund of the Holy Trinity Hospital
 Sir William Wallis Pioneers for students of Birmingham Art College
 Lionel Aldridge Bequest of aid for unemployed 21 for initiative/good work
 Holborn 851000 2Part - 0 Holborn 851000 Eik

* Fund indicated in an earlier year ended on the 31st March.

9. CONSOLIDATED BALANCE SHEET - NOTES

24.A c a d a d S a b d a C a

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

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 2002, the City Council was guaranteeing loans of £236M (2001: £237M) to the company (see notes 19 (i) and 19 (ii)).

The Company did not make any profit or loss before or after tax during the year to 31st March 2002 (2001: £0). The Company's net assets at 31st March 2002 amounted to £11,000 (2001: £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 2001/02, the City Council made reimbursements totalling £24.409M to NEC Ltd.

THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC (DRAFT ACCOUNT FIGURES - AGM SEPTEMBER 2002)

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 £2.45 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 2002 amounted to £264,000 (2001: £264,000). The net liabilities at 31st March 2002 amounted to £850,000 (2001: 586,000)

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

B a T c G a

The Birmingham Technology Group of companies aims to promote, encourage and secure the development 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 2001 of £2.96m (2000: £2.96m). The City 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 2001 and 2000 are as follows:

2000		2001
0.3	Profit/(loss) on Ordinary Activities before taxation	0.2
0.3	Profit/(loss) on Ordinary Activities before taxation	0.2
4.4	Net Assets	6.6

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

O a c a d a d a b d a c a c a d :

Aekta Project Limited, Afro Caribbean Resource Centre Ltd, Art Sites Birmingham Limited, Birmingham Academy Trading Ltd, Birmingham and Solihull Connexions Services Limited, Birmingham Bond Scheme Limited, Birmingham Business Support Centre Limited, Birmingham Carnival 2000 Limited, Birmingham Conservation Trust, Birmingham Conservation Trust -200DC3

ACCOUNTS

25. O C a I H a R c B a L d

The principal activity of this Company is to operate the Conference Centre Hotel adjacent to the International Convention Centre. The hotel became fully operational in July 1990. The City Council holds 1,765 of 10,000 £1 shares and loan notes totalling £0.6m. The National Exhibition Centre limited holds 4,935 ordinary shares and loan notes totalling £2.4m.

The City Council has also guaranteed borrowing by the National Exhibition Centre limited in respect of Hyatt Regency Birmingham Limited totalling £21.1M at 31 March 2002 (2001: £21.6M) (see note 19 (ii)).

9. CONSOLIDATED BALANCE SHEET - NOTES

The group performance is as follows:

Y a	31	Ma c	2001	Y a	31	Ma c	2002
	R	a	d*				
		M				M	
),),	
	25.3		Net profit before tax		22.5		
	17.3		Net profit after tax		15.1		
	189.6		Net assets at 31st March		193.3		
	1.9		City Council dividend income		1.9		

* The accounts for the year ended 31 March 2001 have been restated to reflect the adoption of Financial Reporting Standard 19 "Deferred Taxation"

26. F a c i l i t i e s

The Schools standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation or Voluntary Aided Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1st April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by former Grant Maintained schools in the consolidated balance sheet. Fixed assets and long term liabilities remain invested in the Governing Bodies of schools and therefore values and amounts have not been consolidated. In the authority area there are 24 former Grant Maintained schools with an estimated fixed asset valuation of £156 million as at 31st March 2002. Four of these schools had long term loans outstanding as at 31st March 2002.

27. P a F a c I a C

) Sc 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 2002, 9 schools were complete and by 25th May 2002 all 10 schools were operational and the construction phase was complete. There is no work-in-progress recorded on the Council's balance sheet for partially constructed assets since the Council makes no payment to the PFI provider until the complete buildings are accepted. The balance sheet reflects the 9 new schools as the Council's assets because this contract was completed under regulations preceding FRS5.

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 sub-standard 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.

ACCOUNTS

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

	S c	A a ab	T a
	000	000	000
Within one year	2,484	4,544	7,028
Years 2-5	10,599	18,696	29,295
Years 6-10	14,809	24,593	39,402
Years 11-15	16,755	25,651	42,406
Years 16-20	18,956	26,849	45,805
Years 21-25	21,447	28,203	49,650
Years 26-30	24,478	29,098	53,576
Total	109,528	157,634	267,162

The forecast payments are based on an assumed annual inflation of 2.5% and 100% performance by BSPL .

9. CONSOLIDATED BALANCE SHEET - NOTES

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:

	000
within 1 year	316
Years 2-5	1,803
Years 6-10	2,540
Years 11-15	2,874
Years 16-20	2,401

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

28. P b l d: c e E:

The Government announced 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. Expectations are that this referendum may be held in 2003. 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 Performance Review, 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.

The National Exhibition Centre Limited, acting on behalf of the City Council, has won the right to stage the International Textile Machinery Association's show at the National Exhibition Centre in 2003. As part of its undertakings for this major show, the NEC has agreed to receive payment from exhibitors in Euros. The Company and the City Council have developed a hedging strategy to deal with financial transactions for this event in order to reduce the risk that the sterling value of the income will fall.

ACCOUNTS

10. STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES			Total £m
	Fixed Asset Restatement Reserve £m	Capital Financing Reserve £m	Usable Capital Receipts £m	General Fund £m	Specific Reserves £m	HRA £m	
Balance as at 31.3.2001	-1255.1	-646.4	0	-21.9	-41.8	-4.8	-1970
Net (surplus)/deficit for year				2.5	1.1	-2.3	1.3
Net realisation from Realisation of fixed assets	-181.7						-181.7
Effect of disposal of Fixed assets:			-3.7				-3.7
Capital value of Disposal of	74.9						74.9
Proceed of Disposal		-36.2					-36.2
Financing of fixed assets		-72.0					-72.0
Other adjustments	99.9	82.0					181.9
Balance as at 31.3.2002	-1262.0	-672.6	-3.7	-19.4	-40.7	-7.1	-2005.5

See Balance Sheet Note 14

ACCOUNTS

11. CASH FLOW STATEMENT - NOTES

I. R c c a e a a acc a a d C c
F a d a ac ca e

Balances on revenue accounts:

	2002
	}
Deficit on Revenue Account	2.4
Surplus on Housing Revenue Account	(2.3)
Deficit on Collection Fund	1.9
Total	2.0
Add back:	
Appropriations to Reserves	(40.3)
Provisions set aside	1.4
Items included under another classification:	
Interest paid	(105.5)
Interest received	6.9
Capital financing costs	(39.8)
Adjustment for non-cash items	(12.6)
Items on an accruals basis:	
Movement in Stock	(2.1)
Movement in Debtors	(4.7)
Movement in Creditors	(76.1)
	<u>(270.8)</u>

2. R c c a e ca e d b

	LT Loans	Loans maturing in 12 months	Other LT Creds	Investmts	Cash O/D	Net Debt
31.03.2001	1,150,205	99,265	83,879	-23,775	48,464	1,358,038
31.03.2002	1,120,598	8,837	82,599	-64,335	58,071	1,285,305
Mvmt in Year	29,607	10,893	1,280	40,560	-9607	72,733

Made up movements in:	Cash	(9,607)
	Borrowing	40,500
	Investments	40,560
	Deferred Liabilities	<u>1,280</u>
		72,733

11. CASH FLOW STATEMENT - NOTES

3.A a c a d b

	31.03.2001	Ca e	31.03.2002
Cash overdrawn	48,464	9,607	58,071
Due Within One Year	99,265	-10,893	88,372
Due After One Year	1,150,205	-29,607	1,120,598
Investments	-23,775	-40,560	-64,335

4. O G a

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

Housing Subsidy	133.5
Rent Allowances	122.5
Council Tax Benefit	69.5
European Social Fund	1.9
European Regional Development Fund	3.2
Single Regeneration Budget	10.3
Education Grants	99.9
Other	<u>68.2</u>
	509.3
Ca a	
ERDF	6.1
SRB	4.3
Housing-Major Repairs	42.6
Magistrates Courts	1.2
Education Capital Grants	13.8
Other	<u>10.0</u>
	78.0



ACCOUNTS

12. GROUP FINANCIAL STATEMENTS-INTRODUCTION

The City Council has a 50% interest in the companies making up the National

12. GROUP FINANCIAL STATEMENTS-INTRODUCTION

B a a c S a a 31 M a c 2002

Fixed Assets	3,732,274
Long Term Debtors	44,776
Long Term Investments	<u>55,632</u>
Total Long Term Assets	3,832,682
Current Assets	302,245
Current Liabilities	-478,500
Total Assets Less Current Liabilities	<u>3,656,427</u>
Long Term Liabilities	-1,649,513
Minority Interests	<u>-824</u>
Total Assets Less Liabilities	<u><u>2,006,090</u></u>
Reserves	1,981,024
General Fund Balances	19,293
Other Balances	5,773
	<u><u>2,006,090</u></u>

- N 1:** No group accounts were prepared in 2000-01. Therefore there are no prior year comparative figures.
- N 2:** Had FRS17 (Pensions) been fully implemented in 2001/02, the revenue of the NEC Group would have fallen by £6 million.
- N 3:** At 31 March 2002 amount owed by the Council to the NEC Group totalled £1.96 million and amount owed by the NEC Group to the Council totalled £1.43 million.

Accruals

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

A Ma a
|

D c a

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

D b

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

E a a d R

A sum set aside for a specific purpose.

E a

Payments received in cash and benefits for employment.

F a d C a

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

F a c L a

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 r

13. GLOSSARY OF TERMS

Housing Revenue Account (HRA)

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

HRA Subsidy

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

Indefinite 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.

I

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.

Interest in Land and Buildings

Interest in land and/or buildings:

- i) in respect of which construction work and development have been completed and
- 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 Redemption Payment (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-Discretionary 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, ie. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Leases

Leases other than a finance lease.

13. GLOSSARY OF TERMS

P B a a c S E

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.

P c

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

P Y a A d s

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.

P a F a c I a (PFI)

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

P

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.

P s d c

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.

R a d Pa

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 and
- iii) the companies in which the City Council has an interest

R s E d s

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

R s S s G a (RSG)

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

SSAP

Statement of Standard Accounting Practice

S a d a d S d A (SSA)

The Government's assessment of the amount of expenditure required for each authority to provide a standard level of service across the country.

14. AUDITORS' REPORT TO BIRMINGHAM COUNCIL

Ansari 2199

23 December 2002