

Statement of Accounts 2009/10

Birmingham City Council

Contents	Page
<u>FOREWORD TO THE ACCOUNTS</u>	3
<u>ANNUAL GOOD GOVERNANCE STATEMENT 2009/2010</u>	8
<u>STATEMENT OF RESPONSIBILITIES</u>	15
<u>STATEMENT OF ACCOUNTING POLICIES</u>	16
<u>INCOME AND EXPENDITURE ACCOUNT</u>	29
<u>STATEMENT OF MOVEMENT ON THE GENERAL FUND</u>	29
<u>STATEMENT OF RECOGNISED GAINS AND LOSSES</u>	31
<u>BALANCE SHEET</u>	

Foreword to the Accounts

Background

These accounts set out the financial results of Council activities for the year ended 31 March 2010 and have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom – Statement of Recommended Practice 2009 (the SORP).

The financial statements are split between the core financial statements and the supplementary financial statements within the accounts and their purposes are:

Statement of Accounting Policies - the purpose of the statement of accounting policies is to explain the basis for the recognition, measurement, and disclosure of transactions and other events in the accounts.

This statement provides accounting policies, which are consistent with the accounting concepts and relevant accounting standards. The approach taken ensures that the Council's accounts present a true and fair view of the financial position and transactions of the Council.

Income and Expenditure Account – the Income and Expenditure Account brings together all of the functions of the authority and summarises all the resources that the authority has generated, consumed or set aside in providing services during the year. This statement is fundamental to the understanding of a local authority's activities, in that it reports the gross and net cost for the year of all

Cash Flow Statement – summarises the total cash movements during the year for revenue and capital purposes.

The Cash Flow Statement shows the cash inflows and outflows arising from transactions with third parties for capital and revenue activities. The statement enables the full movements in cash to be identified. The overall outcome was an increase in cash balances of £5.1m.

Housing Revenue Account (HRA) – the HRA records the financial position of the Council's statutory obligation to account separately for the costs of its housing provision. The surplus on the housing revenue account is £16.2m (2008/09: deficit £463.2.0m). However, there is a net debit of £17.9m on the Statement of Movement of the Housing Revenue Account balance, so that the overall deficit is £1.8m. This figure is deducted from the balance brought forward of £3.4m, to leave a carry forward balance of £1.6m

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 the Council and the following precepting authorities:

New Frankley in Birmingham Parish Council
West Midlands Fire and Rescue Authority
West Midlands Police Authority

The 2009 SORP requires a revised accounting treatment of council tax and NNDR income. Details of this are set out in the section on Changes in Accounting Treatment below.

The total net income from Council taxpayers in 2009/10 amounted to £275.7m

In addition, the Collection Fund also collects income from non-domestic ratepayers in Birmingham, which

Changes in Accounting Policies

Under the 2009 SORP the Council has adopted the following changes to its accounting policies:

Accruals of interest payable and receivable on financial liabilities and assets.

Clarification of when available for sale financial assets become impaired (this does not have any practical effect as the Council carries the assets at cost rather than fair value).

Private Finance Initiative and Similar Concession Arrangements. The accounting requirements for these are no longer based on UK GAAP but on International Financial Reporting Standards. Where assets are incorporated into contracts for service provision by external providers, the Council must now account for these assets on the Balance Sheet along with the liability for financing. These changes are retrospective so the comparator figures for 2008/09 have been amended.

Changes in Accounting Treatment

The accounting treatment of both council tax and national non-domestic rates has been revised by the 2009 SORP.

Council Tax

For 2009/10 the council tax income

Borrowing

The Council's authorised limit for external debt in 2009/10 was £3,090m. The maximum external debt during the year amounted to £2,517m.

Full details regarding financing of capital expenditure and the acquisition and disposal of fixed assets are given in Notes 11 and 12 to the Core Financial Statements.

Other resources available to fund capital expenditure include: Capital receipts, Section 106 balances, Grants and Contributions, and Revenue balances

Future Revenue and Capital Expenditure Plans

The Council's plans for the forthcoming financial year and beyond are represented financially within the Council Business Plan 2010+, approved by Council on 23 February 2010. This includes a Long Term Financial Strategy and Plan for both capital and revenue expenditure, which projects all known estimated financial requirements and pressures over a 10 year period and also illustrates Birmingham's ambitious efficiency commitments

Birmingham City Council

Annual Good Governance Statement 2009/2010

Working with partners through Be Birmingham, the Local Strategic Partnership, the Council monitors, and reports publicly through an Annual Report on progress so residents can see how issues that matter to them are being tackled.

- 3.2 The Business Plan includes the Council Plan, which is the council's delivery vehicle for its responsibilities within the Sustainable Community Strategy is available on the Council's web-site and copies are circulated to stakeholders and held in libraries and neighbourhood offices. The Council Plan measures explain how the Council will deliver the priorities and the commitments made in the Council Plan. They focus on corporate priorities and reflect the Council's determination to prioritise the areas of greatest importance for the people of Birmingham. Information on performance across the remaining National Indicators is also included. Outcome based planning continued in 2009/10 and there was a focus on embedding this approach in all service areas. The Council Plan measures are formally agreed by Cabinet following extensive discussion within Members and stakeholders. Regular monitoring and quarterly reporting against these plans ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.3 The Council Plan includes detailed Measures in which achievement of the authority's objectives and the quality of key services is monitored. The Measures explain how the Council will deliver the priorities and the commitments made in the Council Plan. The Measures are also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service. Regular monitoring and quarterly reporting against the Measures ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.
- 3.4 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. Achievement of value for money is central to the Council Plan and Long Term Financial Strategy.

Roles of Members and Officers

- 3.5 The Council's Constitution is codified into one document which is available on the intranet and external web pages. The Constitution sets out the respective roles and responsibilities of the executive and other Members and Officers and how these are put into practice. The Constitution is reviewed annually by the Corporate Director of Governance and any amendments are agreed at the Annual General Meeting. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee. Birmingham City Council facilitates policy and decision-making via a Cabinet Structure with specific Cabinet Member Portfolios. Specialist Cabinet Committees also exist for Property, Procurement, Private Finance Initiative, Academies, and Achieving Excellence with Communities to enable more focused decision making in these areas. The Council has also devolved certain executive responsibilities to Constituency Committees. Regulatory Committees exist for Lic0.241926.7 Tf (exist) TQ q,.0 1 Tf (Committees) 1

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.

Capacity and Capability

- 3.15 The Council has a comprehensive corporate induction programme in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. Tailored induction is also developed for new staff and Members.
- 3.16 The Council has introduced regular training opportunities for Members. There is a dedicated area of the intranet for Member issues and a newsletter, *City Councillor*, is produced and circulated by the Corporate Director of Governance, by e-mail. This gives detail of legislation, training opportunities and other issues of importance to Members. From 2008 all Councillors receive a 'Personal Pack' to encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative.

- the work undertaken by Birmingham Audit during the year;
- the work undertaken by the external auditor reported in their annual audit and inspection letter;
- Other work undertaken by independent inspection bodies.

4.4 The arrangements for the provision of internal audit are contained within the Council's Financial Regulations

of three Standards Sub-Committees. The Standards Committee composition has also been increased to

As an Equality Standard Best Challenge in March 2009 resulted in the Council being confirmed as a

Level 3 authority and benchmarked as 'achieving' under the new Equality Framework for Local

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

• make assessments for the proper administration of its financial affairs and to ensure that one of

its officers has the responsibility for the administration of these affairs

- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Council's Director of Revenue Management

- 3.6 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.
- 3.7 The Council has adopted a de-minimis level for accruals of £5,000. Debtors and Creditors below this level are not included in the accounting statements. This is intended to improve the efficiency of the final accounts process in order that earlier closedown deadlines can be achieved.

4. Charges to Revenue for Fixed Assets

Asset Charges

- 4.1 Service revenue accounts, including the HRA, are debited with a depreciation charge on the assets employed in providing the services. These depreciation charges are not taken into account in determining the movement in the Council's balances and are included in the Reconciliation to the Movement in Balances as an adjusting item. This means that depreciation charges do not affect the level either of local taxation or of Council Housing rents. In addition to depreciation the following charges may also be made to service revenue accounts:
- Impairment losses where a clear consumption of economic benefit on tangible fixed assets has occurred and other losses where there are no accumulated gains in the Revaluation Reserve, which the loss can be written off against;
 -

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account;
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses;
- Contributions paid to the West Midlands Local Government Pension Fund – cash paid as employer's contributions to the pension funds.

7.7 Note 3 to the Core Financial Statements provide further information in respect of both pension schemes.

8. Financial Liabilities

8.1 Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most

Birmingham City Council has interests in Birmingham Airport. In theory the interests represent assets available for sale. Assets of this nature are maintained in the Balance Sheet at fair value. The fair value in respect of these is considered under the SORP to be subject to independent appraisal, because the holding is of equity shares with no quoted market price.

The shares held by the seven West Midland Districts in the assets in Birmingham Airport are currently shown at historic cost. Work was undertaken in August 2010 to restate this at fair value. The valuation of the shares will be incorporated into each of the seven West Midland District Accounts.

9.3 Interest Charges

Where loans are granted by the Council at less than commercial rates of

- 13.4 New assets are recognised in accordance with the provisions of FRS15 (Tangible Fixed Assets). Expenditure on routine repairs and maintenance is charged to revenue as it is incurred. All capital expenditure on the acquisition, creation, or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Where it is considered by the Authority's valuer that the increase in value is less than the amount of expenditure the difference is charged to the relevant service revenue account as impairment with the book value of the asset written down accordingly. An appropriation is made from the Capital Adjustment Account in the Statement of Movement on General Fund Balances to ensure that there is no impact on balances.

Measurement

- 13.5 Assets are initially measured at cost, comprising all expenditure directly attributable to bringing the asset into working condition for its intended use.
- 13.6 Operational assets of land and buildings, and vehicles, plant and equipment are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use 'Existing Use Value', and dwellings are valued by Existing Use Value – Social Housing. Short life operational assets, such as vehicles, plant, and equipment, are included at historical 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.
- 13.7 Non operational assets, including investment properties and assets that are surplus, are included on the balance sheet at Market Value. Assets under construction are recorded at cost.
- 13.8 Infrastructure assets are included on the balance sheet at historical cost less depreciation.
- 13.9 Community assets are assets which are held for the community in perpetuity, and in many cases they 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. The SORP requires these assets to be valued at historical cost, however prior to 2009/10 the Council held these assets at a nominal £1 as at April 1 1994, but with effect from 2009/10 expenditure on community assets is debited to the assets concerned.

Revaluation Cycle

- 13.10 When an asset is included in the balance sheet at Market Value, Existing Use Value, and Depreciated Replacement Cost, it is formally revalued at intervals of not more than five years, and the revised amount included in the balance sheet. Where the value of an asset has increased, a credit equivalent to the change in value is made to the Revaluation Reserve. Where an asset value has decreased,

Disposals

13.13 Income from

Where an impairment loss is charged to the Income and Expenditure Account but there were

the time they are provided by the operator and are measured initially at their fair value.

- 18.2 Details of reserves held at 31 March 2010 are shown in the notes supporting the Balance Sheet.
- 18.3 Contributions from Developers, paid under section 106 of the Town and Country Planning Acts 1990 are shown on the Balance Sheet as Capital Contributions Unapplied. Where these monies are invested externally they are shown under short term investments.

19. Post Balance Sheet Events

- 19.1 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.

20. Group Accounts

- 20.1 The Council has material interests in a number

Expenditure Account shall be the accrued income

appear on the Balance Sheet as a creditor. Similarly, if payments to the Government exceed the cash collected then the excess should appear in the Balance Sheet as a debtor.

NNDR collected by the Council is not a revenue activity of the Council and should not therefore appear in the Council's Cash Flow Statement, except for that part retained as the cost of collection allowance. Similarly cash paid to the Government in respect of NNDR should not appear in the Cash Flow Statement. However, costs added to NNDR in respect of recovery action shall be treated as the Council's income.

23.2 Prior Year Adjustments

The requirements of the 2009 SORP differ from those of previous years and therefore the Council will have had to restate both the 2008/09 Balance Sheet and Cash Flow Statement. In the Balance Sheet the following items have been derecognised:

- NNDR creditor and debtor balances
- Impairment allowances for doubtful debts
- The NNDR 3/notified amount of under or over payments to the national pool for 2008/09

In their place a creditor or debtor should appear for under or over payments to the government in respect of NNDR.

Income and Expenditure Account

Restated Net Expenditure £'000		Gross Expenditure £'000	2009/10 Income £'000	Net Expenditure £'000
342,354	Adult Social Care	485,649	(125,045)	360,604
17,656	Central Services to the Public	128,139	(114,577)	13,562
445,631	Children's and Education Services	1,793,339	(1,216,275)	577,064
1,572	Court Services	1,941	(355)	1,587
268,046	Cultural, Environmental & Planning Services	474,331	(171,367)	302,965
105,650	Highways, Roads & Transport	179,090	(79,471)	99,619
55,916	Housing General Fund Services	589,560	(547,168)	42,391
418,620	Housing Revenue Account	180,554	(240,015)	(59,461)
17,497	Corporate & Democratic Core	85,223	(45,694)	39,529
(9,875)	Non Distributed Costs	6,474	0	6,474
1,663,067	Net Cost of Services	3,924,301	(2,539,967)	1,384,334
78	Parish Precept			86
(17,241)	Surplus on Trading Undertakings	<u>Note 1</u>		(19,442)
28,439	Levies	<u>Note 8</u>		23,271
7,917	Contribution of Housing Capital	<u>Note 8</u>		5,929
138,597	Receipts to Government Pool			138,783
51,586	Interest Payable and Similar Charges			138,783
	Pensions Interest Cost & Expected Return on Pensions Assets	<u>Note 3</u>		85,592
(12,339)	(Gains)/ Losses on the disposal of Fixed Assets			26,496
(35,469)	Interest & Investment Income			(18,789)
1,824,635	Net Operating Expenditure			1,626,260
	Sources of Finance			
	Area Based Grant	<u>Note 37</u>		(113,011)
(179,065)	Revenue Support Grant	<u>Note 37</u>		(123,783)
(561,425)	Non Domestic Rates Redistribution			(536,291)

Statement of Movement on the General Fund Balance

Statement of Movement on the General Fund Balance

Note of Reconciling Items for the Statement of Movement on the General Fund Balance	Restated 2008/09 £'000	2009/10 £'000
Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the movement on the General Fund Balance for the year		
Depreciation and impairment of fixed assets	(630,057)	(309,421)
Revenue expenditure funded from capital under statute	(163,030)	(221,818)
Government grant deferred amortisation	0	6,255
Net charges made for retirement benefits in accordance with FRS 17	(60,171)	(50,180)
Net gain on sale of fixed assets	12,339	(26,496)
Capital Receipts not related to derecognition of fixed assets	0	32,009
Other Government Grants	17,106	2,005
Appropriations re restatement of financial instruments	(10,670)	(11,106)
Amounts not included in the Income and Expenditure Account but required by Statute to be included when determining the movement on the General Fund Balance for the year		
Minimum Revenue Provision for capital financing	71,282	89,427
Voluntary Revenue Provision	2,814	0
Capital expenditure charged in-year to the General Fund Balance	5	0
Transfer from Usable Capital Receipts to meet payments to the Housing Pool	(7,917)	(5,929)
Appropriations re repayment of long term debtors	(167)	264
Appropriations re repayment of long term liabilities	1,654	0
Appropriations re write-off of debt redemption premiums	3,125	2,611
Transfers to or from the		

Statement of Recognised Gains and Losses

	Restated 2008/09 £'000	2009/10 £'000
--	------------------------------	------------------

* Prior Year Adjustments

1. The 2009 SORP requires a revised accounting treatment of council tax income. The revised treatment reflects the agency arrangement between the Council and the major preceptors, and this means that there is a debtor/creditor position between the Council and the major preceptors, such that both debtors and creditors have been reduced by £18.8m. As this is a material change, the comparator figures for the previous year have had to be adjusted. Full details of the movements on the 2008/09 Balance Sheet figures are provided in Note 16 to the Supplementary Statements.
2. Arising from the audit of the 2008/09 Statement of Accounts the Council undertook major work to reconcile financial and property records of fixed assets. Major adjustments were made to the opening balance sheet as a result of:
 - a. Derecognition of Foundation Schools (although these were subsequently returned to the balance sheet as Concession Agreements – see 3 below)
 - b. Impairment of Community Asset expenditure prior to 2002 which could not be identified to individual assets (£23.0m)
 - c. Other adjustments £21.8m
3. The 2009 SORP required local authorities to account for Concession Agreements. These are fixed assets embedded within contracts and other arrangements where, in substance, the Council purchases the asset through payments made that are part of a series of annual service charges. Changes to the opening balance sheet of £435.8m have been made to reflect this.
4. The 2009 SORP brought about a change in the classification of accrued interest relating to long term financial instruments. In 2008/09 such accrued interest was treated as part of the long term amounts outstanding. In order to provide an accurate comparison the 2008/09 figures shown have been adjusted to conform with the current 2009 SORP by reducing Long Term Borrowing and increasing Short Term Borrowing by £41.7m, and reducing Long Term Investments and increasing Other Investments by £1.8m.
5. As disclosed in note 32i the Council is guaranteeing payment of loan stock on National Exhibition Centre (Developments) PLC. The Council is holding an amount (£14.0m at 31/3/10) against this guarantee and has previously accounted for this as a Provision. Having reviewed FRS12, and after discussion with the District Auditor, it has been determined that this sum is more correctly accounted for as an Earmarked Reserve. A prior period adjustment reducing provisions and increasing reserves by £24.2m has been made.

The table below summarises the impact on the Council's Net Worth of the above changes.

Ref above	Description	Amount £'000
	Net worth at 31/3/09 included in the Balance Sheet in the Council's 2008/09 audited accounts.	(2,313,134)
1	Council Tax debtors and creditors	0
2	Reconciliation of fixed assets	10,491
3	Concession Agreements	(101,183)
4	Financial Instruments	0
5	NEC loan guarantee	(24,186)
6	Net worth at 31/3/09 included in the Balance Sheet in the Council's 2009/10 accounts.	(2,428,012)

Balance Sheet

Restated as at 31 March 2009		Note	As at 31 March 2010	
£'000			£'000	£'000
	Fixed Assets			
17,504	Intangible Fixed Assets	11 to 16	18,396	
	Tangible Fixed Assets:			
	Operational Assets			
2,003,114	Council Dwellings & Garages	11 to 16	2,081,171	
2,664,452	Other Land & Buildings	11 to 16	2,637,809	
103,487	Vehicles, Plant, Furniture & Equipment	11 to 16	106,705	
416,329	Infrastructure Assets	11 to 16	432,031	
93,674	Community Assets	11 to 16	97,095	
	Non-operational Assets			
177,802	Assets under Construction	11 to 16	210,555	
405,677	Investments & Surplus Properties	11 to 16	393,302	
<u>5,882,039</u>	Total Fixed Assets			5,977,064
365,189	Long Term Investments	18	361,282	
44,392	Long Term Debtors	19	43,265	
<u>409,581</u>				404,547
				<u>6,381,611</u>
6,291,621	Total Long Term Assets			
	Current Assets			
173,517	Other Investments	18	89,809	
3,160	Stocks & Work in Progress	20	2,312	
287,735	Debtors	21	298,224	
71,829	Cash in Hand	22	68,416	
<u>536,241</u>				458,761
<u>6,827,862</u>	Total Assets			<u>6,840,372</u>
	Current Liabilities			
(316,326)	Short-term Borrowing	23	(177,876)	
(420,712)	Creditors	24	(468,981)	
(72,138)	Cash Overdrawn	22	(63,659)	
(29,389)	Capital Contributions Unapplied	46	(27,086)	
<u>(838,565)</u>			<u>(737,602)</u>	
<u>5,989,297</u>	Total Assets less Current Liabilities			<u>6,102,770</u>
	Long-term Liabilities			
(2,246,897)	Long-term Borrowing	23	(2,396,390)	
(1,068,943)	Liability Related to Defined Benefit Pension Scheme	3	(1,659,302)	
(73,867)	Deferred Liabilities	25	(71,615)	
(128,345)	Government Grants Deferred	26	(224,057)	
(20,132)	Government Grants Unapplied		(25,000)	
(23,100)	Provisions	27	(184,209)	
<u>2,428,012</u>				

Balance Sheet (continued)

Restated as at 31 March £'000		Note	As at 31 March 2010	
			£'000	£'000
	Financed by:			
180,127	Revaluation Reserve	28	303,096	
3,086,406	Capital Adjustment Account	29	2,676,075	
(34,761)	Financial Instruments Adjustment Account		(32,146)	
0	Available for Sale Financial Instruments Reserve (note 1)		41,298	
(29)	Collection Fund Adjustment Account	45	4,168	
(1,068,943)	Pensions Reserve	3	(1,659,302)	
51,552	Usable Capital Receipts Reserve	30	58,757	
6,538	Deferred Capital Receipts		4,806	
21,117	General Fund Balance	31	11,422	
3,351	HRA Balance	31	1,591	
182,654	Earmarked Reserves	30	132,432	
0	Housing Major Repairs Reserve	30	0	

Note 1: "Available for Sale" is a technical term required by the SORP. It does not indicate the Council's intention to dispose of these instruments.

Cash Flow Statement

Restated
2008/09

2009/10

Notes to the Core Financial Statements

1. Trading Services

Income and Expenditure on the Major Trading Activities, adjusted for FRS17 (see Note 6) is set out below:

2008/09 (Profit)/Loss £m	Trading activity (see brief descriptions below)	Turnover £m	2009/10 Expenditure £m	(Profit)/Loss £m
(0.1)	Highways & Sewers	(6.8)	6.5	(0.3)
1.5	Property Services	(8.1)	10.5	2.4
(1.0)	Legal Services	(12.0)	10.5	(1.5)
(1.2)	Markets	(7.8)	6.4	(1.4)
0.2	Non-Schools Cleaning	(3.7)	3.7	0
0.0	Catering	(2.1)	2.0	(0.1)
0.0	Street Lighting	(3.5)	3.5	0
(0.4)	Vehicle Maintenance	(5.0)	4.6	(0.4)
0.0	Education Catering	(31.5)	30.6	(0.9)
(0.2)	Education Staff Agency	(4.7)	4.7	0
(1.2)	Trade Refuse	(6.3)	5.2	(1.1)
(14.6)	Urban Design	(67.1)	52.0	(15.1)
0.2	Grounds Maintenance	(8.0)	7.7	(0.3)
0.0	Education Cleaning	(8.4)	8.1	(0.3)
(0.3)	Design & Print	(3.1)	3.1	0
0.1	Meals Direct	(2.4)	2.4	0
(0.3)	Birmingham City Laboratories	(2.4)	2.3	(0.1)
0.0	Landscape Practice	(1.4)	1.2	(0.2)
0.0	Community Day Nurseries	(1.7)	1.6	(0.1)
0.1	Other Trading Activities	(3.3)	3.3	0
(17.2)		(189.3)	169.9	(19.4)

Details of Trading Undertakings

Highways and Sewers

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

Property Services

Birmingham Property Services (BPS) is the largest in-house local authority Property Consultancy. BPS provide an integrated professional property service to the Council, with a responsibility to manage and dispose of City-owned commercial land and property, including shops, offices, industrial units, warehouses, business parks and development sites.

Legal Services

The Legal Services Office of the Legal & Democratic Services Department is a highly successful trading organisation and is the largest in-house

Catering

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

Street Lighting

Street lighting is the lighting on all roads - main roads, side roads, residential roads, city centre squares, footpaths, tunnels, and subways. The lights can vary in height from

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

Local Government Pension Scheme			Unfunded Teachers Pension Scheme	
2008/09	2009/10	Income and Expenditure Account	2008/09	2009/10
£m	£m		£m	£m
		Net Cost of Service		
106.5	70.5	Current Service Cost	0	0
0.5	0.8	Past Service Cost	0.1	0.1
0.1	5.6	Curtailments	0	0
0	0	Settlements	0	0
		Net Operating Expenditure		
209.1	205.0	Interest Cost	4.2	4.2
(161.8)	(123.6)	Expected Return on Scheme Assets	0	0
154.4	158.4	Net Charge to Income and Expenditure Account	4.3	4.3
		Statement of Movement on the General Fund Balance		
(61.4)	(51.9)	Reversal of Net Charges Made for Retirement Benefits in Accordance with FRS17	1.4	1.6
93.0	106.5	Actual Amount Charged Against General Fund Balance for Pensions in Year	5.7	5.9

In addition to the recognised gains and losses shown above within the Income and expenditure account, actuarial losses of £540.2m (2008/09; actuarial gains of £132.0m) have been included in the Statement of Total Recognised Gains and Losses. The cumulative value for actuarial gains and losses included within the Statement of Total Recognised Gains and Losses is £365.04m.

The expected return on fund assets is determined by considering the expected market returns available on the assets underlying the current investment policy. The assumption used is the average of the assumptions, (shown in the section below, 'Basis for estimating assets and liabilities' within the table showing 'Expected rate of return on assets'), appropriate to the individual

The following is a reconciliation of movements in the fair value of the scheme assets over the last financial year:

	Local Government Pension Scheme				Unfunded Teachers Pension Scheme		Total	
	2008/09 Unfunded	2008/09 Funded	2009/10 Unfunded	2009/10 Funded	2008/09	2009/10	2008/09	2009/10
	£m	£m	£m	£m	£m	£m	£m	£m
Fair Value of Assets as at 1 April	0	2,342.1	0	1,881.8	0	0	2,342.1	1,881.8
Employer Contributions	5.6	87.3	5.7	100.8	5.7	5.9	98.6	112.4
Expected Return on Assets	0.0	161.8	0	123.6	0	0	161.8	123.6
Actuarial Gains/(Losses) on Assets	0	(646.4)	0	463.6	0	0	(646.4)	463.6
Benefits/Transfers Paid	(5.6)	(101.3)	(5.7)	(107.0)	(5.7)	(5.9)	(112.6)	(118.6)
Member Contributions	0	38.3	0	39.8	0	0	38.3	39.8
Fair Value of Scheme Assets as at 31 March	0	1,881.8	0	2,502.6	0	0	1,881.8	2,502.6

Scheme history

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

	2005/06 *	2006/07 Restated	2007/08 Restated	2008/09	2009/10
	£m	£m	£m	£m	£m
Present Value of Scheme Liabilities:					
LGPS	(3,043.1)	(3,080.6)	(3,410.2)	(2,889.2)	(4,091.0)
Unfunded Teachers Scheme	(69.1)	(66.1)	(72.6)	(61.5)	(70.9)
Total Present Value of Scheme Liabilities	(3,112.2)	(3,146.7)	(3,482.8)	(2,950.7)	(4,161.9)
Fair value of Scheme Assets in LGPS:	2,161.4	2,339.9	2,342.0	1,881.8	2,502.6
Surplus/Deficit in the Scheme:					
LGPS	(881.7)	(740.7)	(1,068.2)	(1,007.4)	(1,588.4)
Unfunded Teachers Scheme	(69.1)	(66.1)	(72.6)	(61.5)	(70.9)
Total	(950.8)	(806.8)	(1,140.8)	(1,068.9)	(1,659.3)

* The Council has elected not to restate the fair value of scheme assets for 2005/06 as permitted by FRS17.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,659.3m has a substantial impact on the net worth of the authority. However statutory arrangements for funding the deficit means that the financial position of the authority remains healthy:

- i. The deficit on the Local Government Pension Scheme will be made good by increasing employer contributions over the remaining working **life** of employees, as assessed by the

Basis for estimating assets and liabilities

Liabilities for both the Local Government Pension Scheme and the unfunded teachers' pension scheme have been assessed by Mercers Human Resource Consulting Ltd, an independent firm of actuaries. The assessment has been on

Disclosure of Remuneration for Senior Employees

The table sets out the remuneration for the Council's Corporate Management Team

Post Holder Information	2008/09			2009/10		
	Salary £	Pension Contributions £	Total Including Pension Contributions £	Salary £	Pension Contributions £	Total Including Pension Contributions £
Chief Executive - Stephen Hughes Strategic Director (Housing and	191,253	26,236	217,489	204,810	28,287	233,097

Allowances paid to Members of the Council in 2009/10 totalled £3.1m (2008/09: £3.0m). These figures include national insurance and superannuation.

5. Related Party Transactions

The Council has interests in a number of companies as detailed in Note 35. The Council also paid grants to a range of organisations, including voluntary organisations, where these grants were the main source of funding for them. The following transactions are considered material:

Payments	£m
----------	----

There were no other material transactions between the Council and its Chief Officers, other than the payment of salaries. Details of these are disclosed in Note 4 above.

6. Pooled Funding

7. Auditors Remuneration

The Council's appointed auditors are the Audit Commission. Payments to the auditors in 2009/10 totalled £1.2m (2008/09: £1.1m) of which £0.8m (2008/09: £0.8m) related to the audit of the Council's statutory accounts, service inspections, and assessments of the Council's improvement programmes. The £0.8m was made up of £0.1m inspection work and £0.7m code of practice work. The remaining £0.4m (2008/09: £0.3m) related to the audit of grant claims submitted to Central Government and the European Union.

8. Levies

The following levies were paid by the Council in 2009/10:

Payments	£m 2008/09	£m 2009/10
Passenger Transport Authority	28.1	22.9
Environment Agency	0.3	0.3
Housing Capital Ral		

The amounts due under concession agreements are as follows:

	2008/09	2009/10
	£m	£m
Opening Liability	114.21	143.59
Interest	8.99	9.85

10. Dedicated Schools Grant

The Council's expenditure on

13. Fixed Asset Valuations

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

Approximately one fifth of the Council's property assets are valued each year. Peter Jones Member of the Royal Institution of Chartered

14.

16. Leasing

During 2009/10, the Council paid £0.007m (2008/09: £0.006m) in finance lease rentals and £1.400m (2008/09 £2.600m) in operating lease rentals.

As at 31 March 2010, the Council has a commitment to meet the following rental charges with the lessors shown below on both finance and operating leases, which consist entirely of vehicles, plant, and equipment.

The Council has no finance leases in respect of vehicles, plant, and equipment that are still in primary rental. As the principal value of the assets has been fully repaid all payments on finance leases are treated as interest.

19.

23. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are included in the Balance Sheet:

	Long term		Current	
	Restated 31 March 2009 £m	31 March 2010 £m	Restated 31 March 2009 £m	31 March 2010 £m
Financial liabilities at amortised cost:				
Public Works Loans Board	(1,656.4)	(1,787.4)	(20.5)	(31.2)
Listed bonds	(356.8)	(353.5)	(20.3)	(20.2)
Other market loans	(90.0)	(120.4)	(275.5)	(121.4)
Former County Council debt	(68.2)	(66.3)	(1.7)	(1.9)
Concession Arrangement Liabilities				

Financial Instrument Analysis		
Long Term	(2,314.7)	(2,465.5)
Current	(726.1)	(606.5)
	(3040.8)	(3072.0)
Assets		
Balance Sheet:		
Long Term Investments	365.2	361.3
Other Investments	173.5	89.8
Long Term Debtors	44.4	43.3
Debtors	287.7	298.2
Cash in Hand	71.8	68.4
	942.6	861.0
Less excluded from Financial Instruments		
NEC Finance Bonds excluded on consolidation	296.5	285.3
Deferred Capital Receipts	6.5	4.8
Debtors that are legal obligations	159.9	195.1
Provision for Bad Debts	(50.1)	(55.9)
	412.8	429.3
	529.8	431.7
Financial Instrument Analysis		
Long Term	85.1	93.0
Current	444.7	338.7
	529.8	431.7

Income and Expenditure Account - Gains and Losses on Financial Instruments
The amounts

Fair value of financial instruments

Financial liabilities and loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed using the present value of future cashflows discounted at market rates or estimated market rates. The fair value of liabilities is higher than the carrying amount due to fixed rate loans taken when interest rates were higher than the prevailing interest rates at the balance sheet date.

	Restated 31 March 2009 £m	31 March 2010 £m

Maturity analysis of financial liabilities:

	Loans and Receivables Restated 31 March 2009	Financial Liabilities
--	---	-----------------------

25. 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:

In previous years liabilities under the first Public Finance Initiative scheme for schools were included; however, these are now excluded as the assets are on the Council's Balance Sheet in accordance with the adoption of IFRIC 12 (Concession Agreements). See Accounting Policies section 14.

26. Government Grants Deferred

This account holds the various Government Capital Grants and contributions from private developers. These will be amortised to revenue over the life of the relevant assets in accordance with the depreciation schedule. During the year grants totalling £165.9m (2008/09: £64.3m) were used to finance the acquisition of fixed assets and taken to the government Grants Deferred Account. Grants received in 2007/08 and 2008/09 were amortised in line with the assets financed. A charge of £6.3m (2008/09: £3.1m) was made to the Income & Expenditure Account.

27. Provisions

	31 March 2009 £m	Increase in Year £m	Applied in Year £m	31 March 2010 £m

The balance on this reserve does not constitute resources available to finance capital expenditure.

29. Capital Adjustment Account

This account contains the balances previously held on the Capital Financing Account and Fixed Asset Restatement Account. The movements in year relate to 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 balance on this account is not mostly available to finance capital expenditure. The movements on the Capital Adjustment Account are shown below:

	2009/10

30. Earmarked Reserves

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

The reserve

Council has introduced various controls and mechanisms such as legal agreements, charges on assets and detailed expenditure verification and monitoring procedures.

- iii. The Council's final Housing Benefit claim for 2008/09 is still being considered by the Department of Work and Pensions. There may be clawback of subsidy from the

The major trust funds are detailed below, with those highlighted in bold indicating where the Council acts as sole trustee:

	Opening Balance £m	Income £m	Expenditure £m	Closing Balance £m
Alderson To let dwelling houses to ex-servicemen and other persons in need.	0.188	0.053	0.005	0.236
Bodenham Trust - For children with special educational needs	0.497	0.047	0.017	0.527
Centre for the Child - To promote the education of children & their carers	0.133	0.002	0.034	0.101
Charles Baker Trust - For the elderly and disabled	0.237	0.009	0.002	0.244
Clara Martineau Trust - For children with special educational needs	2.385	0.784	0.099	3.070
Cropwood Estate – management of the estate	0.285	0.004	0.019	0.270
Girls Night Shelter for women and girls in need or distress	0.341	0.0	0.341	0.0
Holinsworth Fund - To further the work of voluntary hospitals	0.131	0.032	0.003	0.160
Museum & Art Gallery Development Trust - Enhancement of city museums	0.554	0.072	0	0.626
The Elford Trust - Healthy recreation for Birmingham citizens				

Charles Baker Trust - For the elderly and disabled	0.064	0.180	0.244
Clara Martineau Trust - For children with special educational needs	0.172	2.898	3.070
Cropwood Estate	0.226	0.044	0.270
Holinsworth Fund - To further the work of voluntary hospitals	0.136	0.024	0.160
Museum & Art Gallery Development Trust - Enhancement of city museums	0.302	0.324	0.626
The Elford Trust - Healthy Recreation for Birmingham Citizens	2.873	0.273	3.146
The Harriet Louisa Loxton Charity - For the aged and infirm	0.124	1.321	1.445
The Lord Mayor's Charity Appeal - For charitable purposes	0.025	0.193	0.218
Highbury Trust	4.000	0	4.000
Total	8.048	5.995	14.043

35. Associated and Subsidiary Companies

The Council maintains involvement with a number of

NEC Finance Plc was formed to raise capital through the issue of listed debenture stock to finance the construction of the ICC, the NIA and the expansion of the NEC through the construction of halls 9 to 12.

The main activity of the NEC Pension Trust Company is to act as a trustee to the National Exhibition Centre Ltd Executive Pension Fund.

NEC (Ireland) Ltd was formed to provide strategic and operational management consulting services to the Convention Centre Dublin.

There was no qualification on the audit opinion on the latest audited accounts of the group.

II. 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 by the company which is guaranteed by the Council. The Company was originally formed between Birmingham City Council, Emap Limited (formerly Emap Business Communications Limited) and Birmingham Chamber of Commerce and Industry. In March 2010 the Council acquired the shares and outstanding loan stock previously held by Emap Limited. The Council now holds 875 of 1,000 ordinary shares of £1 each and all of the Company's 100,000 £1 preference shares. The Council has loan notes totalling £1.568m. The loan notes are repayable in instalments commencing on 31 March 2014. The Council has also agreed to make available additional loans of £3.1m should the Company require further funds. The loss before and after tax for the year to 31 March 2010, amounted to £0.132m (2008/09: £0.014m). The net liabilities at 31 March 2010 amounted to £1.430m (2008/09: £1.298m).

The National Exhibition Centre (Developments) Limited is a controlled company under the Local

deemed to be more appropriate to now treat this as a long term investment. The estimated impact on the consolidation statements is to reduce the BCC group deficit by £161k and to reduce the BCC group net assets by £217k.

The investments that have not been consolidated into the

36. 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

39. Post Balance Sheet Events

- i. In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the West Midlands Pension Fund and the Teachers' Pension Scheme are expected to be slightly lower, on

http:

40. Reconciliation of deficit on Income and Expenditure Account and the Collection Fund to revenue activities net cash flow

	Restated 2008/09 £m	2009/10 £m
(Surplus)/Deficit on Income & Expenditure Account	764.9	525.0
Provisions set aside	0	(161.1)
	<u>764.9</u>	<u>363.9</u>
Items Included Under Another Classification:		
Interest Paid	(138.6)	(138.8)
Interest Received	35.4	18.8
Capital Financing Costs	(189.2)	(221.8)
Adjust for Non-Cash Items	(705.4)	(228.9)
Items on an Accrual Basis:		
Movement in Stock	0.2	(0.8)
Movement in Debtors	33.9	10.5
Movement in Creditors	(14.1)	(48.3)
	<u>(212.9)</u>	<u>(245.5)</u>

41. Reconciliation of net cash flow to movements in net debt

	Long Term Loans	Loans Maturing in 12 Months	Other Long Term Creditors	Investments	Cash Overdrawn /(In Hand)	Net Debt
	£m	£m	£m	£m	£m	£m
31 March 2009	2,246.9	316.3	73.0	(173.5)	0.3	2,463.0
31 March 2010	<u>2,396.4</u>	<u>177.8</u>	<u>71.6</u>	<u>(89.8)</u>	<u>(4.8)</u>	<u>2,551.2</u>
Movement in Year	149.5	(138.5)	(1.4)	83.7	(5.1)	88.2
Made up of Movements in:-						
Cash						(5.1)
Borrowings						11.0
Investments						83.7
Repayment of Deferred Liabilities						(1.4)
						<u>88.2</u>

42. Analysis of changes in net debt

	Restated 31 March 2009 £m	Cash Flow £m	31 March 2010 £m
Cash Overdrawn/(In Hand)	0.3	(5.1)	(4.8)
Due within One Year	316.3	(138.5)	177.8
Due after One Year	2,246.9	149.5	2396.4
Investments	(173.5)	83.7	(89.8)
Deferred Liabilities	73.0	(1.4)	71.6
Total	<u>2,463.0</u>	<u>88.2</u>	<u>2551.2</u>

43. Analysis of changes in cash and cash equivalents during the year

	Restated 2008/09 £m	2009/10 £m	Change In Year £m
Temporary Investments & Short Term			
Deposits	173.5	89.8	(83.7)
Cash	71.8	68.4	(3.4)
Bank overdraft	(72.1)	(63.7)	8.4
Increase/(Decrease) in year	<u>173.2</u>	<u>94.5</u>	<u>(78.7)</u>

44. Other Government Grants

The categories of Government Grants are shown below. The Cash Flow Statement shows the capital grants received and the revenue grants are included in the Net Cash Flow from Revenue Activities.

	2008/09 £m	2009/10 £m
Revenue		
Housing Subsidy	0.0	7.8
Rent Allowances	163.2	252.3
Council Tax Benefit	88.2	98.9
European Regional Development Fund	2.1	0.8
Education Grants	1,037.3	1,041.2
PFI Grant	4.2	8.7
Other	399.8	406.4
	<u>1,694.8</u>	<u>1,816.1</u>
Capital		
Education Capital Grants	41.4	38.5
Other	117.2	167.8
	<u>158.6</u>	<u>206.3</u>

45. Collection Fund Adjustment Account

This account has been introduced under the 2009 SORP in order to accommodate accounting for council tax on an accruals basis. The difference between the amount credited to the Income and Expenditure Account for the amount of council tax collected in the year, and the amount required to be credited to the General fund in the year under regulation, is reversed through the Statement of Movement on the General Fund Balance, and transferred to the Collection Fund Adjustment Account.

46. Capital Contributions Unapplied

This consists of contributions received from developers in respect of S.106 agreements.

Housing Revenue Account Income and Expenditure Account

Restated 2008/09 £'000		2009/10 £'000
(198,610)	Income	

Statement of Movement on the Housing Revenue Account Balance

Restated 2008/09 £'000		2009/10 £'000
463,239	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(16,165)
(369,243)	Impairment due to economic downturn	0
(89,261)	Reversal of Impairment Charge	0
	Transfer to/(from) Major Repairs Reserve	25,000
(2,468)	Appropriation to/(from) Pension Reserves	(3,134)
(2,146)	(Gains)/ Losses on the disposal of Fixed Assets	(3,995)
0	Capital Expenditure funded by HRA	54
(3,472)	HRA Balance Brought Forward	(3,351)
(3,351)	HRA Balance Carried Forward	(1,591)

Collection Fund Income and Expenditure Account

2008/09 £'000		Note 1	2009/10	
			£'000	£'000
	Income			
	Council Tax:			
(273,496)	Income	<u>12</u>	(275,681)	
(1,094)	Council Tax written back		(2,115)	
	Transfers from General Fund:			
(88,217)	Council Tax Benefit		(98,889)	
0	Decrease in provision for bad debts	<u>15</u>	0	
<u>(362,807)</u>				<u>(376,685)</u>
	Business Ratepayers:	<u>13</u>		
(360,833)	Income collectable		(363,192)	
	Community Charge:			
0	Income collected resulting in a reduction to provision for bad debts		(1)	
<u>(360,833)</u>				<u>(363,193)</u>
	Contribution towards previous year's Deficit:	<u>14</u>		
0	Birmingham City Council		0	
0	West Midlands Fire & Rescue Authority		0	
0	West Midlands Police Authority		0	
0				0
<u>(723,640)</u>	Total Income			<u>(739,878)</u>
	Expenditure			
	Demands on the Collection Fund:	<u>14</u>		
314,263	Birmingham City Council		323,874	
78	Frankley in Birmingham Parish		86	
13,402	West Midlands Fire & Rescue Authority		13,898	
27,739	West Midlands Police Authority		29,035	
<u>355,482</u>				<u>366,893</u>
	Contribution from previous year surplus:			
6,503	Birmingham City Council		0	
280	West Midlands Fire & Rescue Authority		0	
568	West Midlands Police Authority		0	
7,351				0
	Council Tax:			
1,839	Increase in Provision for Bad Debts	<u>15</u>	5,056	
0	Debts written off		0	
	Business Rates:			
358,871	Payment to National Pool		361,219	
1,962	Cost of Collection Allowance		1,974	
<u>362,672</u>				<u>368,249</u>
<u>725,505</u>	Total Expenditure			<u>735,142</u>
1,865	(Surplus) / Deficit For the Year			(4,736)
(1,838)	(Surplus) Brought Forward			27
27	(Surplus) / Deficit Carried Forward			(4,709)

Group Income and Expenditure Account

Restated
2008/09

2009/10

Reconciliation of the Single Entity Deficit for the Year to the Group Deficit

	Restated 2008/09 £'000	2009/10 £'000
(Surplus)/Deficit on the Income & Expenditure Account for the year	764,952	525,018
Adjustments for Transaction with other Group Entities	0	0
Deficit on the Group Income & Expenditure Account Attributable to the Council	764,952	525,018
(Surplus)/Deficit Attributable to:		
Joint Ventures	(1,731)	(1,408)
Associates	6	

Group Balance Sheet

Restated 31 March 2009 £'000		31 March 2010	
		£'000	£'000
6,628,314	Fixed Assets		6,882,174
44,378	Long Term Debtors		43,265
	Long Term Investments:		

Group Cash Flow Statement

Restated 2008/09 £m		2009/10	2009/10
		£m	£m
(235.9)	<u>Net Cash (Inflow)/Outflow from Revenue Activities (Note 19)</u>		(256.4)
	<u>Returns on Investments & Servicing of Finance</u>		
180.7	Cash Outflows: Interest Paid	163.1	
(42.2)	Cash Inflows: Interest Received	(18.9)	
138.5			144.2
(97.4)	<u>Capital Expenditure & Financial Investment</u>		(112.2)
	Cash Outflows:		
417.9	Purchase of Fixed Assets	354.1	
7.0	Purchase of Long Term Investments	(27.8)	
215.1	Other Capital Cash Payments	222.2	
	Cash Inflows:		
(63.4)	Sale of Fixed Assets	(88.0)	
(27.8)	Capital Contributions Received	(128.9)	
(158.6)	Capital Grants Received	(231.3)	100.3
390.2			(11.9)
292.8	Net Cash (Inflow)/Outflow Before Financing		
	<u>Management of Liquid Resources</u>		
	Cash (Inflows)/Outflows		
0	Net Increase/(Decrease) in Short Term Deposits		5.1
	<u>Financing</u>		
	Cash Outflows:		
1,867.4	Repayments of Amounts Borrowed	138.5	
	Cash Inflows:		
(2,165.9)	New Loans Raised – Long Term	(149.4)	
(298.5)			(10.9)
(5.7)	Net (Increase)/Decrease in Cash		(17.8)

Notes to the Supplementary Financial Statements

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	15,805	11,387	4,425	31,617
Houses & Bungalows	3,788	8,671	20,606	33,065
Housing Stock at 31 March 2010	19,593	20,058	25,031	64,682

The changes in the property numbers is analysed below:

	2008/09	2009/10
Stock at 1 April	65,807	65,081
Sales	(167)	(135)
Demolitions/Transfers	(559)	(264)
Stock at 31 March	65,081	64,682

The housing stock, land and other property within the HRA are valued in line with the DCLG Guidance on Stock Valuation for Resource Accounting, published in July 2005. The basis of the valuation is in accordance with the Royal Institute of Chartered Surveyors using the Existing Use Value for social housing.

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

The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £123m was spent on HRA dwellings during the year but impaired as not adding value to the dwellings. This impairment was charged to the Capital Adjustment Account and did not, therefore, represent a charge to the HRA. The HRA has been charged with a gain of £2.8m in respect of Right to Buy sales.

The Balance Sheet value of non-operational assets includes surplus vacant property awaiting demolition

3. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute is a reflection of capital expenditure that does not result in an asset, of which there are none in the financial year 2009/10.

4. Impairment Charges

Impairment charges reflect a reduction in the value of fixed assets due to the economic environment or something that has occurred to the assets. This could include a decline in demand, obsolescence, and commitments to make significant changes to housing. As disclosed in Supplementary Note 1 an impairment of £123m was made to the carrying value of HRA dwellings to reflect the fact that this expenditure did not add equivalent value. This impairment was not charged to the HRA.

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 figure for 2009/10 includes an advance of £25.0m from the 2010/11 allocation that was agreed by the DCLG.

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

	2008/09 £m	2009/10 £m
Opening Balance on the Major Repairs Reserve on 1 April	0	0
The Amount transferred to the Major Repairs Reserve during the year	41.0	40.7
Transfer to Major Repairs Reserve from 2010/11 allocation	0	25.0
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	(41.0)	(65.7)
The Balance on the Major Repairs Reserve on 31 March	0	0

6. Housing Revenue Account Subsidy

This Subsidy includes two components namely, Housing Revenue Account Subsidy and the Major Repairs Allowance. The HRA Subsidy element is calculated using stock numbers, allowances for management/maintenance, capital financing costs and notional rental income. The MRA is based on property numbers and is paid (explained in Note 5) through the HRA Subsidy administration system.

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 2009/10 is:

	2008/09 £m	2009/10 £m
HRA Element	50.1	57.9
Major Repairs Allowance	(41.0)	(65.7)
Total	9.0	(7.8)

7. Capital Expenditure on HRA Assets

The total expenditure for HRA assets in 2009/10 was £123m. This was funded from the following sources:

	2008/09 £m	2009/10 £m
Supported Borrowing (Regional Housing Executive)	10.7	10.7
Prudential Borrowing	54.2	33.3
Usable Capital Receipts (Right to Buy/Land)	10.7	7.0
Major Repairs Reserve	41.0	65.7
Revenue Contributions	0	0.1
Other Resources	9.4	6.2
Total	126.0	123.0

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £13.1m (land £4.3m, houses £8.8m). The values for 2008/09 were £21.2m (land £9.7m and houses £11.5m). The Government has introduced a capital receipts pooling framework and of these amounts £5.9m was paid to Central Government (2008/09: £7.9m).

8. Depreciation Charges

The total charge for depreciation for the land, houses, and other property within

	2008/09 £m	2009/10 £m
Current Tenants	11.2	8.6
Housing Benefit Overpayment	7.7	6.1
Other Debt (Services/Leaseholders)	5.1	5.7
Total	24.0	20.4
Provision for Debts	18.2	15.4

11. Revenue Contribution to Capital

A revenue contribution to capital expenditure of £0.05m was made in 2009/10 (2008/09: nil). This is identified in Note 7 to the supplementary statements.

12. Contribution from Council Taxpayers

The Council's tax base at January 2010 (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	244	5/9	136
A	128,897	6/9	85,931
B	107,550	7/9	83,650
C	64,885	8/9	57,676
D	31,465	1	31,465
E	18,105	11/9	22,128
F	7,772	13/9	11,226
G	5,261	15/9	8,768
H			

The level of Council Tax is calculated at the beginning of the year and is calculated so as to ensure that the Council has enough money to pay for the services it provides. The amount of tax paid by local residents is based on how much the property they live in is worth. There are nine property valuation bands, AR to H.

The total required by the Collection Fund is divided by the Council Tax base. This represents the number of properties in the borough, expressed as equivalent Band D properties. The level of Council Tax paid for a Band D property is the total income required divided by the Council Tax base, subject to discounts to which a Council Tax payer may be entitled. The amount is adjusted for discounts and exemptions that particular residents in the borough are entitled to. These discounts and exemptions are funded by Central Government.

Council Tax due as at 1 April 2009 including amounts brought forward from previous years (2008/09: 0.27%).

Unpaid NNDR of £0.2m was written off (2008/09: £0.7m written off). NNDR due as at 1 April 2009 including amounts brought forward from earlier years (2008/09: 0.6% of NNDR written off (19%)).

16. Collection Fund - Prior Year Adjustments

Balance Sheet Items	Opening Balance	2009 SORP Adjustments	
		Council Tax	NNDR
	£'000	£'000	£'000
Council Tax Debtors	78,175	(9,148)	0
NNDR Debtors	57,439	0	(33,100)
Major Preceptor Debtors	0	4,307	0
Total Debtors	135,615	(4,841)	(33,100)
Council Tax Bad Debt Provision	(23,339)	2,731	0
NNDR Bad Debt Provision	(16,399)	0	16,399

17. Note to the Group Accounts

Goodwill

Goodwill is calculated as the difference between the fair value of the assets acquired and the consideration paid. When an associate becomes a subsidiary the consideration includes the revalued amount of the net assets of the associate attributable to the group immediately prior to the date of the associate becoming a subsidiary.

Negative Goodwill

Negative goodwill arises on bargain group transactions where the assets acquired exceed the consideration paid. Negative goodwill up to the fair values of the non-monetary assets acquired is recognised in the profit and loss account as the non-monetary assets are recovered, excess negative goodwill is recognised as the benefits accrue. The recognition of negative goodwill commences in the year after its creation.

The Authority's Group Financial Statements on pages 75-78 include the financial results of the NEC Group, NEC (Developments) Plc and Service Birmingham Ltd. As referred to in Note 36 a departure from last year is the non-consolidation of Birmingham Technology Property Ltd. The Group Financial Statements have been prepared in accordance with FRS 2 (Accounting for Subsidiary Undertakings) and FRS 9 (Associates and Joint Ventures) and comply with the SORP (Code of Practice on Local Authority Accounting in the UK 2009).

The Council has a 100% interest in the National Exhibition Centre Limited (the company) making up the National Exhibition Centre Limited Group. In addition, the Council acts as guarantor of the company's borrowing and underwrites its operating losses. The Council holds a 87.58% stake in the National Exhibition Centre (Developments Plc). For this reason the Council has decided to account for these companies as subsidiaries in preparing consolidated financial statements. The NEC Group and the National Exhibition Centre (Developments) Plc made a post tax profit of £2.6m in the year ended 31 March 2010, (2008/09: £2.6m). The Group Balance Sheet has been consolidated. The assets of the Group are £240,000,000 and liabilities are £240,000,000. The Group has a net asset value of £18,824,000. The Group has a net liability of £41,324,520.56. The Group has a net asset value of £17,402,479.44. (and) Tj ET

consolidation

Independent auditor's report to the Members of Birmingham

Introduction and accounting statements

The Authority and Group have prepared the accounting statements for the year ended 31 March 2010. The accounting statements are: the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Statement of the Single Entity Deficit for the Year to the Group, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Birmingham City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 19 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2006.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

review whether the above statements are consistent with the
Delivering Good Governance in Local Government. A Framework published
by CIDEA/COLA/ACE in June 2007. I report if it does not comply with the
principles set out in CIDEA/COLA/ACE. If the statement is inconsistent or
inconsistent with other information I am aware of from my audit of the
accounting statements, I am not required to consider, nor have I considered,

governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting
statements and consider whether it is consistent with the audited Authority
and Group accounting statements. This other information comprises the
Explanatory Foreword and the Summary of the 2009/10 Financial Year. I
consider the implications for my report if I become aware of any apparent
misstatements or material inconsistencies with the Authority and Group
accounting statements. My responsibilities do not extend to any other
information.

Basis of audit opinion

Code of Audit Practice issued by the Audit Commission and International
Standards on Auditing (ISA and ISAs) issued by the Auditing Practices
Board. An audit includes examination, on a test basis, of evidence relevant to
the accounts and disclosures in the Authority and Group accounting
statements and related notes. It also includes an assessment of the significant
estimates and judgments made by the Authority in the preparation of the
Authority and Group accounting statements and related notes, and of whether
the accounting policies are appropriate to the Authority'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 Authority and Group
accounting statements and related notes are free from material misstatement,
whether caused by fraud or other irregularity or error. In forming my opinion, I
also evaluated the overall adequacy of the presentation of information in the
Authority and Group accounting statements and related notes.

Opinion

In my opinion:

The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

• The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion or arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to ensure proper stewardship and governance and regularly to review the economy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1999 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in the use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my views on the arrangements, having regard to relevant matters which have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for

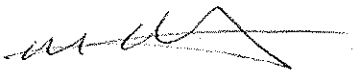
Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the and the supporting guidance. I am satisfied that in all significant respects Birmingham City Council has achieved an annual return to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

March 2010.

Certificate

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



Mark Stocks
Officer of the Audit Commission
2nd Floor

No1 Friarsgate
1011 Stratford Road
Solihull
B90 1RZ
26 October 2010

Glossary

Accruals

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

Amortised Cost

Some financial assets and liabilities are carried at amortised cost, where part of their carrying amount in the balance sheet will be either written down or written up via the Income and Expenditure Account over the term of the instrument.

Balances

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

Beacon Properties

In valuing the Housing Stock the Council's properties are grouped into similar types and a sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.

BEST

The Council has developed a comprehensive programme for embedding the values of the organisation; Belief, Excellence, Success and Trust (BEST).

Capital Adjustment Account

This account contains the balances previously held on the Capital Financing Account and Fixed Asset Restatement Account. The movements in year relate to 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.

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 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 Council.

CIPFA SOLACE

The CIPFA/SOLACE Framework helps local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of public business.

Collection Fund

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

Creditors

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

Depreciation

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

Debtors

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

Defined Benefit Pension Scheme

A retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Earmarked Reserve

A sum set aside for a specific purpose.

Effective Interest Rate

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Emoluments

Payments received in cash and benefits for employment.

Existing Use Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or the use of the asset.

Fees and Charges q 0.2400000 0 0 -0.240000018 824 cm BT 41 0 0 -41hargesc q 0.2400wt8 19a2.0 1 Tf (The

HRA Subsidy

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

Impairment

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

Infrastructure Assets

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

Investments

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

Investment Properties

Interest in land and/or buildings in respect of which construction work and development have been completed, or which is held for its investment potential with rental income being negotiated at arms length.

Liabilities

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

Market Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Materiality

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Non Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services.

Operational Assets

Fixed assets held, occupied, used or consumed in the direct delivery of services for which the Council has a statutory duty or discretionary power to provide.

Operating Leases

Leases other than a finance lease.

Post Balance Sheet Events

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

Precept

Amounts levied on the Council by other councils or public bodies (Police Authorities, Fire and Rescue Authorities and Parish Councils), that cannot directly raise council tax themselves.

Prior Year Adjustments

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in 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 Council's purposes, related parties are deemed to include the elected Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an interest.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

Expenditure which may properly be incurred, but does not result in an asset owned by the Council.