Members are reminded that they must declare all relevant pecuniary and non-pecuniary interests relating to any items of business to be discussed at this meeting

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

TUESDAY, 28 JULY 2015 AT 14:00 HOURS
IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB

A G E N D A

1 **NOTICE OF RECORDING**

Chairman to advise meeting to note that members of the press/public may record and take photographs except where there are confidential or exempt items.

2 **APOLOGIES**

To receive any apologies.

3 - 8 3 **MINUTES - AUDIT COMMITTEE - 30 JUNE 2015**

To confirm and sign the Minutes of the last meeting held on 30 June 2015.

9 - 17 4 **ANNUAL FRAUD REPORT 2014/15**

Item Description

18 - 56 5 **CORPORATE RISK REGISTER UPDATE**

Item Description

57 - 75 6 **AC 2014/15 ANNUAL GOVERNANCE STATEMENT**

Item Description

76 - 283 7 **AC STATEMENT OF ACCOUNTS 2014/15**

Item Description

8 **GRANT THORNTON - PROGRESS REPORT**

Report of the External Auditor.

284 - 284 9 **HOLIDAY PAY - UPDATE**

Item Description

10 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

11 **AUTHORITY TO CHAIRMAN AND OFFICERS**

Chairman to move:-

'In an urgent situation between meetings, the Chair jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.

12 **EXCLUSION OF THE PUBLIC**

That in view of the nature of the business to be transacted which includes exempt information of the category indicated the public be now excluded from the meeting:-

Holiday Pay - Update - Exempt Paragraphs 3 and 4

P R I V A T E   A G E N D A

13 **HOLIDAY PAY - UPDATE (PRIVATE)**

Item Description

14 **OTHER URGENT BUSINESS (EXEMPT INFORMATION)**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE
30 JUNE 2015

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 30 JUNE 2015 AT 1400 HOURS IN COMMITTEE ROOM 6, COUNCIL HOUSE, BIRMINGHAM

PRESENT:-

Councillor Burden in the Chair;

Councillors Afzal, Henley, Rice, Robinson, Shah and Wood.

****

NOTICE OF RECORDING

797 The Chairman advised, and the Committee noted, that members of the press/ public could record and take photographs except where there were confidential or exempt items.

APOLOGIES

798 Apologies were submitted on behalf of Councillor Tilsley.

APPOINTMENT OF COMMITTEE , CHAIR, DEPUTY CHAIR AND MEMBERS

799 **RESOLVED**:-

(i) That the resolution of the City Council appointing the Committee and Chair, with membership set out below for the period ending with the Annual Meeting of the City Council in May 2016 be noted:-

Labour Group

Councillors Afzal, Burden (Chair), Henley, Rice and Shah.

Conservative Group

Councillors Robinson and Wood.

Liberal Democrat Group

Councillor Tilsley.

(ii) that Councillor Henley be elected Deputy Chair, for the purpose of substitution for the Chair if absent, for the period ending with the Annual Meeting of the Council in 2016.

FUNCTIONS

The following schedule was submitted:-

(See document No 1)

800 **RESOLVED:-**

That the schedule of functions be noted.

DECLARATIONS OF INTEREST

801 Members were reminded that they must declare all relevant pecuniary and non-pecuniary interests relating to any items of business to be discussed at this meeting. If a pecuniary interest was declared a Member must not speak or take part in that agenda item. Any declarations would be recorded in the minutes of the meeting.

Councillor Henley declared a non-pecuniary interest in his capacity as Chairman of Service Birmingham.

MINUTES

802 **RESOLVED**:-

That the Minutes of the last meeting be confirmed and signed.

BIRMINGHAM AUDIT – ANNUAL REPORT 2014/15

The following report of the Assistant Director, Audit and Risk Management, was submitted:-

(See document No 2)

Kay Reid, Assistant Director, Audit and Risk Management, Jon Warlow, Director of Finance, and Richard Percival and Lorraine Noak, Grant Thornton, responded to Members' questions and the following were amongst the points made:-

1. Whilst not complying in full with the requirements of the public sector internal audit standards in respect of reporting lines for the Head of Internal Audit, referred to in paragraph 7 of the report, Members were

reassured that satisfactory arrangements with adequate safeguards were in place.

2. The possibility of carrying out an audit review in the future covering governance in human resources was noted.

3. The Assistant Director, Audit and Risk Management, gave a brief explanation and undertook to e-mail information to all Councillors regarding the procedure for handling allegations received regarding social housing fraud.

4. Paragraph 6.4 of the report referred to outputs of audit reports for the year. Appendix A of the report set out brief details of the issues considered ‘red high risk’.

5. Paragraph 9 of the report set out details of the internal audit plan. Members were assured that, although a reduction in days was proposed, the service would continue to be delivered in an efficient manner.

803 **RESOLVED**:-

(i) That the report be noted and the annual assurance opinion for 2014/15 referred to in paragraph 4.5 be accepted;

(ii) that approval be given to the annual internal audit plan as set out in the report now submitted;

(iii) that approval be given to the internal audit charter as set out in the report now submitted;

(iv) that the information on public sector internal audit standards compliance as set out in the report now submitted be noted.

BANKING SERVICES CHANGE PROJECT

The following report of the Director of Finance was submitted:-

(See document No 3)

Tim Follis, Banking Services Project Manager, Business Support, and Andrew Shorthouse, Senior Business Analyst, introduced the report and, in response to Members’ questions, the following were amongst the points made:-

1. It was hoped that all accounts held with the Co-op Bank would be closed during July 2015.

2. The number of customers continuing to pay the Council via the Co-op Bank had been falling.

3. The change from the Co-op to Barclays Bank would result in significant efficiency savings.

Members congratulated officers on the successful changeover.

804 **RESOLVED**:-

That the report be noted.

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEMS OF INTERNAL AUDIT

The following report of the Director of Finance was submitted:-

(See document No 4)

Jon Warlow, Director of Finance, Kay Reid, Assistant Director, Audit and Risk Management, and Richard Percival, Grant Thornton, introduced the report.

805 **RESOLVED**:-

That the report be noted.

2014/15 ANNUAL GOVERNANCE STATEMENT

The following report of the Director of Finance was submitted:-

(See document No 5)

Sarah Dunlavey, Assistant Director, Financial Services, introduced the report.

Members raised a number of concerns, particularly with regard to the significant governance issues 2014/15 set out in the table contained in paragraph 6.

Members considered that the report did not adequately address the issues that were highlighted in the Kerslake Review and made particular reference to planning, partnerships, engagement and the action/financial plan.

It was pointed out that not all governance issues set out in the left hand column of the table had been matched with a mitigation action/proposed action in the right hand column.

It was agreed that an amended report be submitted to the next meeting of the Audit Committee scheduled to take place on 28 July 2015.

806 **RESOLVED**:-

That an amended report, taking account of Members' comments referred to in the pre-amble, be submitted to the next meeting.

GRANT THORNTON – THE AUDIT PLAN FOR BIRMINGHAM CITY COUNCIL

The following report of the External Auditor, Grant Thornton, was submitted:-

(See document No 6)

Richard Percival and Lorraine Noak, Grant Thornton, introduced the report and, in response to a question, briefly explained the tests relating to property, plant and equipment referred to on page 11 of the report.

807 **RESOLVED**:-

That the report be noted.

GRANT THORNTON – AUDIT COMMITTEE UPDATE FOR BIRMINGHAM CITY COUNCIL

The following report of the External Auditor, Grant Thornton, was submitted:-

(See document No 7)

Richard Percival, Grant Thornton, introduced the report.

In response to a question, Jon Warlow, Director of Finance, undertook to arrange for a report to be submitted to a future meeting on welfare reform, referred to on page 8 of the document.

808 **RESOLVED**:-

(i) That the report be noted;

(ii) that the Director of Finance arrange for a report to be submitted to a future meeting on welfare reform.

DATES AND TIME OF MEETING

809 **RESOLVED**:-

That the Committee meets on the following Tuesdays at 1400 hours in the Council House:-

2015	**2016**
28 July	26 January
29 September	15 March
24 November	

OTHER URGENT BUSINESS

810 No other urgent business was raised.

AUTHORITY TO CHAIRMAN AND OFFICERS

811 **RESOLVED**:-

That in an urgent situation between meetings the Chair, jointly with the relevant Chief Officer, has authority to act on behalf of the Committee.

The meeting ended at 1600 hours.

……………………………………
CHAIRMAN

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: **Audit Committee**

Report of: **Assistant Director, Audit and Risk Management**

Date of Meeting: **28 July 2015**

Subject: **Annual Fraud Report 2014/15**

Wards Affected: **All**

1. Purpose of Report

The attached report seeks to update the Audit Committee on how the City Council has managed the risk of fraud during the period April 2014 to March 2015.

2. Recommendations

It is recommended that the content of this report is noted.

3. Background

The annual fraud report is a stand alone report to summarise how the risk of fraud is being managed by the City Council.

4. Legal and Resource Implications

4.1 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations (Amendments) 2006. The work is carried out within the approved budget.

5. Risk Management and Equality Impact Assessment Issues

5.1 Risk management forms an important part of the internal control framework that the Council has in place.

5.2 Equality Analysis has been undertaken on all strategies, policies, functions and services used within Birmingham Audit.

6. Compliance issues

6.1 Decisions are consistent with relevant Council Policies, Plans or Strategies.

7. Recommendations

7.1 It is recommended that the content of this report is noted.

…………………………………………………..
Kay Reid
Assistant Director – Audit & Risk Management

Contact Officer: **Kay Reid, Assistant Director, Audit & Risk Management**

Telephone No: **0121 464 3396**

e-mail address: kay.reid@birmingham.gov.uk

Birmingham City Council
Birmingham Audit
Annual Anti-Fraud Activity Report 2014/15

1. Introduction

In common with other public bodies the City Council has a duty to protect the public purse. The purpose of this report is to update the Audit Committee on national and local fraud issues that are of relevance to the City Council.

The standards of governance required within the public sector are high, and controls within systems must be effective to minimise the risk of fraud and error. However compliance with these controls can sometimes be an issue. Birmingham Audit is tasked by the Chief Executive, the Deputy Chief Executive, and the Director of Finance to investigate suspected fraud and identify any system or procedural issues that allowed the fraud to take place. We identify how fraud, or other irregularity, has been committed and make recommendations to management to address weaknesses in controls to reduce the chance of recurrence in the future. We need to view our performance in the context of reasonable levels of materiality.

There remains a high level of interest in fraud nationally. This is fuelled in part by the necessity to make scarce resources go as far as possible, particularly during times of austerity. Birmingham Audit are therefore continually looking to enhance its counter fraud capability and develop new and innovative ways of identifying irregularities, whether this be the result of fraud, error, or procedural non-compliance.

2. Audit Committee

The Audit Committee has shown a keen interest in, and been supportive of, both proactive and reactive work within the City Council to reduce levels of fraud. We regularly report on fraud activity as part of our overall reporting on the work of the audit service. The Committee share the view that prevention, detection and deterrence are all important and have probed what actions management can take to prevent fraud entering the systems in the first instance.

Previously, the Audit Committee have received our self-assessment of our performance against the Audit Commission publication ‘Protecting the Public Purse’. We were pleased to be able to report that the City Council is performing well against the questions on the checklist. We are currently in the process of assessing our performance against the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption.

3. Resources for Counter Fraud Work

Responsibility for the investigation of Housing and Council Tax Benefit fraud was transferred out of the City Council as a result of the Welfare Reform Act which saw the implementation of the Single Fraud Investigation Service (SFIS). Staff who previously worked on our Benefit Counter Fraud Team (BCFT) were transferred over to the Department for Work & Pensions (DWP) in February 2015 to join the new service. The Corporate Fraud Team (CFT) is now the only dedicated counter-fraud team within Birmingham Audit and is responsible for the investigation of financial irregularities perpetrated against the City Council, whether this is by employees, contractors or other third parties. A sub-team within CFT was established to specifically tackle ‘application based’ fraud, primarily related to Social Housing and Council Tax, as well as providing an intelligence hub. Reflecting the Council’s financial position, the resources available for counter fraud activities have reduced by just under 20% from 2013/14 (not including the loss of BCFT staff). This has meant the re-prioritisation of our work to concentrate on the more material cases, as well as putting greater emphasis on proactive work to try and identify fraud and error (see Section 8).

Last year the Department for Communities and Local Government (DCLG) announced that funding of £16.6m would be made available to local authorities to enhance their capability in tackling fraud. We were successful in bidding for funding of £105,000 to provide a continuous fraud monitoring capability to run across the City Council’s main financial systems. Once operational, this will flag up any unusual patterns in transactions for further interrogation and investigation. Unfortunately, separate joint funding bids with both our West Midlands and Core City audit colleagues, were unsuccessful.

4. Raising Awareness

The overall stance on fraud by the City Council is set by our Anti-Fraud and Corruption Policy, Fraud and Corruption Response Plan, and the Whistle Blowing Code. Revisions to the first two of these were approved by the Audit Committee in 2013/14, whilst a revised Whistleblowing and Serious Misconduct Policy was launched earlier this year.

We cannot stress enough the importance of staff following laid down policies and procedures. This helps the City Council to minimise the risk of fraud and assists in protecting staff against allegations of impropriety. We continue to see cases where staff appear to be unaware of how their actions will seem when viewed independently. As a result processes for decision making can appear to be flawed and lack transparency.

As part of our work in raising the awareness of fraud throughout the City Council we produce Fraud Spotlight, a bi-annual fraud bulletin covering topical fraud related issues. This is circulated to senior staff in all directorates, as well as to all schools and elected members. It is also published on the Birmingham Audit webpage. We also periodically issue alerts through e-Briefings whenever we become aware of a fraud threat in a particular area.

Although limitations on our resources largely preclude us from providing fraud awareness training sessions, an e-learning package aimed particularly at managers has been made available across all directorates. We also continue to provide training for staff involved in dealing with housing applications and tenancy issues and provide staff in these areas with advice and guidance.

5. Levels of Fraud

It is difficult to measure the level of fraud. Not all fraud is formally reported and some will go undetected. Similarly, some losses can be attributed to error, misinterpretation or poor management. The most recent estimate from the National Fraud Authority (2013) puts the annual value of fraud across all sectors of the UK economy at £73 billion. Of this, £20.6 billion is estimated to be fraud against the public sector, of which £2.1 billion is estimated to be perpetrated against local government.

It is difficult to place a monetary value on our anti-fraud activity during 2014/15, particularly in terms of our activity in relation to prevention and deterrence. Some quantifiable losses which are identified through investigation may be recovered, and work on the associated system issues may prevent and deter further losses. During 2014/15, the level of fraud/error identified from CFT investigations totalled in excess of £1m. A significant proportion of this is related to a major internal fraud which is still the subject of ongoing legal proceedings.

During the year CFT received information in respect of 112 potential irregularities involving our staff or partner organisations, covering a range of issues. This represents a significant reduction of around 40% on the previous year. Each referral is assessed and a decision made as to whether an audit investigation is necessary or whether the matter is best left to local management to deal with. The reduction in our resources has meant that only the most urgent or high profile cases are now considered for audit investigation. Details relating to our investigation of Social Housing and Council Tax related fraud can be found in Section 6.

Referrals are received from a variety of sources. The City Council's Financial Regulations place a responsibility on all employees to report suspicions of financial irregularity, and the revamped whistleblowing procedures will hopefully encourage more staff to make disclosures. We also receive information from various external sources, including members of the public.

The split between different types of referral in any year can be affected by a number of factors. In the past two years we have received a high number of referrals relating to salary overpayments as part of an ongoing payroll cleanse within Shared Services. Similarly, additional referrals may arise when we raise awareness of a particular issue, such as the invoicing scams which are usually targeted at schools. Last year we received several referrals concerning allegations of fraudulent grant claims.

In carrying out our investigations we have regard to the various outcomes available, whether this be internal disciplinary action against a Council employee, recovery of any funds, or referring the matter to the police for possible criminal action. During the year we have worked with HR and Legal Services colleagues to try and refine our investigation processes in an attempt to avoid duplication of effort and speed up the time that it takes to bring cases to a conclusion.

6. Social Housing Fraud/Council Tax Fraud

The re-prioritisation of our work in recent years to reflect those areas seen as high risk, has seen more resources being committed to tackling Social Housing and Council Tax fraud, both of which have previously been identified as such by both the Audit Commission and the National Fraud Authority.

During the year we have continued to work closely with both the Place and People Directorates, as well as local Registered Providers of social housing, to investigate and remedy the problem of housing tenancy fraud. This includes advising on records management, photo ID's, additions to the allocation policy, the continued development and expansion of the data warehouse, facilities to check the authenticity of identity documentation , providing management information in respect of the Housing Visiting Programme and providing anti-fraud training.

Sharing data with partner organisations has enabled us to identify duplicate tenancies, fraudulent housing applications and new addresses for tenants who left our properties with rent arrears.
We have previously secured funding from DCLG for work on Social Housing fraud. We have utilised this funding to enhance our capability by developing our data warehouse facility. This has allowed us to extend access to the facility to frontline housing services, where it has been embedded into their verification checks on applications. We have also extended remote access for partners, allowing them to do likewise. The extension of our data warehouse to include not only City Council data, but also the tenancy data of our partners and neighbouring authorities, has provided us with a sophisticated data resource to enhance our intelligence function. This is used extensively to support not only our own investigations, but also to assist other parts of the Council and external law enforcement agencies in tackling crime and disorder.

Last year we received 1,140 notifications relating to potential Social Housing fraud and 150 relating to Council Tax. In addition we received 746 intelligence requests.

The work undertaken last year on Social Housing fraud resulted in the recovery of 77 properties (with a rebuild value of £11.55m*). Whilst this was less than the previous year, this can be attributed to a switch in emphasis to tackling the problem at source, by investigating fraudulent housing applications, to prevent tenancies from being awarded improperly. This resulted in us stopping 364 housing applications (with an estimated value of £2.912m**) and reducing the points on numerous others. In addition we have stopped four Right to Buy applications, with a combined discount of £228,540, located former tenants owing £165,871 and identified £307,738 of benefit overpayments.

* Based on rebuild cost of £150,000 per property, source : Audit Commission

** Based on £8,000 per application, source : Local Services (average costs associated with recovering property)

The introduction of legislation in the form of the Prevention of Social Housing Fraud Act 2013, now provides us with additional means to prosecute offenders, although our ability to do this is often hindered by inadequate paperwork held within the directorates. Last year we successfully prosecuted someone who had fraudulently claimed a 70 per cent Right to Buy discount to buy her council house, whilst living in a second home that she had owned for over 10 years. An application has been made by the Council under the Proceeds of Crime Act to recover the loss.

In addition to the obvious social benefits of ensuring that only those with the greatest need are allocated social housing, there is also a real financial saving from preventing and/or stopping Social Housing fraud. We will continue to work with the directorates to further develop work in this area.

Losses arising from fraudulent claims for Council Tax discounts and exemptions have been identified as a significant risk to local authorities by both the Audit Commission and the National Fraud Authority. Since April 2013, local authorities have been responsible for creating and administering their own Council Tax Support schemes and need to ensure that safeguards are in place to minimise fraudulent claims. The Council Tax Reduction Schemes - Detection of Fraud & Enforcement (England) Regulations 2013 authorise the investigation of offences in relation to Council Tax Reduction Schemes and also create offences and enable penalties to be imposed in connection with these schemes.

Fraud relating to the City Council's Council Tax Reduction Scheme, and other Council Tax exemptions are investigated by the team. Last year our work identified fraudulent claims for exemptions such as Single Person Discounts (SPD's), of around £70,000, and Council Tax Reduction of over £40,000.

A data match highlighting nearly 27,000 SPD's being claimed in households where more than one person is shown on the Electoral Register, has been passed to Revenues to consider and action as appropriate. In response Revenues have advised that bulk SPD reviews are being undertaken, and 17,000 are scheduled to take place by October 2015. Their experience is that the Electoral Register information is generally dated and cannot be relied on solely as source data. Within the wider domain a risk based approach has been used for SPD reviews which combine wider data sets to produce defined categories of accounts for investigation. Proposals to introduce this risk based approach are ongoing. In the interim the cases identified through the data match will be cross-referenced with targeted cases to ensure maximum recovery prospects are maintained.

As our work on Social Housing and Council Tax fraud increases we are expecting to see cases which involve City Council employees. As we have done traditionally in cases involving benefit fraud, when such cases are proven the relevant managers will be informed so that they can take the appropriate disciplinary action. For this purpose, guidelines for dealing with such cases have been formulated and agreed with HR.

7. National Fraud Initiative (NFI)

The National Fraud Initiative is a bi-annual exercise which seeks to match various data held by public bodies to identify fraud and error. The exercise used to be carried out by the Audit Commission, but after their abolition, the Cabinet Office has taken over responsibility. In early 2015 the Cabinet Office provided us with the results of their 2014/15 data match, which produced over 36,000 matches indicating potential anomalies in data. The majority of these matches are not indicative of either fraud or error; some are due to errors in data recording, however a few have resulted in fraud being detected. The Cabinet Office indicate which reports they consider to have a high risk of fraud and have recommended that we review just under 10,000 of the matches. This together with our previous experience has been used to decide which matches to look at. There is no expectation that we will look at them all and due to the limitations in our resources, we rely on individual service areas to check some of the matches. The work on these continues and to date we have processed nearly 1,500 matches, identifying fraud and error of £15,874, all of which relate to Housing Benefit claims.

8. Proactive Fraud Work

In our attempts to concentrate our resources to address areas deemed to be particularly at risk to fraud and error, last year we began a number of proactive fraud exercises. Using our experience of where previous fraud referrals have come from, we have undertaken projects on payroll overpayments, nursery income and direct social care payments. These projects not only help to detect fraud/error, but also highlight areas of poor practice and procedural non-compliance. We are looking to develop our proactive work programme with the funding secured from the DCLG to provide continuous fraud monitoring across the main financial systems.

9. Management of Staff

We still receive a high number of referrals which relate to problems which would not have occurred if staff had been more effectively managed. Failure to have in place procedures and working practices may result in reduced levels of internal control and place greater reliance on the monitoring of budgets and performance. It is important that managers understand their roles and responsibilities in this. Similarly, it is important that staff follow procedures and adhere to the Code of Conduct, and when they don't, appropriate management action is taken.

10. Conclusions

Counter fraud work remains a priority for the City Council. We continue to work on reinforcing the message of 'zero tolerance' through prevention, detection and deterrence.

As part of our investigatory work we continue to highlight weaknesses in systems and procedures making recommendations to assist management in addressing these issues.

To successfully fight fraud we must balance our inclination to trust with a healthy sense of scepticism and seek verification of any information provided. Managers must remain alert to the risk of fraud and take responsibility for assessing that risk within their business area. This is more important than ever with fewer resources available.

Our continued commitment to tackle Social Housing fraud has not only delivered financial benefits to the Council, by freeing up scarce housing resources, it also provides huge social benefits by helping to ensure that these resources are allocated to those most in need.

We will continue to work to raise awareness of general and specific risks of fraud, and to ensure that employees know how to report any concerns that they may have.

Neil Farquharson
Group Auditor – Corporate Fraud Team

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**Audit Committee**
Report of:	**Assistant Director, Audit & Risk Management**
Date of Meeting:	**28th July 2015**
Subject:	**Corporate Risk Register Update**
Wards Affected:	**All**

1. Purpose of Report

1.1 To update the Audit Committee with information on the management of risks and issues within the Corporate Risk Register (Appendix A). The information in Appendix A has been compiled using updates received from directorates regarding their actions, assessment of the level of risk and any future actions to be taken to reduce the risk to the specified target within the stated timespan. Sources of assurance regarding progress with mitigating the risk are also shown as requested by Audit Committee members.

2. Recommendations

2.1 That the Audit Committee review the information provided by directorates and decide if the risk ratings assigned to the risks are reasonable, if action being taken is effective, particularly where the risk ratings have remained static or if further explanation / information is required. The level of risk has remained static for most risks, but one has increased and five have reduced (Note: the risk numbers within paragraphs 2.1, 2.2 & 2.3 refer to the original risk numbers):

Increased:

- Risk 46 - Resolution of contractual issues in the Highway Maintenance and Management PFI contract, and failure to obtain the full extent of Core Investment Period deliverables in accordance with the business case.

Reduced:

- Risk 35 - IT refresh / update and running Windows 7.
- Risk 37 - Evaluation of costs & benefits of different service delivery options, etc.
- Risk 56 - Change of banking service providers from 01/04/2015.
- Risk 58 - PSN resubmission.
- Risk 60 - Insufficient resources / finance to agree and deliver the change programme.

2.2 That the Audit Committee notes that five risks have been nominated for deletion:

- Risk 40 - Financial implications re climate change / carbon tax.
- Risk 47 - Supply chain failure.
- Risk 56 - Change of banking service providers from 01/04/2015.
- Risk 58 - PSN resubmission.
- Risk 60 - Insufficient resources / finance to agree and deliver the change programme.

This is because:

Risk 40 - We have made four submissions out of four without issue (and passed an Environment Agency Audit in 2011), giving a 100% success record. The 2014/15 return is progressing normally.

Risk 47- Following identification of this risk, processes and procedures were developed and rolled out to key contract managers across the organisation with supply chain risk assessments being completed by suppliers. The supply chain risk assessment process is now captured as an annual activity within the supplier annual reviews and the Council's contract management toolkit.

Risk 56 - The banking transfer has been successfully concluded.

Risk 58 - The Council has successfully retained PSN submission till April 2016.

Risk 60 - Cabinet approved a report on 20th April 2015 that set out the Children's Social Care and Early Help Improvement Plan for 2016 - 2018, including the appropriate financial envelope for the plan.

2.3 That the Audit Committee approves the merging and subsequent rewording of risks 14b & 50, and the rewording of risk 46.

2.4 That the Audit Committee approves the 1 new risk:

- 2015/16.11 - Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme.

2.5 That the Audit Committee considers if any new risks, further re-wordings or deletions should be included in the Corporate Risk Register.

2.6 That the Audit Committee considers if it requires further information on the management of any of the risks included in the Corporate Risk Register.

3. Background Information

3.1 Members have a key role within the risk management process.

3.2 The Audit Committee terms of reference, sets out its responsibilities and in relation to risk management these are:

- providing independent assurance to the Council on the effectiveness of the risk management framework and the associated control environment,
- whether there is an appropriate culture of risk management and related control throughout the Council,
- to review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management; and
- to give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.

4. Corporate Risk Register Update

4.1 The Corporate Risk Register is aligned to the corporate objectives of the Council and identifies the key risks to be managed at a corporate level.

4.2 The Corporate Risk Register focuses on the cross-cutting corporate issues.

4.3 A Lead Director has been identified for each risk as well as all Directors taking ownership for the risks. Directors have provided information detailing the management of the risks within their service areas as at May 2015.

4.4 Where the level of risk has remained within the red zone for more than 12 months, further information has been obtained from the Lead Directors to explain why the mitigating actions have not reduced the level of risk. This applies to five risks:

Risk No	Issue	Current Level of Risk	Explanation
1	Failure to defend and settle post 2008 equal pay claims. Lead: Deputy Chief Executive, Economy Directorate	H / H	Contained within the update report on equal pay presented to the Audit Committee each quarter.
2	Failure to improve children's safeguarding and children's social care. Lead: Strategic Director, People Directorate	H / H	There is still much to do, particularly about the capacity of HR corporate resources, a credible recruitment and retention strategy and effectiveness of the Safeguarding Board.

Risk No	Issue	Current Level of Risk	Explanation
3	Failure to manage the schools PFI contracts effectively leading to the lack of investment into the schools stock. Lead: Deputy Chief Executive, Economy Directorate	H / H	Major review of PFI contract arrangements underway following Local Partnerships pilot project.
5	Failure to defend and settle pre 2008 equal pay claims. Lead: Deputy Chief Executive, Economy Directorate	S / H	Contained within the update report on equal pay presented to the Audit Committee each quarter.
6	Further equal pay claims. Lead: Deputy Chief Executive, Economy Directorate	S / H	Contained within the update report on equal pay presented to the Audit Committee each quarter.

4.5 The Corporate Risk Register is attached as Appendix A.

5. Embedding Risk Management

5.1 Presentations, training and facilitated workshops are provided by Birmingham Audit on request to help embed risk management across the Council and in working with our partners. The current main route to provide risk management awareness is the e-learning package for managers, accessed via the internet.

5.2 Information on Birmingham City Council's (BCCs) approach to risk management is available via the BCC website - these are public documents for staff, external partners and anyone else to see. Additional information is attached to the risk management page on InLine, to support staff in using risk management in their day to day role. Networks of Directorate and Divisional Risk Representatives have been established. Advice, support and guidance are provided by Birmingham Audit as requested.

5.3 Service managers are also asked about their risk management arrangements as part of routine audit work. This has led to additional risk registers being produced and is helping to raise awareness of risk management throughout the Council. In addition the mandatory Public Sector Internal Audit Standards include a requirement with regard to risk management.

5.4 Risk management is also covered within the Annual Governance Statement.

6. Legal and Resource Implications

6.1 The work carried out is within approved budgets.

7. Risk Management & Equality Impact Assessment Issues

7.1 Risk management forms an important part of the internal control framework within the Council.

7.2 The Council's risk management strategy has been Equality Impact Assessed and was found to have no adverse impacts.

8. Compliance Issues

8.1 Decisions are consistent with relevant Council Policies, Plans and Strategies.

9. Recommendations

9.1 That the Audit Committee review the information provided by directorates and decide if they agree that the risk ratings assigned to the risks are reasonable, if action being taken is effective, particularly where the risk ratings have remained static or if further explanation / information is required.

9.2 That the Audit Committee approves the one new risk:

- 2015/16.11 - Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme.

9.3 That the Audit Committee approves the proposed re-wordings, amendments (including deletions), and re-numbering of the risks.

9.4 That the Audit Committee considers if any new risks, further re-wordings or deletions should be included in the Corporate Risk Register.

9.5 That the Audit Committee considers if it requires further information on the management of any of the risks included in the Corporate Risk Register.

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Assistant Director, Audit & Risk Management

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Current / Residual risk (i.e. inherent risk mitigated by controls/actions in place): (Revised risk numbers)

Likelihood:

High			**10**	**1, 2, 3, 4**
Significant		**16, 17, 18**		**5, 6, 7, 8, 9**
Medium	**26**	**19, 20, 21**	**13, 14, 15**	**11, 12**
Low	**27, 28**	**25**	**22, 23, 24**	
	Low	Medium	Significant	High

Impact

Key:

Severe	Immediate control improvement to be made to enable business goals to be met and service delivery maintained / improved
Material	Close monitoring to be carried out and cost effective control improvements sought to ensure service delivery is maintained
Tolerable	Regular review, low cost control improvements sought if possible

Measures of likelihood:

Description	Example Detail Description
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.
Medium	Possible, might occur at some time. 20% - 50% chance.
Low	Unlikely, but could occur at some time. Less than 20% chance.

Measures of impact:

Description	Example Detail Description
High	Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate / improve performance missed / wasted. Huge impact on costs and/or reputation. Very difficult to recover from and possibly requiring a long term recovery period.
Significant	Major impact on costs and objectives. Substantial opportunity to innovate / improve performance missed / wasted. Serious impact on output and/or quality and reputation. Medium to long term effect and expensive to recover from.
Medium	Waste of time and resources. Good opportunity to innovate / improve performance missed / wasted. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
Low	Minor loss, delay, inconvenience or interruption. Opportunity to innovate / make minor improvements to performance missed / wasted. Short to medium term effect.

Index by Risk / Issue Number

Corporate Risk Register Update for Audit Committee July 2015

Key: CO - Corporate Objective. AFC - A fair city: where people are safe, healthy and not living in poverty. APC - A prosperous city: where businesses flourish, where people have education and training, and where unemployment is low. ADC - A democratic city: where people have more say in local decision-making.

	INDEX OF RISKS / ISSUES (in order of severity of risk)										
Ranking	**New Ref No.**	**Old Ref No.**	**C. O.**	**Short Description**	**Lead Director**	**Actual Risk rating and Target rating Likelihood / Impact July 2015**	**Change in residual risk**	**Actual risk level in previous 3 updates to Audit Committee Mar 15**	**Nov 14**	**July 14**	**Page No.**
1	1	1c	APC	Defend and settle post 2008 equal pay claims.	Deputy Chief Executive, Economy Directorate	**Actual: H/H** **Target: H/H**	Same	**H/H**	**H/H**	**H/H**	12
2	2	23	AFC	Failure to improve children's safeguarding and children's social care.	Strategic Director, People Directorate	**Actual: H/H** **Target: M/H**	Same	**H/H**	**H/H**	**H/H**	12
3	3	14b / 50	APC	Failure to manage the schools PFI contracts effectively leading to the lack of investment into the schools stock.	Deputy Chief Executive, Economy Directorate	**Actual: H/H** **Target: M/S**	Same	**H/H**	**H/H**	**H/H**	14
4	4	59	APC	Risk of enforcement action and fines by the ICO for failure to comply with the 40 day timescale for responding to SARs.	Deputy Chief Executive, Economy Directorate	**Actual: H/H** **Target: L/L**	Same	**H/H**	**N/A**	**N/A**	14
5	5	1a	APC	Defend and settle pre 2008 equal pay claims.	Deputy Chief Executive, Economy Directorate	**Actual: S/H** **Target: L/H**	Same	**S/H**	**S/H**	**S/H**	15
6	6	1b	APC	Further equal pay claims.	Deputy Chief Executive, Economy Directorate	**Actual: S/H** **Target: M/H**	Same	**S/H**	**S/H**	**S/H**	15
7	7	57	AFC	Not responding fully and effectively to the issues from recent reviews concerning school governance and related matters.	Strategic Director, People Directorate	**Actual S/H** **Target L/H**	Same	**S/H**	**S/H**	**N/A**	16
8	8	60	AFC	Insufficient resources (finance & people) to agree / deliver the change programme.	Strategic Director, People Directorate	**Actual: S/H** **Target: S/H**	Reduced	**H/H**	**N/A**	**N/A**	17

Corporate Risk Register Update for Audit Committee July 2015

	INDEX OF RISKS / ISSUES (in order of severity of risk)										
Ranking	New Ref No.	Old Ref No.	C. O.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact July 2015	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
								Mar 15	Nov 14	July 14	
9	9	61	A F C	Not responding fully and effectively to the improvement agenda for Children.	Strategic Director, People Directorate	Actual: S/H Target: S/L	Same	S/H	N/A	N/A	17
10	10	46	A P C	Resolution of contractual issues in the Highway Maintenance and Management PFI contract, and failure to obtain the full extent of Core Investment Period deliverables in accordance with the business case.	Strategic Director, Place Directorate	Actual: H/S Target: L/S	Increased	M/S	M/S	M/S	18
11	11	N/A	A P C	Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme.	Chief Executive	Actual: M/H Target: To be confirmed	New	N/A	N/A	N/A	19
12	12	45	A P C	The loss of significant personal or other sensitive data.	Deputy Chief Executive, Economy Directorate	Actual: M/H Target: L/H	Same	M/H	L/H	L/H	21
13	13	2	A D C	Failure to comply with all the requirements of the Equality Act 2012 and the Public Sector Equality Duty.	Deputy Chief Executive, Economy Directorate	Actual: M/S Target: M/S	Same	M/S	M/S	M/S	22
14	14	28	A P C	On-going reduction in government grants resulting in a shortfall in resources and avoid legal challenge.	Deputy Chief Executive, Economy Directorate	Actual: M/S Target: L/L	Same	M/S	M/S	M/S	23
15	15	52	A P C	Insufficient in-house IT expertise within Directorates and inadequate or ineffective corporate control of non-core IT spending.	Deputy Chief Executive, Economy Directorate	Actual: M/S Target: L/S	Same	M/S	M/S	M/S	23
16	16	32	A P C	Not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery.	Deputy Chief Executive, Economy Directorate	Actual: S/M Target: M/L	Same	S/M	S/M	S/M	24

Corporate Risk Register Update for Audit Committee July 2015

	INDEX OF RISKS / ISSUES (in order of severity of risk)										
Ranking	New Ref No.	Old Ref No.	C. O.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact July 2015	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee: Mar 15	Nov 14	July 14	Page No.
17	17	42	A P C	That web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services.	Deputy Chief Executive, Economy Directorate	**Actual: S/M** **Target: L/M**	Same	**S/M**	**S/M**	**S/M**	24
18	18	55	A F C	Ineffective Corporate Risk Marker IT solution.	Deputy Chief Executive, Economy Directorate	**Actual: S/M** **Target: L/M**	Same	**S/M**	**S/M**	**S/M**	25
19	19	37	A P C	Failure to adequately evaluate the costs and benefits of different service delivery options. Failure to fully implement the decisions made to change policy and service delivery.	Deputy Chief Executive, Economy Directorate	**Actual: M/M** **Target: M/M**	Reduced	**M/S**	**M/S**	**M/S**	26
20	20	41	A D C	Failure to deliver the Council's localisation agenda.	Strategic Director, Place Directorate	**Actual: M/M** **Target: M/M**	Same	**M/M**	**M/M**	**M/M**	27
21	21	44	A P C	Unpaid allowances / contractual overtime payments / equality of flex time agreements.	Deputy Chief Executive, Economy Directorate	**Actual: M/M** **Target: M/M**	Same	**M/M**	**M/M**	**M/M**	30
22	22	30	A P C	Lack of capacity and capability to respond to employee relations tensions, poor service, performance issues, sickness absence levels and poor morale due to organisational downsizing and pay freezes.	Deputy Chief Executive, Economy Directorate	**Actual: L/S** **Target: L/M**	Same	**L/S**	**L/S**	**L/S**	30
23	23	35	A P C	IT Refresh / update and running Windows 7.	Deputy Chief Executive, Economy Directorate	**Actual: L/S** **Target: L/S**	Reduced	**M/S**	**M/S**	**M/S**	31

Corporate Risk Register Update for Audit Committee July 2015

	INDEX OF RISKS / ISSUES (in order of severity of risk)										
Ranking	New Ref No.	Old Ref No.	C. O.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact July 2015	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee Mar 15	Nov 14	July 14	Page No.
24	24	54	A P C	Risk of fines from HMRC for Directorates employing long–term consultants.	Deputy Chief Executive, Economy Directorate	**Actual: L/S** **Target: L/M**	Same	**L/S**	**L/S**	**L/S**	32
25	25	47	A P C	Supply chain failure by reason of supplier withdrawal, liquidation or contract non-compliance.	Deputy Chief Executive, Economy Directorate	**Actual: L/M** **Target: L/M**	Same	**L/M**	**L/H**	**L/H**	32
26	26	58	A P C	PSN resubmission.	Deputy Chief Executive, Economy Directorate	**Actual: M/L** **Target: M/L**	Reduced	**M/H**	**M/H**	**N/A**	33
27	27	40	A P C	Financial implications of failing to meet obligations regarding climate change and sustainability - carbon tax cost.	Deputy Chief Executive, Economy Directorate	**Actual: L/L** **Target: M/M**	Same	**L/L**	**M/M**	**M/M**	34
28	28	56	A P C	Change of banking service provider from 01/04/2015.	Deputy Chief Executive, Economy Directorate	**Actual: L/L** **Target: L/L**	Reduced	**M/S**	**M/S**	**M/S**	34

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.01	1c	Failure to successfully defend and / or settle post 2008 equal pay claims. (Risk) Lead: Deputy Chief Executive, Economy Directorate Council Plan risks 11 & 13	High / High	**Lead Director comment** A significant number of claims have been issued. A proportion of these have already been settled or are in the process of settlement. A growing proportion are now progressing through the tribunal and civil court process. However, there remain a significant number of issued claims where no payment profile is yet available and therefore no settlement agreement reached. Settlement of claims is subject to financial provision and establishing validity of claims. The validity of claims is constantly challenged by Legal Services. Each claim before any offer to settle is made is subject to robust legal challenge where available.	**Target risk rating***:* High / High **Anticipated date of attainment of the target risk rating:** Unlikely to reduce in the next two years, with on-going liability to 31 October 2017. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance - regular separate reporting to Corporate Governance Group, EMCB and the Audit Committee. External & internal audit review.
2015/16.02	23	Failure to improve children's safeguarding and children's social care. (Risk) Lead: Strategic Director, People Directorate Owner: All Directors Council Plan risk 2	High / High	**Lead Director comment** Lord Norman Warner was appointed as Commissioner to oversee a new approach to improvement. Lord Norman Warner published his second report on Children's Services in December 2014. The report acknowledged that the City Council continues to make steady progress with improving children's services - there is greater clarity about the problems to be fixed, and an agreed 3 - year improvement plan. The unidentified need across the city was a major focus of Lord Warner and we now see the 'need' profile is changing: we are receiving more referrals, completing more assessments, making more safeguarding investigations and seeing more children in care. The Executive Director for Children's Services was appointed in February 2015. All staff from Service Director through to Team Manager level have completed competency assessments and now have learning and development plans in place.	**Target risk rating:** Medium / High **Anticipated date of attainment of the target risk rating:** September 2015. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance, Peer review, Ofsted visits, Scrutiny Committee monitoring, Monitoring Board, and Children's Commissioner.

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				Groundbreaking work on child sexual exploitation, leading to civil injunctions on men posing risks, has shown that Birmingham can do confident and innovative social work. The DfE has agreed that Lord Warner will remain as Commissioner until the end of May 2015. The three year improvement plan has been revised to reflect priorities for 2015/16 - 2016/17, including practice improvement, recruitment and retention, commissioning and partnership working. The new plan has been agreed by Cabinet and reflects a new vision and purpose for Children's Services and focuses on how we will support workers to deliver more direct social work with families to bring about positive change for children. A major financial investment of £27.5m for 2015/16 has been agreed. Improvement is being driven by a Quartet of the Leader, Cabinet Member, Chief Executive and Strategic Director. There is still much to do, particularly about the capacity of HR corporate resources, a credible recruitment and retention strategy and effectiveness of the Safeguarding Board. An HMI improvement visit to MASH undertaken in January 2015 noted improvements and areas for development, including workforce and early help. The Chief Social Worker will be appointed and Principal Social Workers for each of the areas and MASH. These post holders will review and drive practice improvement underpinned by a new Quality Assurance Framework. We are currently engaged in a recruitment process for a dedicated Head of Service for the Independent Reviewing Service and five additional Independent Reviewing Officer posts. Again linked to a much more effective Quality Assurance framework and a more robust 'Safety Net' for children across the city.	

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.03	50 & 14b	Failure to manage the schools PFI contracts effectively leading to the lack of investment into the schools stock. Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors *Risks merged & reworded*	High / High	**Lead Director comment** High risk rating remains due to the capital funding available for maintenance and expansion of the schools estate. Major review of PFI contract arrangements underway following Local Partnerships pilot project.	**Target risk rating**: Medium / Significant **Anticipated date of review/attainment of the target risk rating:** September 2017. **Source(s) of assurance regarding progress with mitigating the risk:** Asset surveys end date moved to June 2015, time extension required to complete full round of surveys.
2015/16.04	59	Risk of enforcement action and fines of up to £500,000 by the Information Commissioner's Office (ICO) for failure to comply with the 40 day timescale for responding to Subject Access Requests (SARs). (Risk) Lead: Deputy Chief Executive, Economy Directorate Owners: Garry Billing / Tarik Chawdry	High / High	**Lead Director comment** The ICO wrote to BCC in December 2014 stating that they had carried out an analysis on complaints they received during 2014. The data indicates an issue with timely responses to SARs. An analysis of the complaints shows Children's Services and HR as areas where failure to respond within 40 days is a problem. An internal audit has been undertaken in respect of Children's Services. The draft report identified a number of recommendations, including: • Reviewing systems / processes, and improving management information to accurately report & monitor progress on responding to SARs. • Reviewing resourcing levels to ensure SARs requests received in relation to children's social care records are prioritised. • Providing more targeted training to support staff dealing with complex SARs. No clear plans are in place at the moment to tackle the issues in HR. The Council is subject to an ongoing ICO enquiry into its response times for SAR's, Attended a meeting with the ICO on 17th June 2015, led by the SIRO. The Council is required to provide monthly reports to the ICO for the next three months beginning July 2015, and possibly a further three months thereafter as part of their monitoring of the Council's performance and response rates to SAR's.	**Target risk rating**: Low / Low **Anticipated date of review/attainment of the target risk rating:** September 2015. It is unlikely that the target will be achieved due to: number, complexity, competing priorities. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance from HR and Children's Services.

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.05	1a	Failure to successfully defend and / or settle pre 2008 equal pay claims. (Issue) Lead: Deputy Chief Executive, Economy Directorate Council Plan risks 11 & 13	Significant / High	**Lead Director comment** In 2010, the Tribunal determined that the Council had no defence to pre 2008 equal pay claims (Barker v Birmingham City Council). C12,000 early claims without the involvement of solicitors have been already settled including a further cohort as part of settlement agreements reached in 2011 and 2013. However, a number of further claims for pre-08 liability are still being issued by 'no win no fee' solicitors. Claims issued after January 2015 are now out of time and therefore not valid claims. The validity of claims is constantly challenged by Legal Services. Each claim before any offer to settle is made is subject to robust legal challenge where available. Currently there is no payment profile available for settlement of all of these outstanding valid claims.	**Target risk rating:** Low / High **Anticipated date of attainment of the target risk rating:** Ongoing - review January 2016. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance -reporting to Corporate Governance Group, Audit Committee, external & internal audit review.
2015/16.06	1b	Risk of further equal pay claims. (Risk) Lead: Deputy Chief Executive, Economy Directorate Council Plan risks 11 & 13	Significant / High	**Lead Director comment** Claimant solicitors are continually 'fishing' for further equal pay liability by issuing further equal pay claims in addition to those in category 1a) and 1c). The validity of these type of claims is, and will be subject to robust legal challenge. At the moment, there is no determination as to liability or attainment as to target risk due to the nature of the challenge.	**Target risk rating:** Medium / High **Anticipated date of attainment of the target risk rating:** Not known at current date. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance - reporting to Corporate Governance Group, Audit Committee, external & internal audit review.

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.07	57	Failure to respond fully and effectively to the issues from recent reviews concerning school governance and related matters. (Risk) Lead: Strategic Director, People Directorate	Significant / High	**Lead Director comment** Sir Mike Tomlinson was appointed as Commissioner to oversee a programme of improvement and his time in Birmingham has been extended to March 2016. Improvement is being driven by the Quartet of the Leader, Cabinet Member, Chief Executive and Strategic Director. The City Council and DfE have agreed to appoint Colin Diamond, Deputy Commissioner, to the interim post of Executive Director Education. The Education and Schools Strategy Improvement Plan agreed by the Quartet in December 2014 builds on a number of pieces of work including the Clarke and Kershaw reports triggered by Trojan Horse, along with transformation already underway in SEND and Education Services. Progress has been made on a number of issues (for example: a revised recruitment process for LA governors; guidance to schools on the Nolan principles of good governance, improved take up of safeguarding training; a new whistleblowing policy implemented from January 2015; improved communications). Cabinet has agreed the Birmingham Education Partnership will be commissioned to deliver school improvement support and challenge functions from September 2015. An Education Improvement Group comprising BCC, DfE, Regional Schools Commissioner and Ofsted meets monthly to share information on schools causing concern. Systematic school surveys are in place to inform the work of the local authority. Work on civic leadership and community cohesion is being developed given the need to tackle the causal factors underlying Trojan Horse. This will complement the city leadership approach to be established in the light of the Kerslake review.	**Target risk rating***:* Low / High **Anticipated date of attainment of the target risk rating:** September 2015. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance obtained through the usual systems, and checked by the Cabinet Member. There will also be verification through key channels - the Unions, meetings with Heads and Governors etc. Oversight of the Action Plan and checks on implementation. Monitor Key Indicators - for example, the extent to which Head Teachers feel complaints / concerns are identified and responded to. Assurance via the Commissioner is an external check.

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.08	60	Risk that there are insufficient resources or finance to agree the change programme and deliver what is needed. (Risk) Lead: Strategic Director, People Directorate Owner: Steve Wise *Risk reduced & flagged for deletion*	Significant / High	**Lead Director comment** Year 1 2014/15 - The Lord Warner costed plan identified cost of change within operations and this is reviewed on a regular basis. Scoping of the resource required to deliver change initiated. Approval to fill some posts internally gained. Review of the programme, programme governance, resource and budget completed with recommendations made to the Children's Improvement Board in October 2014. Resource mobilised November 2014. The senior leadership vision and development of a future operating model will impact the resource requirements for change in year 2 2015/16 of the Children's Improvement Plan. A report went to Cabinet on 20 April 2015 that set out the Children's Social Care and Early Help Improvement Plan for 2016 - 2018, including the appropriate financial envelope for the plan. This risk can now be closed.	**Target risk rating**: Significant / High **Anticipated date of review/attainment of the target risk rating:** Ongoing review. **Source(s) of assurance regarding progress with mitigating the risk:** Bi-weekly Quartet Board Meetings (Children's Improvement Programme Board).
2015/16.09	61	Risk that BCC is not able to respond to the improvement agenda for Children's. (Risk) Lead: Strategic Director, People Directorate Owner: Steve Wise	Significant / High	**Lead Director comment** Corporate level discussions are taking place about alignment of finance, improvement budget, HR practice and legal practice. A Chief Officer discussion at corporate strategy level is required to define business requirements and drivers for change. The Council's response to the Kerslake report offers the opportunity for Children's Services to shape, influence and determine priorities for the action plan aligned with the Children's Social Care Improvement Plan, and define the requirements to get to 'low' likelihood. Kerslake action plan to monitor percentage delivery. Scoring needs to move to Significant / Low by 31st March tailing off to Low / Low. Cabinet approved a years 2 and 3 improvement strategy on 20 April 2015. There is now greater clarity on resources and priorities going forward. The appointment of the Executive Director for Children Social Care also helps mitigate this risk.	**Target risk rating:** Significant / Low **Anticipated date of attainment of the target risk rating:** Review 30 September 2015. **Source(s) of assurance regarding progress with mitigating the risk:** Bi-weekly Quartet Board Meetings (Children's Improvement Programme Board).

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				The vast majority of the required year 1 improvement was delivered. However, there is still more work to do on a small number of issues. There has been a lot of Corporate support to help in ensuring the success of the Children's Social Care Improvement Plan. The HR function is being re-shaped corporately and there has been significant financial and other support. Discussions continue with Chief Officers to ensure that there is appropriate support for the Children's Improvement Agenda. However, we need to see real improvements in outcomes for children before we can safely downgrade this risk.	
2015/16.10	46	a. Failure to resolve performance, contractual and commercial matters in the Highway Maintenance and Management PFI contract. Lead: Strategic Director, Place Directorate	High / Significant	**Lead Director comment** Resolution is being sought, via a commercial settlement, of a number of contractual issues with Amey Birmingham Highways Limited (ABHL) regarding the Highway Maintenance and Management PFI Contract. The proposed settlement has been under discussion since January 2015.	**Target risk rating:** Low / Significant **Anticipated date of attainment of the target risk rating:** July 2015. **Source(s) of assurance regarding progress with mitigating the risk:** The settlement has been agreed with ABHL, but requires lender consent. Approval has been obtained from Cabinet (16 March 2015) to reach a settlement and established the parameters for this.
		b. Failure to obtain the full extent of Core Investment Period deliverables in accordance with the business case for the Highway Maintenance and Management PFI contract. Lead: Strategic Director for Place *Risk reworded / increased*	High / Significant	**Lead Director comment** The Council has sought to resolve the issue informally but this has not been possible. The City Council referred this matter for adjudication under the contractual Dispute Resolution procedure on 07 May 2015. The adjudication hearing is on 23 June 2015, with the outcome to be advised afterwards.	**Target risk rating:** Low / Significant **Anticipated date of attainment of the target risk rating:** July 2015 (for adjudication only). **Source(s) of assurance regarding progress with mitigating the risk:** External legal advice and representation has been engaged. The Council is in the process of referring this matter for adjudication under the Contractual Dispute Resolution procedure.

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.11	N/A	Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme. Lead: Chief Executive *New risk*	Medium / High	**Lead Director comment** **Resistance to change - cultural and behavioural, across the officer and political spectrum:** • Focus on cultural and behavioural change through Forward the Birmingham Way, including use of behavioural insight. • Engagement and communications - informing and preparing people for change, encouraging their input and ownership, creating culture of transparency and openness through behaviour and open access to programme information. • Use of external expertise to challenge. **Insufficient capacity and capability:** • Robust recruitment process designed to select appropriately skilled internal resource. • Use external resource in a targeted way, e.g. for key skills gaps and to build internal capability. • Develop options for increasing strategic leadership capacity. **Balancing programme delivery with ongoing business operation and short term momentum with long term change:** • Clear framing of change as a five year programme and planning implementation over this period. • Staff seconded to the programme full time to provide focused capacity for change activities. • High level of engagement with key stakeholders and management forums across the organisation to facilitate joint prioritisation, and avoid a disconnect between the ongoing business and the programme. • Map, review and challenge existing plans, projects and initiatives to ensure alignment to priorities.	**Target risk rating:** To be confirmed. **Anticipated date of attainment of the target risk rating:** To be confirmed. **Source(s) of assurance regarding progress with mitigating the risk:** To be confirmed.

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				Complexity of the programme - potential risk of failed dependencies, double counting of benefits, unforeseen impacts: • Benefit and dependency management will form part of the programme management approach to identify and manage interdependencies. • Formal governance structure in place to provide clear pathway and forums for decision making. • Transparency and accessible information to help all to recognise and manage connections. **Existing plans, budget commitments, and projects are not aligned to the programme - potentially duplicating effort and diverting key resources:** • Map, review and challenge existing plans, projects and initiatives to ensure alignment with strategic direction, priorities and the programme. Agreement to close down or re-scope projects that do not fit. • Governance process to take account of previous decisions from the service review process and the impact of changes proposed by the programme. **Balancing organisational, technology and process changes, e.g. underestimating role of technology:** • Pathway to be put in place to manage change in a structured, holistic way, across people, processes, organisations, and technology. **Uncertainty around our partners' future plans at a regional and city level:** • Ongoing engagement with partners to facilitate joint planning around customers and outcomes, including engagement in long term planning process during summer 2015.	

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.12	45	That the loss of significant personal or other sensitive data may put the City Council in breach of its statutory responsibilities and incur a fine of up to £500,000 from the Information Commissioner. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors	Medium / High	**Lead Director comment** Current controls based on encryption of data on mobile devices or copied to removable media; and programme of staff education and training. The mandatory information governance e-learning is being tracked monthly and take up is being reported to Strategic Directors and the Information Assurance Board (IAB). Breach management processes have been established with clear lines of responsibility to the Senior Information Risk Owner, (Deputy Chief Executive) and the Monitoring officer. Known data breaches are discussed at the Breach Management Panel and reports and recommendations are presented to the Monitoring Officer for consideration to notify Information Commissioner's Office. An annual report for 2013/14 was prepared and presented to the IAB in June 2014. The training programme has been in place for 2 years and was reviewed over summer 2014 to determine the way forward and ensure ongoing compliance. The SIRO has written to Strategic Directors detailing staff yet to complete the mandatory training / requesting that it be completed by 31st March 2015. Strategic Directors & Management Teams have been asked to lead on ensuring compliance.	**Target risk rating:** Low / High **Anticipated date of attainment of the target risk rating:** September 2015. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance via reports to Breach Management Panel. Further controls on assuring that suppliers and partners impose similar controls on City Council data in their possession. HR have commenced work on integrating current training records of those staff who have completed the e-learning into Employee Records on People Solutions in order to give managers an overview of staff who have and have not completed the training. This will enable greater oversight and targeting for non-compliance. E-learning modules will be reviewed and re-launched in early 2015. Updated figures on the take up of the training have been produced (25% of staff had not completed the training). This was discussed at the Governance Group meeting in February 2015, to determine the way forward.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.13	2	Failure to comply with all of the requirements of the Equality Act (2010) and the Public Sector Equality Duty. (Risk) Lead: Strategic Director, Place Directorate Owner: All Directors Council Plan risk 3	Medium / Significant	**Lead Director comment** Legal challenge can delay implementation of change and significantly delay or reduce the planned savings to be achieved this may also have a detrimental impact on other services. It is important therefore, that EAs are carried out robustly across BCC regarding all initiatives and service delivery changes. The responsibility for ensuring that EAs for all major policy / budget changes lies with the Directorates. Legal Services are advising on high risk EAs. The Equality Analysis toolkit is available to Directorates to undertake Equality Assessments for all new Policies and Procedures. Advice and support on completion of the Equality Assessment is provided from the Equalities, Community Safety and Cohesion Service (ECS&CS) and Legal Services. Guidance on undertaking consultation has been updated and is available on Inline and this is now aligned with the EA process. Over 700 staff ranging from GR5 through to JNC have been trained on the EA toolkit and on undertaking an EA and this training continues to be available. Corporate consultation and Equality Assessments have been undertaken on all relevant corporate savings. Directorates will continue to undertake consultation and Equality Assessments for individual initiatives where appropriate. A robust approach exists for savings proposals. Corporate Consultation, Equality Assessments and all associated consultation are aligned, with emphasis on feedback from the protected groups. All EAs and consultation are tracked corporately. A cross directorate steering group chaired by the Service Lead for Equalities, Community Safety and Cohesion has been tasked to oversee compliance to this agenda. Following consultation with Legal Services and Directorate Equality Leads, the Equality Analysis Toolkit is being developed to improve the guidance information to staff. If followed, this guidance should help improve the content and standard of Equality Analysis submitted for approval.	**Target risk rating:** Medium / Significant **Anticipated date of attainment of the target risk rating:** Attained. **Source(s) of assurance regarding progress with mitigating the risk:** • Corporate Governance is in place to manage this risk effectively and close monitoring by ECS&CS and Legal Services will continue in order to address any issues which may arise. • Corporate Consultation undertaken on savings proposals. • Unique EA reference will be tracked and reported against individual Corporate Savings Proposals. • Corporate Steering Group to oversee compliance. • Initial RAG assessment of savings proposals to be undertaken. • Legal advice sought on high risk initiatives. • Process of Legal sign off on Cabinet Reports. • Birmingham Audit undertook an audit of EA compliance in Directorates March / April 2014. Management assurance. In addition to current guidance and information, the development and use of the online Equality Analysis toolkit will help mitigate against managers undertaking inadequate Equality Analysis. The toolkit provides a step by step process and on line guidance to completing an Equality Analysis and developing an action plan. The online toolkit provides an overview of all EAs undertaken on the system. Project managers are encouraged to take legal advice on high risk initiatives.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.14	28	Not planning appropriately for the on-going reduction in government grants resulting in a shortfall in resources, and avoid legal challenge. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors Council Plan risks 9, 10, 15 &16	Medium / Significant	**Lead Director comment** Savings proposals from 2015/16 onwards were approved at the City Council meeting on 3 March 2015. The delivery of the savings programme is monitored through the savings trackers and the Star Chamber meetings convened by the Deputy Leader, and reported in the monthly revenue budget monitoring reports to Cabinet. Projections of resources are updated on a regular basis in the light of announcements made by the Government. Planning for the further savings that will be required from 2016/17 onwards is being taken forward as one of the workstreams within the Future Council Programme. Arrangements are being made to ensure that the process is adequately resourced. Budget proposals will be subject to equality analysis and the necessary consultation processes during the course of the Autumn / Winter in the normal way.	**Target risk rating:** Low / Low **Anticipated date of attainment of the target risk rating:** March 2018. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance as detailed in Lead Director comments also an Internal Audit review.
2015/16.15	52	Inadequate or ineffective corporate control of non-core IT spend as a result of insufficient in-house IT expertise within Directorates to ensure software/systems changes are adequately specified, that their implementation is adequately managed and that changes are adequately coordinated across the organisation to maximise the benefit to the Council. (Issue) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors	Medium / Significant	**Lead Director comment** The review of Service Birmingham (SB) has emphasised that SB has an expert role and a duty to BCC to fulfil this role. This includes ensuring BCC making the right choices of software / systems and avoiding duplication of spending. Following a discussion at EMCB in July 2014 it was agreed that they would champion some of the risks highlighted in the Corporate Risk Register. Risk 52 was one of those selected for consideration at the September 2014 meeting. New governance processes are in place to manage the ICT contract and particularly directorate spend, and further additional changes are planned. An ICT Improvement Programme is in place and is reported to the ICT Programme Board Chaired by the Deputy Leader. All spend over £200k will be approved at this Board.	**Target risk rating:** Low / Significant **Anticipated date of attainment of the target risk rating:** March 2015 - governance fully implemented. Remainder September 2015. **Source(s) of assurance regarding progress with mitigating the risk:** Risk is reduced due to the governance structure in place and from the planned actions.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				A seven year plan for changes to the management and governance of ICT is in place (subject to review and consultation). A critical friend is being appointed to provide the Council with advice and guidance on a range of ICT matters to support the ICT improvement programme and to support the 7 year plans actions. A FOM (future operating model) is developed in line with the 7 year plan. Implementation is delayed due to consideration for the Future Council.	
2015/16.16	32	Risk of not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery; driving out property for disposal, but beyond capital receipt generation, ultimately solutions should deliver radical reductions in future revenue operating costs. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors Council Plan risk 7	Significant / Medium	**Lead Director comment** Risk mitigated by: • LoCAL Programme - property information has been provided, a programme formed and a series of outline business cases produced. • Our Corporate Landlord Service has cleared, decommissioned and sold Tamebridge House. Accommodation changes across Directorates are being dealt with including freeing up of space to accommodate Call Centre and Service Birmingham staff to be relocated from B1 in 2016. • Continued development of the corporate property database (Techforge) - information and systems development continues to progress as planned and the additional functionality is being applied in the management of repairs and maintenance costs, etc.	**Target risk rating:** Medium / Low **Anticipated date of attainment of the target risk rating:** April 2016. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance as detailed in Lead Director comment.
2015/16.17	42	That web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services. (Risk). Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors	Significant / Medium	**Lead Director comment** Service Birmingham on behalf of City Council: • Have updated the council's firewalls and introduced Intrusion Prevention Services (IPS) as part of the firewall implementation. This means that the firewalls are receiving regular updates from the supplier to detect new and evolving types of security attack. The firewalls detect and defeat many thousands of attacks every day. • Have implemented a cloud based Distributed Denial of Service (DDoS) system that defends four of the council's main websites from high volume attacks where hackers are trying to flood the	**Target risk rating:** Low / Medium **Anticipated date of attainment of the target risk rating:** Ongoing - this risk can only ever be mitigated, and never fully closed due to the nature of hacking etc. **Source(s) of assurance regarding progress with mitigating the risk:** • The Council are now transmitting sensitive data securely through the PSN secure infrastructure together with the improvements / enhancements

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				council's websites with requests for service. This service regularly defends the Council's web sites from attackers. • Continuously scan the information security landscape with their partners to detect upcoming and new vulnerabilities which could be exploited by potential hackers. • Have implemented the PSN walled garden which has enhanced the security of all users accessing web based government systems. PSN services have been remodelled and are currently being monitored to ensure secure transmission. The Council has retained its PSN certification until April 2016. The management of cyber risks within BCC will form part of the security strategy and responsibilities clearly defined. The ICF will ensure that the cyber risk investment strategy is aligned to, and supports strategic priorities. There is improved reporting of cyber risks and security incidents which will be presented to the Corporate Information Security Group (CISG) bi-monthly. This will ensure BCC are fully aware of potential regulatory and legal exposures and can assess the implications for future investment decisions. An annual security statement will also be developed.	made to the firewalls. • Service Birmingham, on behalf of the Council, are constantly monitoring the information security landscape with solution providers to detect upcoming and new vulnerabilities which could be exploited by potential hackers. • Given the nature of this risk these activities are now being kept under constant review.
2015/16.18	55	Ineffective Corporate Risk Marker IT solution. (Issue) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors	Significant / Medium	**Lead Director comment** The CRM (Corporate Risk Marker) solution went live in May 2013. There are a number of technical issues which have yet to be resolved including data not being shared as required. Further, the designed solution when working will only partially deliver the benefits sought. Consequently, the risk of not sharing information in respect of violence from residents has yet to be adequately mitigated. There is a further risk that there may be a perception that the CRM risks have been fully mitigated with the closure of the CRM project, when this is not the case. It is evident that the technical solution will not be delivered in the foreseeable future. An alternative solution is therefore currently being scoped for consideration.	**Target risk rating:** Low / Medium **Anticipated date of attainment of the target risk rating:** 31 December 2015. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance. On-going liaison regarding technical fixes to be made. Monitoring the use of the IT system by Corporate Safety Services. Continued use of existing (previous) systems by service providers. An alternative solution is now being scoped.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.19	37	Failure to adequately identify the costs and benefits of different service delivery options arising from Service Reviews to enable them to be fully and accurately modelled and ensure they are feasible and the changes proposed can be delivered, before the decision to move forward is made.(Risk) Failure to fully implement the decisions taken to change BCC policy and service delivery to enable delivery of expected benefits / efficiency gains. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors Council Plan risks 4 & 5 *Risk reduced*	Medium / Medium	**Lead Director comment** Any alternative delivery model must demonstrate some benefit and better value for the Council. There needs to be the early identification of all costs and benefits as part of the formulation and evaluation of options in the consideration of the business case. The Assistant Directors of Finance will provide support on key projects based on their area of expertise. Those developing new service delivery options need to evaluate the full circumstances on a case-by-case basis, seeking proper advice where necessary, in order to identify the implications of the change in service delivery model. This will include assessing what will be left behind in BCC (e.g. fixed overheads, income targets etc.) as well as ensuring that all of the costs and income of the new model are taken into account - including those which are not applicable to a local authority model of delivery (e.g. taxation), together with some sensitivity and risk analysis. This needs to be done before any commitments are given. The risk to the transferred service is the possible future loss of the Council as a customer and the risk to the Council is the loss of services provided to the transferred service as a customer, if the transferred service obtains these same services from another provider. These risks need to be managed by the corporate commissioning hub with peer reviews undertaken by Thematic Centres of Excellence and approval via Cabinet. New, updated and easier to use guidance on commissioning and service delivery options was provided to all directorates in January 2013.	**Target risk rating:** Medium / Medium **Anticipated date of attainment of the target risk rating:** Attained. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance - reports to EMCB, notes and actions from Corporate Commissioning Board agenda. Dialogue with directorate lead commissioners. Finance to be involved in commissioning reviews. Additional resources to support commissioning have been recruited (internally) to support the commissioning approach. AD Procurement leading on the service review of externally contracted services. Evidence in the form of the Commissioning Toolkit in place. Risk will be managed on a case by case basis through proper use of the Toolkit, and through reviews supported by the Assistant Directors of Finance. A checklist developed by AD Finance (Strategy) will continue to be used to ensure proper evaluation and appraisal of decision making reports. Corporate Commissioning Board will provide the governance for new commissioning strategies. CPS believes the risk has reduced to Medium / Medium (target met). Mitigations detailed above are now in place with commissioning checklists to CCB ensuring that appropriate resources are in place to manage risk in implementing alternative service delivery models.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.20	41	Failure to deliver the Council's localisation agenda (Risk) Lead: Strategic Director, Place Directorate Owner: All Directors	Medium / Medium	**Lead Director comment** Over the last two municipal cycles constitutional refinements have included the extension of overall delegations for District Committees in 2012/13 (including housing management, youth services, adult education, certain regulatory powers), and clarification of specific responsibilities and requirements for District Committees in 2013/14 (SLAs, accountabilities for financial performance and reporting to the corporate star chamber). The leadership of localisation has been embedded in the new Place Directorate and overall greater corporate buy in achieved with senior officers engaging at a Quadrant, District and Ward level. Further policy development includes agreement at Cabinet of the Transforming Place Strategy and guidance for the production of District Policy Statements and Development Plans. Further to the Cabinet Report of January 2013 Districts have now shaped the District Housing Panels to provide strategic oversight of housing development and place management with effective discharge of the Council's co regulatory responsibilities. District Committees have embedded a programme of performance reporting and financial reporting within their municipal cycles. The major financial risk for the Council through the devolved Sports and Leisure service has been dealt with. District Committees working with the executive have produced a strategic brief for the service in the area which will see a £35m programme, building five new pools, creation of a wellbeing service, some community asset transfer and site rationalisation. The programme was agreed at Cabinet in January 2014 and removes the ongoing financial pressures on Districts. Districts have also shaped their financial plans for 2014/15 and 2015/16 taking into account the principles identified by the Successful and Inclusive Communities Service Review.	**Target risk rating**: Medium / Medium **Anticipated date of attainment of the target risk rating**: Attained. **Source(s) of assurance regarding progress with mitigating the risk**: Management assurance as detailed in Lead Director comment - Scrutiny Report in January 2013, bi-monthly reports on progress of the secondary work streams.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				A Localisation Board has been instituted bringing together key members of the executive, scrutiny and executive at district level, with relevant officers to oversee and coordinate further policy development, delivery of existing commitments within the Localisation Plan. For 2014/15 the Leader has signalled further policy advancement, particularly in the area of devolution, and a coherent policy development programme has been agreed by the Localisation Board under the banner of Ramping up Devolution. There is very limited risk associated with this as the focus is on influence, accountability and commissioning rather than direct responsibility of budgets. A major Governance Summit 'Highbury 4' will be chaired by the Leader on 28th October 2014 to determine the next steps on the agenda. The Kerslake report and recommendations have stipulated that new arrangements for devolution and localisation be identified, ie: ***"Recommendation 7 - Birmingham City Council should establish a new model for devolution:*** ***a. the council needs to focus on getting basic services right, including getting on with improving children and education services. To do so, services should be organised in the way that is most efficient for that service, where appropriate these services should draw on the quadrant model to help align planning and resources with other agencies (see chapter 1, paragraphs 37-38);*** ***b. the 10 District Committees should not be responsible for delivering services or managing them through Service Level Agreements. Instead, if they are to be retained, they should be refocused on shaping and leading their local areas through influence, representation and independent challenge of all public services located in the District, including those of the council;*** ***c. the Districts should be provided with a modest commissioning budget to purchase additional services that help meet local priorities. Services commissioned will not necessarily need to be managed or provided by the council. They will need to effectively manage their own finances and meetings must be open to the***	

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				public and outside of the town hall; ***d. the number of city-wide Scrutiny Committees should be reviewed in the light of this and potentially reduced to no more than 3;*** ***e. councillors should concentrate on regular, direct engagement with the people and organisations in their wards and role as community leaders."*** The implementation of these specific recommendations will be incorporated into the Council's overarching approach for all recommendations contained in the Kerslake report. Arrangements have been put in place to transition into a new operating model for devolution immediately: • Development of a new constitutional framework for the Council AGM in May 2015 via the Council live Community Governance Review. • Development of functional arrangements for management of local services and budgets to enable business continuity and delivery of savings budgets in 2015+. • Establishment of an improvement delivery structure for supporting the new role of Districts and wider neighbourhood governance. Following the work linked to the formal Council community governance review and the action plan in relation to the Kerslake recommendations on devolution, new arrangements for District Committees and ward Committees / Forums are being agreed at the Council AGM. This will see the removal of formal delegations for District Committee linked to service and financial delegations. This eliminates the financial risk associated with devolution. District Committees will remain as executive bodies with an allotted executive member but their role has been significantly redefined around influencing, community planning, public service challenge and partnership and community building. There will be ongoing development of this policy and approach linked to the Future Council programme taking into account developments relating to the Boundary Commission recommendations to Parliament in 2016/17.	

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.21	44	Unpaid allowances / contractual overtime payments / equality of flex time agreements. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors	Medium / Medium	**Lead Director comment** Whilst significant work has been undertaken to achieve harmonisation of terms and conditions there remains a small number of risks that are currently being addressed. The bulk of unpaid allowances claims have now either been successfully defended or settled. Any remaining claims are being considered and managed by Legal Services on a case by case basis. There also remains the potential of excessive use of overtime across the Council; this could potentially create equal pay risks. The Council ceased the use of all regular overtime with effect from 1st April 2014. No explicit claims have been received regarding this element of pay. Employees have potentially 6 years within which to make claims.	**Target risk rating:** Medium / Medium **Anticipated date of attainment of the target risk rating:** Attained. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance. All new claims for allowances are being assessed on their merits and defended wherever practical. Use of overtime is being monitored on a monthly basis, with Strategic Directors taking responsibility for addressing any areas of concern.
2015/16.22	30	Lack of capacity and capability to respond to threat of industrial action, employee relations tensions, poor service, performance issues, sickness absence levels and poor morale due to organisational downsizing and pay freezes. (Issue & Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors Council Plan risk 18	Low / Significant	**Lead Director comment** Given the degree of budget cuts and consequential organisational changes alongside national changes to pensions and other possible terms and conditions changes there remains a risk of industrial action although more likely to be on a national rather than a local level. There are business continuity plans in place in readiness for industrial action and they have been effective in reducing the impact of action on service users. Particular areas of risk such as Fleet and Waste management have well progressed contingency plans. Effective workforce planning is required along with clear transition plans from existing to new models. Facilitated sessions will be required with Directorates to develop the workforce strategy and approaches and to provide quality assurance around achievability.	**Target risk rating:** Low / Medium **Anticipated date of attainment of the target risk rating*:*** Ongoing. **Source(s) of assurance regarding progress with mitigating the risk:** The Council's workforce strategy is currently in development. This includes; strategic workforce planning aligned to scale and impact of proposed change, robust management of organisational redesign to foresee and manage risks around workload volumes, development and retention of core skills, specialist knowledge, morale and staff engagement.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.23	35	Current information technology equipment not being refreshed / up dated to maximise use and obtain full benefit from utilising technology and will not wholly support the refresh to using Windows 7 operating system. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors Council Plan risk 8 *Risk reduced*	Low / Significant	**Lead Director comment** The Windows 7 Project is now complete with all 'in scope' assets having been migrated to Windows 7 and Office 2010, or been disabled or removed from the asset register. Service Birmingham is generating the formal Project Closure Report. The Desktop Refresh Phase 1 project to replace 1000 XP machines achieved refresh of 850 devices and is now in project closure stage. Failures that occurred in Phase 1 have been transferred to Phase 2 for further investigation. The Desktop Refresh Phase 2 to replace a further 1956 Windows XP machines is underway and scheduled for completion in March 2015. An additional project to migrate a further 370 BCC Customer Contact Centre devices is underway. Post April 2015 there may still be approximately 500 community library public network devices remaining on the Windows XP platform. These assets were placed on hold during phase 2 due to Netloan application software upgrade requirements. The plan is to replace these assets using the BAU refresh process however this may be subject to change dependent upon the future business operating model within the community libraries.	**Target risk rating:** Low / Significant **Anticipated date of attainment of the target risk rating:** Attained. **Source(s) of assurance regarding progress with mitigating the risk:** BCC achieved Public Services Network Certification to 29 April 2016. Any potential risk has been considerably reduced by decommissioning the majority of Windows XP devices on the BCC network. There remains a small number of devices (10) awaiting applications upgrades to Windows 7. This risk has been reduced by moving these devices to the DMZ and the approach has been accepted by the PSN assessors. Desktop Refresh Project Phase 2 reporting plus subsequent Service Birmingham projects, currently underway. The IT Helpline database has been locked-down to prevent ad hoc purchases outside of the desktop refresh programme. To cover exceptional circumstances users can complete a business case form and send it to the ICF Service Review mailbox for review, approval, rejection. There is now a defined BAU exceptions process. The only exception to this is when the request is for non- standard ICT devices. Non-standard requests will continue to follow the non-standard process. This has been agreed with Service Birmingham.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.24	54	Risk of fines from HRMC for Directorates employing long term consultants. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors	Low / Significant	**Lead Director comment:** Where a council appointed Managed Service Company (MSC) fails HMRC tests on employment status, there are potential fines related to tax and National Insurance avoidance. A new process and gateway for the engagement of off payroll 'Individuals' was approved by EMCB on 13th August 2013. In effect there are two gates, one within the Agency Gateway Team and the other within Corporate Procurement Services (CPS) and the Helpdesk, therefore the potential for officers to engage an individual incorrectly has been greatly reduced which in turn ensures compliance. Staff appear to be bypassing the gateway process that was established, exposing the City to the same risk as before. Alternative means of identifying non-compliance need to be established and more effective controls introduced.	**Target risk rating**: Low / Medium **Anticipated date of attainment of the target risk rating:** 30 September 2015. The date has been extended to reflect a re-launch of the required process in June to remind managers of their responsibilities. **Source(s) of assurance regarding progress with mitigating the risk:** The new process has been widely publicised to all Directorates and is available on People Solutions as well as Voyager. It has been embedded in to the procedures within Payroll and CPS. In addition CPS are in the process of arranging information events for officers to attend in order to gain further advice, guidance and support in order to minimise the Council's exposure to risk. A review is to commence January 2015 to establish how well the new consultancy engagement process is being utilised. This will inform the risk assessment of potential fines. Report will be available mid February 2015.
2015/16.25	47	Supply chain failure by reason of supplier withdrawal, liquidation or contract non-compliance. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors *Flagged for deletion*	Low / Medium	**Lead Director comment** CPS has developed a methodology that enables contract managers within CPS and directorates to fully and periodically assess and mitigate these risks. This has been developed in response to this risk and was supported by the findings of a Corporate Audit into this. Following identification of this risk, processes and procedures were developed and rolled out to key contract managers across the organisation, with supply chain risk assessments being completed by suppliers. The supply chain risk assessment process is now captured as an annual activity within the supplier annual reviews and the Council's contract management toolkit.	**Target risk rating:** Low / Medium **Anticipated date of attainment of the target risk rating:** Attained. CPS has been rolling this process out to Directorate Contract Managers via Centre's of Excellence (CoE) during FY2014/15. **Source(s) of assurance regarding progress with mitigating the risk**: Management assurance: High priority contracts have dedicated contract managers that monitor the organisation and any associated risk of supply chain failure.

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Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
					Tender strategy development and procurement processes assess financial stability and risk of potential organisations. This assessment is included in the procurement process. An audit was carried out on the Supply Chain Failure risk, and recommended that: a) Methodology be developed that can be shared with directorates to enable them to fully and periodically assess this risk (methodology is currently being developed); and b) CPS produce a guidance note for directorates on this and ensure they have any high risk areas captured on their individual risk registers (This will be developed once the methodology have been produced). CPS has presented these recommendations to the Place CoE and the People CoE.
2015/16.26	58	PSN resubmission. (Risk) Lead: Deputy Chief Executive, Economy Directorate *Risk reduced & flagged for deletion*	Medium / Low	**Lead Director comment** The Council has successfully retained its PSN submission till April 2016. Consideration should be given to removing this risk. A Service Birmingham project team has been convened to mitigate against the findings of the ITHC and work will continue The outstanding issue of Two Factor Authentication has been approved, and a project will be started to commence the work.	**Target Rating:** Medium / Low **Anticipated date of attainment of the target risk rating:** Attained. **Source(s) of assurance regarding progress with mitigating the risk:** Knowledge from previous submission.

Corporate Risk Register Update for Audit Committee July 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.27	40	Financial implications of failing to meet obligations regarding climate change and sustainability – carbon tax cost. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors *Flagged for deletion*	Low / Low	**Lead Director comment** Government has now issued the revised guidance on the Carbon Reduction Commitment (CRC) / Carbon tax. Key changes are (i) removal of schools from CRC w.e.f. 2014; and (ii) further review of CRC to take place in 2014. The financial implications of this were reported to EMCB (February 2013). This should improve matters as there is less scope for error and schools were poor at reporting their consumption figures. We have completed and submitted on time the Council's Carbon tax liability for the financial years 2010/11, 2011/12, 2012/13 and 2013/14. Registration for Phase 2 of the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) has been completed within the timeframe allowed. Main changes / implications are the omission of school data and the inclusion of street lighting and other unmetered supplies. Summary - We have made four submissions out of four without issue (and passed an Environment Agency Audit in 2011), giving a 100% success record. Based on this evidence the likelihood is <20% (25%) so needs to be reassigned as a Low Likelihood of Occurrence). The financial impact of failure to deliver would be a £40k fine - also low impact. The 2014/15 return is progressing normally. Based on this and the above we propose the risk should be removed.	**Target risk rating:** Medium / Medium **Anticipated date of attainment of the target risk rating:** Attained. **Source(s) of assurance regarding progress with mitigating the risk:** That an agreed business plan is in place based on the agreed six priorities from CMB (December 2012).
2015/16.28	56	Potential for disruption to council services due to the need to transition to a new Banking Services provider with effect from 1/4/2015. (Risk) Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors *Risk reduced & flagged for deletion*	Low / Low	**Lead Director comment** Barclays Bank was appointed as the Council's new banking services provider following a competitive tender exercise. The IT systems for the receipt of income, payment of creditors, staff salaries and making benefit payments were all updated including the operation of our treasury management and cash flow functions. Sites and services involved in the collection and banking of income or the management of petty cash accounts received new documentation. Schools staff attended two briefing sessions and received packs containing new paying-in books, cheque books and advice.	**Target risk rating:** Low / Low **Anticipated date of attainment of the target risk rating:** Attained. **Source(s) of assurance regarding progress with mitigating the risk:** Management assurance - procurement processes being followed. The Cabinet Member for Commissioning, Contracting and Improvement is involved in the process and Cabinet Reports have been submitted as required.

Removed Risks:

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
13	Succeed economically	Failure to progress with delivering against the Birmingham Prospectus.	Risk flagged for deletion by Development & Culture Directorate, this risk should now be picked up at the Directorate level due both to the progress of individual projects and the engagement which is now in place with public and private sector partners.	November 2008
10	Achieving excellence	Property Utilisation of Central Admin Buildings – failure to take full advantage of the opportunities arising from the Working for the Future (WFTF) Business Transformation Programme.	Merged with risk 3 regarding WFTF cross portfolio buildings, at request of Business Transformation Steering Group.	July 2008
7	Achieving excellence	Reduction in non-core budgets e.g. Working Neighbourhoods Fund Comprehensive Spending Review, grant regimes etc.	Risk flagged for deletion by Corporate Director of Resources. Will remain on Directorate Risk Register.	July 2008
19	Achieving excellence	Failure to deliver on the Executive Management Team's (EMT's) key supporting outcomes.	Risk flagged for deletion by Effectively Managed Corporate Business group – EMT's key supporting outcomes were identified in June 07 and are fully embedded within the Directorate Business Plans and monitoring of the Performance Plan. It is a duplication to have this as an issue in the Corporate Risk Register.	January 2008
22	Achieving excellence	Failure to meet the code of connection for Government Connect.	Risk flagged for deletion by the Corporate Director of Resources. Will be managed via ICF Risk Register.	March 2010
8	Succeed economically	Failure to co-ordinate / control all of BCC's Accountable Body roles and responsibilities.	This has improved and will continue to be monitored via the Resources risk register	July 2010
14a	Succeed economically	Failure to progress the Highways Public Finance Initiative (PFI).	The PFI contract was signed on 7 May 2010.	July 2010
15	Achieving excellence	Failure to achieve the efficiencies agreed in the budget round and plan for the efficiencies necessary for the next two years.	This has been incorporated into risk 28.	July 2010

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
16	Achieving excellence	Lack of compliance with and appropriateness of, corporate people management policies & procedures and national regulations.	The policies & procedures have been updated on People Solutions with the Excellence in People Management system, and compliance with them is covered in risk 18.	July 2010
17	Achieving excellence	Failure to act on the sustainability agenda.	This has been included by Directorates as business as usual now. It will continue to be monitored via the Development risk register.	July 2010
21	Succeed economically	Adverse impact of the economic downturn.	This has been included by Directorates as business as usual now. It will continue to be monitored via Directorate and Department risk registers.	July 2010
3	Succeed economically	Failure to progress the Cross portfolio elements of the Working For The Future (WFTF) programme.	This has been flagged for deletion by the Corporate Director of Resources as progress is being made on this and where there are problems with buildings this is covered in new risk 32 added November 2010.	November 2010
1c	Achieving excellence	Failure to implement the pay and grading review for **all** non-schools staff.	The pay and grading structure for has now been fully implemented and this is no longer a risk.	March 2011
6a	Achieving excellence	Failure to adopt the new working practices implemented through the EPM programme which in turn will impact on benefit delivery.	The new working practices have become business as usual. Benefits delivery is being monitored as part of risk 4.	March 2011
6b	Achieving excellence	Failure to achieve the IT infrastructure which allows all employees to access information electronically.	A full business case is being developed to achieve this. This is no longer a corporate risk and will be monitored through the Corporate Resources Directorate risk register.	March 2011
24	Achieving excellence	Failure to manage pay progression effectively.	The pay progression framework has been applied to Council managed staff and is no longer a risk. The pay progression issue regarding schools staff is covered in risk 1a and will also be monitored through CYP&F Directorate risk register.	March 2011
12	Make a contribution	Failure to engage and inform communities around the Council's approach to improving community cohesion.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and it has been delegated to the Strategic Directorate of Corporate Resources' risk register for continued management.	July 2011

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
18	Achieving excellence	Failure to implement recommendations made to improve internal control in the External Audit Annual Letter and by Internal Audit to help prevent fraud and error.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and the risk has been delegated to each Directorate to continue to manage.	July 2011
29	Achieving excellence	Failure to achieve progress against local priorities as stated in the Sustainable Community Strategy.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and the risk has been delegated to each Directorate to continue to manage.	July 2011
27	Succeed economically	Failure to put in place action plans and strategies to fully mitigate the effects of reductions in area based grants.	Merged with risk 28 “Need to meet the massive spending reductions over the three years from 2011/12” at request of Strategic Director of Corporate Resources.	December 2011
11	Enjoy a High Quality of Life	Failure to deliver Achieving Excellence with Communities.	The target risk level has been met. Cabinet Committee Achieving Excellence with Communities receives progress reports. The risk has been delegated to Homes and Neighbourhoods directorate to manage.	March 2012
33	Succeed Economically	Failure to adapt to Climate Change.	The target risk level has been exceeded and long term planning has now been put in place. This risk will continue to be managed by directorates.	March 2012
9	Public Service Excellence	Need for capacity to react promptly to and manage the significant workforce changes occurring.	The level of risk has reduced to the target level.	July 2012
31	Public Service Excellence	HRA Finance Reforms.	This is no longer a risk - the funding has been agreed and is included in the 2012/13 budgets.	July 2012
34	Enjoy a High Quality of Life	Independent Care Sector Fees.	The target level of risk has been attained. The risk will continue to be monitored by the Adults & Communities Directorate.	July 2012
38	Public Service Excellence	Failure to maintain infrastructure assets including responsibilities regarding protected listed buildings.	Merged with risk 32 and changed to: Shortage of capital and failure to take appropriate long term decisions to manage the property asset portfolio (by disposals and reinvestment of capital in the residual estate); including responsibilities regarding protected listed buildings, leading to escalating costs.	November 2012

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
39	Public Service Excellence	Shortfall in resources compared to projections from 2013/14 onwards as a result of the new system of local retention of business rates.	Merged with risk 28 and changed to: Need to plan appropriately for the on-going reduction in government grants resulting in a shortfall in resources compared to projections from 2013/14, particularly the significant potential reduction in resources from 2014/15, and avoid legal challenge.	November 2012
53	Public Service Excellence	Inadequate or ineffective corporate control of non-core IT spend.	Merged with risk 52 to become: Insufficient in-house IT expertise within Directorates & Inadequate or ineffective corporate control of non-core IT spend.	July 2013
5	Stay Safe	Safer recruitment.	Had been at target level of risk for over 12 months, will be managed locally in future.	July 2013
36	Public Service Excellence	Council Tax Rebate scheme.	The Council Tax Rebate scheme has been adopted by Full Council and was implemented with effect from 1/4/2013.	July 2013
49	Succeed Economically	Delivery of Business Charter for Social Responsibilities.	Cabinet reports and policies for Social Value: The Charter and Living Wage were approved by Cabinet in April 2013.	July 2013
43	Enjoy a High Quality of Life	Implications to BCC regarding decision making due to the provisions within the Localism Act and need to respond to community approaches under the Act.	This issue has been assessed as having met the target level of risk (Low likelihood and Medium impact) since May 2013. Corporate Resources and Development & Culture Directorates to continue to monitor locally.	November 2013
4	Public Service Excellence	Need to achieve the full benefits from the whole business transformation programme - including financial and non-financial benefits.	The risk has been fully mitigated and is assessed as being a low likelihood and low impact. The financial challenge going forward is covered within Risk 28 "On-going reduction in government grants resulting in a shortfall in resources compared to projections from 2013/14".	March 2014
1d	Public Service Excellence	Failure to successfully settle pay & grading and allowances equal pay claims.	The issues will be addressed within risks 1a - 1c & 44.	July 2014

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
26	Be Healthy	Failure to utilise resources well in jointly working with the NHS to reduce delayed discharges as measured by National Performance Indicator ASCOF2C.	No Birmingham hospitals are now fining the Council for delayed transfers of care activity, and Members are supportive of the progress made and sustained.	July 2014
48	Be Healthy	Delivery of new Public Health responsibilities.	All of the actions relating to the transition of Public Health have been actioned.	July 2014
20	A Prosperous City	Demonstration of benefits arising from Customer First.	All of the actions for 2014/15 are being put in place, ie: Launch of the new Housing Repairs functionality which was delayed from last year, re-design of the website, promotion of self service, improvements to online forms, etc.	November 2014
25	A Prosperous City	Production of timely & accurate IFRS Final Accounts.	The accounts were submitted on 30th June 2014.	November 2014
51	A Prosperous City	Service Birmingham support provided to the SAP HR and payroll system.	There has been significant progress against an agreed improvement plan and the service is now significantly more stable.	November 2014

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Director of Finance

Date of Meeting: 28th July 2015

Subject: 2014/15 ANNUAL GOVERNANCE STATEMENT

Wards Affected: All

1. Purpose of Report

The Annual Governance Statement (AGS) forms part of the Statement of Accounts for 2014/15 and reports on the Council's internal control regime.

Section 6 of the AGS includes 7 key issues for the Council which may impact on the organisation's governance arrangements.

2. Recommendations

2.1. To approve the Annual Governance Statement, which will be included in the 2014/15 Statement of Accounts.

2.2. To agree that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee in November 2015 and March 2016.

3. Background

3.1 Annual Governance Statement (AGS) has been developed as part of local government's response to the corporate governance agenda.

3.2 The AGS forms part of the Council's annual Statement of Accounts. The Statement of Accounts will be available, post audit, at the September meeting.

3.3 The significant issues raised in the Assurance Statement and audit processes are summarised in section 6 of the AGS. This section comments very broadly on the Council's achievement of its central objectives and external assessments, it raises issues arising from joint working with partners and refers to significant matters highlighted by the annual review of internal control.

4. Legal and Resource Implications

4.1 The AGS is a requirement of the Accounts and Audit Regulations 2011, regulation 4 (3) and meets the corporate governance best practice recommendations. There are no direct resource implications arising from this report.

5. Risk Management & Equality Impact Assessment Issues

5.1 The Statement forms part of the Council's risk management approach and the relevant issues are those considered in the attached schedule.

6. Compliance Issues

6.1 The AGS forms part of the statutory requirements for the Council's Annual Statement of Accounts.

6.2 The Council's continued improvement in responding to the issues referred to in the Statement will complement the development and delivery of the Future Council's objectives.

7. Recommendations

7.1 To approve the Annual Governance Statement, that will be included in the 2014/15 Statement of Accounts.

7.2 To agree that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee in November 2015 and March 2016.

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Jon Warlow – Director of Finance

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Annual Governance Statement 2014/15

1. **Scope of responsibility**

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

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

1.3. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available as part of the Council's Constitution on the website. This statement explains how the Council has complied with the code and also meets the requirements of *Accounts and Audit (England) Regulations 2011*, regulation 4 (3) which requires all relevant bodies to prepare an annual governance statement (AGS).

2. **The purpose of the governance framework**

2.1. Governance is about the Council ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4. The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The governance framework

3.1. The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

The Council's purpose and vision for Birmingham

3.2. In a Policy Statement to Council in July 2014, the Leader set out a core mission to "work together for a fair, prosperous and democratic city".

3.3. The Council Business Plan and Summary Budget 2015+ (The Plan) sets out the Council's priorities in terms of the Council's contribution to strategic outcomes as shown below:

Primary goal	Key Themes	Outcomes we seek
A Fair City	Safety	People are safe, especially the most vulnerable – from crime, violence and abuse.
	Health and wellbeing	Health and wellbeing, housing quality and life expectancy are at national levels for all. Older people are able to stay in their own homes and communities.
	Children and young people	Children are protected and young people are able to access opportunities regardless of background or special needs.
	Tackling poverty	Poverty amongst children and families is down to national averages – Birmingham has an ethical approach as a 'Living Wage City' and no social groups or local areas are blighted by extreme levels of unemployment and low incomes.
A Prosperous City	Learning, skills and local employment	People have the qualifications they need for work, including school leavers and the working age population. Young people are exposed to the world of work and career options. Skill levels are high and all young people are in employment, education or training. Everyone has access to the digital economy.
	Enterprise City	The economy is growing, business start-ups are the highest in the core cities and good jobs are being created.
	Infrastructure, development and Smart City	There is a sufficient affordable and low energy use housing supply to meet needs, provision for employment land and high levels of investment in transport and other infrastructure, including cycling and walking, digital technologies and district energy systems.
	A Green and sustainable City	Birmingham is more environmentally sustainable, with higher levels of recycling, lower energy use and cleaner neighbourhoods. There is a thriving green economy.
	Regional capital and reputation	The city fulfils its role as the regional capital and provides a quality of life that attracts more investors, visitors and also employees.
A Democratic City	Engagement, influence and contribution	Local people from all backgrounds are engaged in local democracy and have more influence on local decisions and localised services. Communities and individuals are able to make their contribution to the life of the city and governance is based on openness and transparency.
	A New Model of City Government	The government of the city will be transformed to match modern needs.
	Modern services that serve our citizens	Services work together, make use of new technologies and modern 'hub' facilities and are focused on 'whole people' and 'whole places'. Citizens, businesses and agencies can co-create new services

3.4. The Plan is updated each year and is available on the Council's web-site.

3.5. The Council has a strong public, third sector, and business engagement role. There is an established Partnership Toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets. A programme of review against these requirements is led by Overview and Scrutiny.

3.6. Working with partners, the Council assumes a strategic role for the Greater Birmingham area, working with the Local Enterprise Partnership (LEP) to develop collaborative solutions to common problems, and facilitating coherent programmes with regional and international partners to deliver an economic strategy for the city and region. LEP projects follow the Council's governance processes, managed and monitored through a Project Delivery Board, with regular reporting to the LEP Board by the LEP Champion.

3.7. The Plan articulates the strategic direction for the Council with a clear set of corporate priorities. These priorities have been informed by extensive consultation with the public and reflect the vision articulated in the Leader's Policy Statement 2014. Progress against these priorities is monitored through a set of Council Business Plan measures, which have been formally agreed by Cabinet following discussion with Members. Regular monitoring and quarterly reporting against these measures ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.

3.8. The Plan also includes a summary of high level actions for each Directorate to achieve the Council's priorities. These are supported in turn by more detailed Directorate and Service Plans which are also regularly monitored and reviewed against a set of performance indicators. However, the Kerslake report takes the view that the reductions so far have been too reactive and tactical. They need to be more strategic, transformational and underpinned by stronger analysis and makes the recommendation "BCC needs as a matter of urgency to develop a robust plan for how they are going to manage their finances up to 2018/19 without recourse to further additional funding from central Government". The Council is responding to this as a central part of its Future Council work.

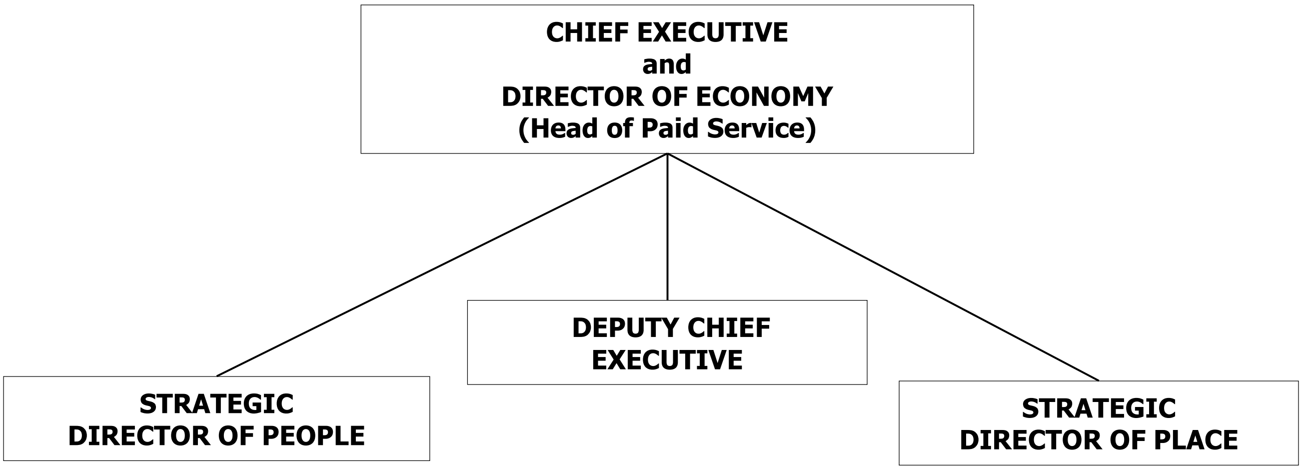
3.9. The Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. Achievement of value for money is central to the Plan and the Council's long term financial strategy.

Roles of Members and Officers

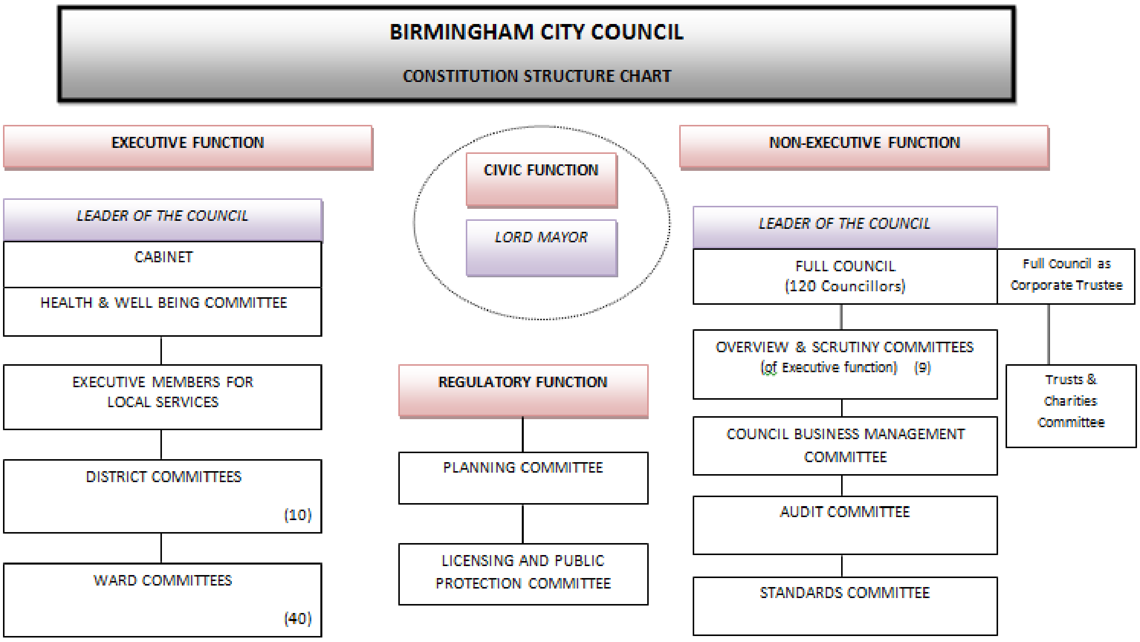
3.10. The Council's Constitution is codified into one document which is available on the intranet and the City's website. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice. The Constitution is reviewed annually by the Director of Legal and Democratic Services and any amendments are agreed at the Annual General Meeting. A revised and updated Constitution was agreed in May 2014. Further amendments were made during the year with the latest amendments made in March 2015. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee.

3.11. The Council operates within three Directorates, Economy, People and Place.

<u>Management Structure</u>



3.12. The Council facilitates policy and decision–making via an Executive Structure. There were nine members of Cabinet for the 2014/15 financial year: The Leader, Deputy Leader and seven specific Cabinet Member Portfolios based on a thematic structure. The Constitution Structure Chart is set out below:



3.13. Constitutional changes in May 2015 resulted in an eighth specific Cabinet Member Portfolio and revisions to the role of district committees and to the role and number of Overview and Scrutiny Committees.

3.14. The Council Business Management Committee (CBM) agrees the management of City Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters. The Constitution sets out the terms of reference for each of the Committees and includes a schedule of matters reserved for decision by Full Council.

3.15. CBM also oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBM submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.

3.16. The Council's Audit Committee provides independent assurance to the Council on financial management, risk management and control, and the effectiveness of the arrangements the Council has for these matters. The role of the Audit Committee includes active involvement in review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the annual accounts.

3.17. The Council's Constitution sets out the responsibilities of both Members and senior managers. In particular the Council has identified four statutory posts as follows:-

Head of Paid Service - Chief Executive
Chief Finance Officer - Director of Finance
Monitoring Officer - Director of Legal & Democratic Services
Scrutiny Officer - Head of Scrutiny Services

3.18. Protocols determining the roles of these officers and their relationship with Members and other Officers are set out. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Strategic Directors.

Financial Management Arrangements

3.19. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

Role of the Chief Financial Officer:

The Chief Finance Officer (CFO) is a key member of the Corporate Leadership Team (CLT), helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

The CFO is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy.

The CFO leads the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Director of Finance as the Council's CFO:

- leads and directs a finance function that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

Values and standards of conduct and behaviour

3.20. The Council has a Code of Conduct for Members and a Code of Conduct for Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received. All Council employees participate through work groups in developing actions based on these values which assist in ensuring effective service delivery and the development of the whole organisation.

Scrutiny, Accountability and Risk Management

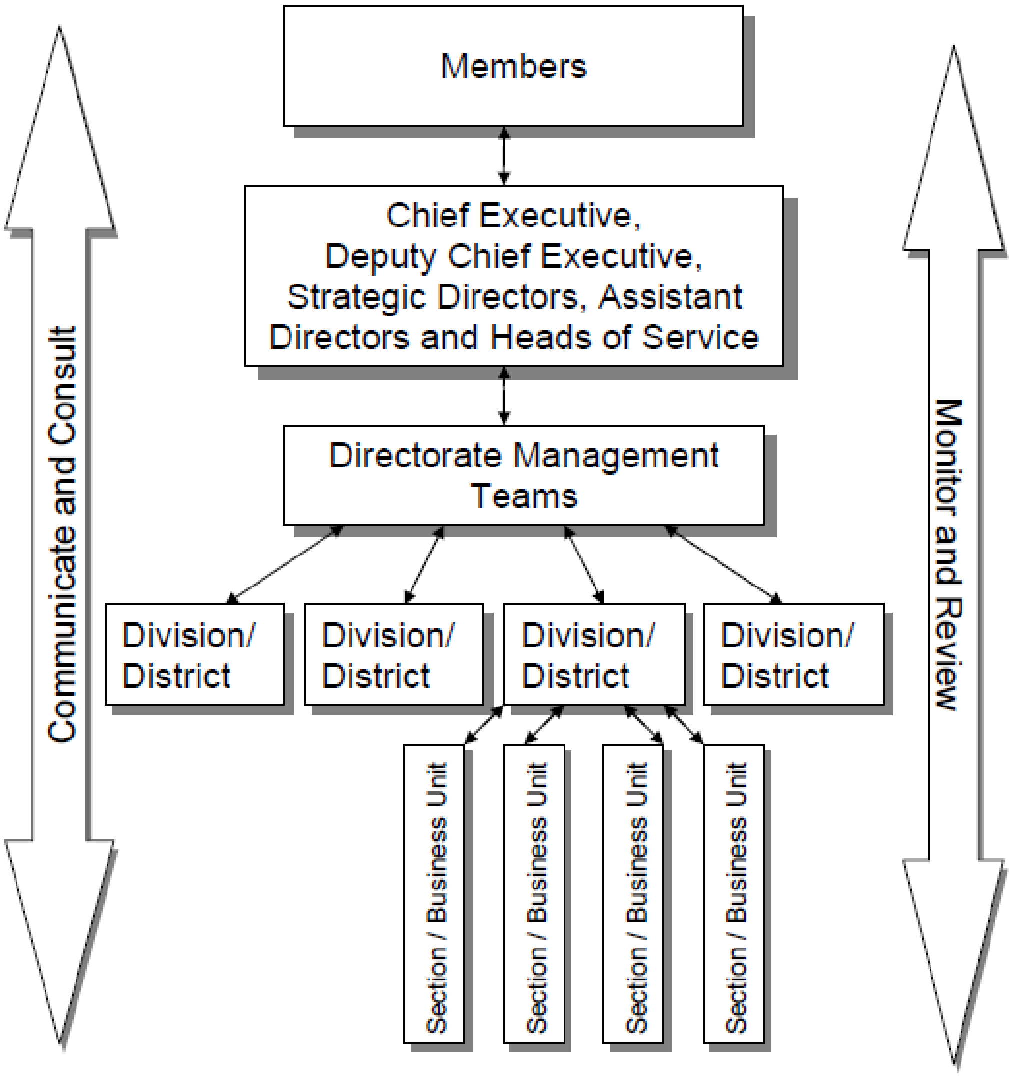
3.21. The Overview & Scrutiny Committees cover all Cabinet Member portfolios and the Districts collectively. All Executive decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.

3.22. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Complaints are actively tracked through the process and independently reviewed.

3.23. The Council ensures compliance with established policies, procedures, laws, and regulations – including risk management. For transparency, all reports to Cabinet, Cabinet Members and Districts are required to include governance information relating to: Council Policy, internal and external consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.

3.24. Risk management continues to be embedded within the Council. The following diagram illustrates how risk is managed:

Managing risk in Birmingham City Council



3.25. The revised Risk Management Policy, Strategy and Methodology have been placed on the Council's website, and advice and support is provided as requested - an example of this was the series of risk workshops ran in relation to the change in banking providers. The Council Business Plan 2015+ Budget Report and Resource Plan, includes a summary risk register which is supported by the Corporate Risk Register. The Corporate Risk Register is reviewed at the monthly Governance Group meetings and updated information regarding the management of the risks continues to be reported three times a year to the Audit Committee. The draft version is reviewed by the Effectively Managed Corporate Business (EMCB) Corporate Leadership Team sub-group. This provides challenge and is a forum for routine discussion of risks facing the Council. In addition business plans at directorate and divisional level include key risks.

3.26. Legal requirements and Council policy, together with guidance on their implementation, are set out in detail in the Policies, Standards, Procedures and Guidance database held on the Council's intranet for financial, Information Communications Technology and business procedures, and People Solutions for Human Resources policies and procedures. Directorates maintain detailed delegations and guidance on specific legislative requirements which affect their service delivery. The City Council has a strong Internal Audit function (Birmingham Audit) and well-established protocols for working with External Audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Capacity and Capability

3.27. The financial reductions facing the Council are impacting on workforce capacity and having a flexible, skilled and mobile workforce will be critical to enable the Council to effectively respond to increasing demand and reducing resources.

3.28. The Council has in place a strategy for facilitating the implementation of the Service Reviews including managing significant workforce reductions through redundancy and potentially outsourcing. This includes an organisational design tool kit, training and online tools for managers along with a team of trained HR professionals to support the most complex projects. In addition there are number of work streams focused on immediate performance priorities which include the improvement agenda in Children's Services, improving attendance across the Council and ensuring a robust framework for terms and conditions and pay are in place to eradicate any potential for further equal pay risks.

3.29. The Future Council sub programme, Forward: The Birmingham Way will work to provide a framework that will support the workforce to be the right people doing the right things in the right way.

3.30. There is a dedicated area of the intranet for Member issues and a newsletter, City Councillor, is produced and circulated by Democratic Services, by e-mail. This gives detail of legislation, training opportunities and other issues of importance to Members. Regular monthly "market places" and briefing sessions are held to keep Councillors up-to-date with Council Services or services provided by Partner Organisations. Group Offices encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative.

3.31. The Governance, Resources and Customer Services Overview and Scrutiny Committee carried out a review of Member training and a new approach to Member Development was agreed. The starting point for this approach was the May 2014 elections. A programme of training and development options including outlining the Council's services, the Members' Code of Conduct and

Council Governance, one to one sessions, legislative training and further development opportunities has been developed.

3.32. During 2014/15, the Personal Development and Review Process for all staff ensured that individual's targets were aligned with those of the organisation and enabled a consistent means of assessing and rewarding performance. It also provided a way of developing tailored training and development programmes for staff in a changing environment and managing the Council's system of competence based pay progression. The process has been reviewed for 2015/16 and the Council has launched the 'My Appraisal' process.

Engagement with the community and other stakeholders

3.33. The Council engages in a wide range of consultation and engagement activities to inform service delivery and decision making. These are summarised in an annual statement and on-line consultation database. The Council Business Plan 2015+ consultation process included consultation via online webcast question and answer sessions with Cabinet Members, consultation via post, mail, text and through the City's website, public meetings, community workshops, consultation with business representatives, delivery partners and third sector group; via a workshop for voluntary organisations organised in partnership with the Birmingham Voluntary Services Council, meetings with staff, Trade Unions and web chat sessions with the Leader of the Council.

3.34. Lord Kerslake's report identified that the council should facilitate the creation of a new independent Birmingham leadership group and that Birmingham City Council needed to redefine their partnership approach. The Council has been in discussions with an initial group of partners about the development of a City Partnership Group (CPG) – the form that this group could take, and the function that it should fulfil within the City. The Council and partners will be holding a series of engagement events over the summer of 2015 to gather views from a wider audience about how best to take forward the development of the City Partnership Group.

3.35. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council.

3.36. The Customer First programme and Communications Review ensures that clear channels of communication are in place with service users, citizens and stakeholders. The Council holds meetings in public wherever possible. Directorates have extensive programmes of consultation and engagement activity for specific services.

4. **Review of effectiveness**

4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Leadership Team within the Council who have responsibility for the development and maintenance of the governance environment, Birmingham Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local code of governance. The Council's review process uses the Key Roles and Core Principles included in this guidance and this Statement sets how the Council meets these roles and principles in its control and governance arrangements.

4.3. The Council has a well-developed methodology for annual governance review which is reviewed and updated each year. This requires each Directorate and Service area to produce an Assurance Statement to the Chief Executive highlighting significant governance issues to be brought to his attention and the control procedures and mechanisms the Directorates have in place.

4.4. The Council's review of the effectiveness of the system of internal control is informed by:

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

4.5. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The internal audit provision operates in accordance with the Public Sector Internal Audit Standards.

4.6. As in previous years the Birmingham Audit plan was compiled using professional judgement and a risking model to 'score' all potential 'auditable' areas. To meet the standards required there was a need to ensure sufficient coverage of the adequacy and effectiveness of systems of internal control in relation to financial control, risk management, corporate governance and an element for proactive and reactive fraud work.

4.7. The resulting work plan is discussed and agreed with the Strategic Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the City

Council and the Service Area. These are submitted to Members, Strategic Directors and service managers as appropriate.

4.8. From the work undertaken by Birmingham Audit in 2014/15 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: "I am able to provide reasonable assurance." In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts. As in any large organisation, Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Strategic Director or Senior Manager during the year. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to EMCB. The more significant of these are set out in the section entitled '**Significant governance issues 2014/15'** below.

4.9. The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews management progress against issues raised in the Annual Governance Statement and in implementing recommendations made in significant, high risk audit reports.

4.10. The Council's Governance, Resources and Customer Services Scrutiny Committee received reports on key control issues throughout 2014/15 including budgetary monitoring, risk issues including the Localisation of Council Tax Support and direct reports from The Leader and Deputy Leader.

4.11. The Council Plan is monitored through the Council Business Plan Measures on a quarterly basis both by the Executive and Overview and Scrutiny Committees. Directorate, Divisional, and Service unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.

4.12. The Director of Legal and Democratic Services advises that there were 46 whistleblowing complaints in the 2014/15 financial year. On 12th January 2015, a revised whistleblowing policy was implemented and members of the public as well as staff may now use the procedure. This has resulted in a greater number of complaints. Each complaint will be reviewed and investigated where appropriate.

5. Review of 2013/14 governance issues

5.1. During 2014/15, the significant 2013/14 governance issues were considered by Audit Committee in June, with updates in November 2014 and March 2015. In addition, this Committee received reports relating to the Corporate Risk Register, Final Accounts, Financial Resilience and organisational change issues.

5.2. Children's Safeguarding issues were considered by Cabinet and the Education and Vulnerable Children O&S Scrutiny Committee. The Educational and Vulnerable Children O&S Committee also considered issues raised within Lord Warner's Report and governance in schools.

5.3. Monthly Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports were considered by Cabinet.

5.4. Lord Kerslake's report reviewing governance arrangements within the Council was published on 9th December 2014. Action plans in response to the comments made were initiated between January and March 2015 and continue into 2015/16.

5.5. Ian Kershaw completed his review into the issues that related to the anonymous Trojan Horse letter in July 2014. The Council continues to act upon the recommendations made into this report and has reviewed the governance arrangements within schools and training for governors.

6. Significant governance issues 2014/15

6.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Corporate Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	Safeguarding children remains a priority. Work will include implementing action plans as a result of the review by Commissioner Lord Warner, producing a robust Business Plan for 2015/16 and future years and evaluating the strength of Senior Management arrangements. The Care Act 2014 sets out the legal requirements for adult safeguarding.	The Council has worked with the Children's Commissioner, Lord Warner, to produce a Children's Social Care Improvement Plan 2014-17 (published 7th July 2014) in order to take forward the key and fundamental changes that are urgently required to improve safeguarding and protection of children. Increased funding of £21.5m has been allocated in the 2015/16 financial year. The Care Act established the requirement to set up an independent Safeguarding Board for Adults. Arrangements are in place to work alongside the existing membership of the Birmingham Adults Safeguarding Board (BSAB) with a view to ensuring that local arrangements are compliant with the Care Act.

Issue No	Governance Issue	Mitigation Action / Proposed Action
2	The Council faces continued reducing resources. This poses challenges to the financial resilience of the Council, the potential for significant organisational upheaval as well as workforce reductions and compulsory redundancies. The Council's Business Plan sets medium term strategies for business changes, the management and development of its services and maintenance of its assets, and a specific plan over a period of up to 10 years. Given the Council is in the fifth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.	7 Member-led service reviews considered options for future service delivery in the light of corporate priorities, statutory duties, service performance standards and resources available. Recommendations from the reviews were considered as part of the Business Plan 2015+. In its future year's business planning, by focusing on the position at 2020/21 and changes required to meet the budgetary position at this time, the Council is able to ensure that sustainable plans are put in place for its services and its assets, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.
3	The risk of Equal Pay Claims remains significant and is being actively managed by a joint team from Legal Services and Human Resources. Financial resilience continues to be a focus for external auditors and increasing demands to evidence Going Concern.	The law in respect of equal pay is complex and has developed over the past 10 years. Any entitlement to compensation has to be justified in accordance with the legal position. Equal pay claims issued against the Council are subject to detailed analysis and robust legal challenge. The Council has sought to secure settlements that represented the best outcome for the taxpayer.
4	Lord Kerslake reviewed the governance arrangements of the City Council during 2014/15. The recommendations in the report are summarised as follows: • Appoint an independent improvement panel and draw up an improvement plan • Clarify roles and responsibilities between officers and members, develop a simplified planning framework, strengthen the	The Council's response is encompassed in the Future Council Programme. The Future Council Programme has six key parts which are referred to in the Independent Improvement Panel June 2015 report. These are: • **Whole Council** – this is the key building block for all of the work programmes and identifies the vision and values for the Council of the future – answering the "what

Issue No	Governance Issue	Mitigation Action / Proposed Action
	corporate centre and introduce a programme of culture change • Move to all out elections and undergo an Electoral Review • Develop a robust financial plan up to 2018/19 • Strengthen the HR function • Establish a new model for devolution • Facilitate the creation of a new independent leadership group • Redefine the council's partnership approach • Complete a combined authority governance review by July 2015 • Creation of a new partnership vehicle focussed on employment and skills The Independent Improvement Panel signed off the council's Year 1 Improvement Plan on 23 March 2015.	are we here for?" and the "how will we change?" questions • **Council Operating Model** – this focuses on developing an approach for how the Council will work in the future and the financial planning to underpin it • **Forward the Birmingham Way** – this looks at the changes we need to make to the workforce, and how we can work together better, both internally and with our partners • **Political Governance** - this focuses on the role of elected members in empowering communities and better connecting people to the design and delivery of local services • **Partnerships -** this creates an outward looking, inclusive approach to the way we operate that concentrates on the best interests of the city and those who live and work here • **Integrated Support Services** - this ensures that internal support services (e.g. HR, Finance, Performance, Policy etc.) work in an integrated, efficient way that serves the rest of the organisation and our customers and partners A West Midlands Combined Authority Launch Statement was issued on 6 July 2015.

Issue No	Governance Issue	Mitigation Action / Proposed Action
5	The Council is increasingly using or considering alternative delivery vehicles and innovative solutions in the delivery of Council services to facilitate the Future Council agenda. This includes the Council created wholly owned company, Acivico into which services such Building Cleaning, Birmingham City Laboratories and Civic Catering have been transferred. Other options may include: • The potential transfer of Specialist Care Services to a Mutually Owned Social Enterprise (MOSE) during 2015/16. • Outsourcing of services. • Commissioning services	Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases. The business cases are being developed with the full engagement of City Finance, Corporate Procurement, clients and third parties and will seek to address and gain agreement on issues such as income targets, surpluses and cost of transfer. Services should only transfer when there is a mutual benefit to both the Council and the third party
6	Sir Mike Tomlinson was appointed by the Secretary of state as Education Commissioner to oversee the Council's actions to address the fundamental criticisms in the Kershaw and Clarke reports. Sir Mike Tomlinson's review is on-going, however initial discussions and actions were brokered to ensure a strong future in Education.	Sir Mike Tomlinson's role will continue to 2016. Proposals have been brought forward on the role of the Birmingham Education Partnership (BEP) and how the Council will align with new roles for schools. Action is concentrated on completing the final shape of future partnership arrangements, and setting a commissioning plan showing how resources will be utilised to meet needs.
7	The risk of the Information Commissioners Office (ICO) imposing financial penalties for failure to comply with statutory obligations in responding to information requests under Freedom of Information (FOI) & Data Protection (DPA) legislation, or loss of significant personal or other sensitive data.	Strengthened procedures. All staff to be aware of their responsibilities to manage data effectively and be appropriately trained. Improved response rates to Subject Access Requests (SARs).

6.2. These matters are monitored through the Corporate Risk Register, Corporate Management Team and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.

6.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ………………………………
Councillor Sir Albert Bore
Leader of the Council

Signed …………………………..
Mark Rogers
Chief Executive
(& Head of Paid Service)

Signed ………………………………
Jon Warlow
Director of Finance
(& Chief Finance Officer)

Signed ………………………..
David Tatlow
Director of Legal and Democratic Services (& Monitoring Officer)

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**AUDIT COMMITTEE**
Report of:	**Director of Finance**
Date of Decision:	**28th July 2015**
SUBJECT:	**STATEMENT OF ACCOUNTS 2014/15**
Wards Affected: All	

1. Purpose of Report

1.1 This report presents the Council's draft Statement of Accounts for 2014/15 to Members for information. The Statement has been passed to Grant Thornton who have started their final accounts audit. The audited Statement of Accounts will be presented to the Audit Committee at the completion of their audit.

2. Decisions recommended:

2.1 To receive the draft Statement of Accounts 2014/15.

2.2 To approve the Accounting Policies at Note 1 of the Statement of Accounts

2.3 To note the arrangements for the audit of the accounts and for public inspection

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Telephone No: 0121 464 4667
E-mail address: martin.stevens@birmingham.gov.uk

Contact Officer: Sarah Dunlavey
Telephone No: 0121 675 8714
E-mail address: sarah.dunlavey@birmingham.gov.uk

3. Compliance Issues:

3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies:
The production of annual accounts is a statutory requirement for the Council.

3.2 Relevant Ward and other Members /Officers etc. consulted on this matter:
The Chairman of the Committee has been consulted.

3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The Statement of Accounts is a requirement of the Accounts and Audit Regulations 2011. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2014/15 which is based on International Financial Accounting Standards (IFRS).

Section 151 of the Local Government Act requires the Director of Finance (as responsible officer) to ensure proper administration of the City Council's financial affairs.

3.4 Will decision(s) be carried out within existing finances and resources?
Yes

3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
The issues raised in this report are largely of a technical financial nature. The Statement of Accounts includes the Annual Governance Statement which is subject to a separate report on this agenda.

4. Relevant background/chronology of key events:

4.1 The 2014/15 Accounts have been produced by the statutory deadline of 30th June 2015.

4.2 The City Council's Accounts for 2014/15 are open for public inspection for four weeks from 20th July 2015 to 14th August 2015. The date on or after which any local government elector may raise questions or make objections to the accounts with the District auditor would be 17th August 2015.

4.3 The audit of the accounts is expected to be completed by the end of September 2015.

4.4 Appendix 1 to this report is the Statement of Accounts 2014/15. The document includes the core statements and supplementary statements required by accounting standards and also contains an overview of the Council's financial performance for 2014/15.

Signatures :

Chief Officer: ………………………………………………………………

Dated: ………………………………………………………………

Draft Statement of Accounts 2014/15 Unaudited

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Foreword to the Accounts

1 Introduction

1.1 This document presents the statutory financial statements for Birmingham City Council for the period from 1 April 2014 to 31 March 2015. The financial statements have been prepared in accordance with the 2014/15 Code of Practice on Local Authority Accounting (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

2 Background to 2014/15

2.1 The Council has been the subject of a number of external reviews, which have included :

- The Le Grand safeguarding review
- The Kershaw and Clarke education reports
- The Lord Kerslake Governance Review of Birmingham City Council

2.2 The Council is also facing extraordinary financial pressures with savings of £112.9m required in 2015/16 and further savings of £253.3m required by 2017/18 as a consequence of the Government's policy of reducing public expenditure in order to assist in addressing the deficit in the national public finances and other pressures.

2.3 To meet these challenges the Council is creating one strategic change framework, the Future Council programme, by which it will oversee the necessary change identified whilst managing within the available resources. There are absolute timelines, some of which have been externally set that require the Council to deliver its planned outcomes at a significant pace.

2.4 The way the City Council will do this will be based on its vision of an inclusive City, seeking at all times to work for a better future for Birmingham and its citizens despite the difficult financial circumstances. The Policy Framework is based on the goals of:

- A Fair City
- A Prosperous City
- A Democratic City

2.5 Despite the pressures on the Council real achievements have been delivered during the year, including:

A Fair City

- Improvements in safeguarding services;
- Implementing priorities identified by the Community Safety, Police and Crime Board including actions on child sexual exploitation, domestic violence, youth violence, vulnerable people and business-related crime;
- Health and Wellbeing Plans for each District;
- Creation of a more effective and transparent housing allocation system;
- Establishment of the Child Poverty Commission to ensure that every child has the opportunity to fulfil their potential;
- Launch of the Birmingham Promise to provide fairness in public services.

A Prosperous City

- Agreement of the funding and implementation of Birmingham's Youth Promise;
- Support for the iCentrum development;
- Significant progress with the City Centre Enterprise Zone;
- Launch of Birmingham Connected, the Council's 20 year vision for the future transport in the city;
- Start on the redevelopment of Paradise Circus;
- Completion of a Council commissioned report on Birmingham's Blueprint for Low Carbon Refuelling Infrastructure;
- Continuing the lead of the Digbeth Social Enterprise Quarter Steering Group;
- Development of a Women's Enterprise Hub at the Southside Enterprise Centre.

A Democratic City

- Design and commencement of the Future Council programme that will transform the way the Council operates;
- Consultation on a Community Governance Review addressing the proposal for a town council in Sutton Coldfield and also reviewing local governance across the City;
- Development of the Standing Up for Birmingham campaign;
- Development of an innovative "Policy Community" of local and national community groups.

3 National Exhibition Centre Disposal

3.1 On 16 January 2015, the Council announced that it had entered into a binding agreement to sell The National Exhibition Centre Limited (NEC Ltd) to Lloyds Development Capital, the private equity arm of Lloyds Banking Group.

3.2 The sale agreed, involved a number of transactions, the key ones of which were:

- Disposal of the Council's interests in NEC Ltd
- The transfer of the on-going funding of the NEC defined benefit pension schemes being transferred to a wholly owned subsidiary of the Council
- The termination and resigning of existing lease agreements

3.3 The assets held in the Council's financial statements that are related to the disposal of the NEC have been categorised as Assets Held for Sale. Additional information has been included in the relevant notes for clarity.

3.4 The sale was completed on 1 May 2015.

4 The Financial Statements

4.1 The pages which follow contain the Council's Financial Statements for the year ended 31 March 2015, with comparative figures for the previous financial year, and comprise:

The Main Financial Statements

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

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

4.3 The Comprehensive Income and Expenditure Statement (CIES) – provides the accounting cost in year of delivering services, in a specified format, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or from rents for Council dwellings. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. Details of the Council's management accounts have been provided in the Financial Outturn Report to Cabinet on 29 June 2015, which is summarised in paragraph 6 below.

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

The 2014/15 CIES shows a reduction of £275.6m in the net cost of services compared to 2013/14, which is primarily as a result of:

- The continued reduction in net expenditure on services due to the tightening of public expenditure;
- The impact of local authority maintained schools converting to academies
- A reduction in the in-year contribution to the provision required for equal pay settlements.

4.4 Balance Sheet – shows the value of assets and liabilities recognised by the Council at 31 March 2015 and the level of reserves, split between usable, that is those that may be used to provide services, and unusable, that is those that may not be used to provide services. Unusable reserves include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were to be sold and reserves that hold timing differences.

The net liability has increased to £1,165.6m, mainly as a result of the increase in the net liability on defined benefit pension schemes of £489.0m, further details of which are set out Notes 10,11 and 12. The Council is addressing the liability in accordance with external requirements and its accounting policies, over both the medium and longer term.

Notwithstanding the net liability position, the Council can continue to meet its financial commitments as they occur via the delivery of its financial strategy and achievement of its budget as set out in the Council's Business Plan 2015+.

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

Supplementary Statements

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

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

Group Accounts

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

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

Associates
Birmingham Airport Holdings Limited
Service Birmingham Limited

4.9 The Council also operates through or in conjunction with a number of organisations where the level of activity is not considered material to the overall Group accounts. Details of these organisations are set out in Note 48, Related Parties.

5 Accountable Body Roles

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

6 Summary of the Council's Financial Performance for the year ended 31 March 2015

6.1 Revenue Expenditure

6.1.1 The Council's revenue and capital budgets are allocated between three directorates with some other budgets being managed corporately. Spending against these budgets is carefully monitored throughout the year and reported to Cabinet monthly. The year-end outturn position was reported to Cabinet on 29 June 2015.

6.1.2 Following net appropriations to reserves of £3.2m the Directorate net underspend was £0.3m. The table below gives a summary of the General Fund year-end outturn variation by Directorate.

Directorate	Outturn Variation over/(under) spend	Year-end Transfers to/(from) reserves			In Year Variation (to)/from balances
		Grant	Other	Total	
	£m	£m	£m	£m	£m
People Directorate	**3.464**	**3.938**	**(7.452)**	**(3.514)**	**(0.050)**
Economy Directorate	**(4.609)**	**2.223**	**2.141**	**4.364**	**(0.245)**
Place Directorate					
Place Directorate (excluding District Services)	(2.036)	2.063	(0.047)	2.016	(0.020)
District Services	(0.357)	-	0.357	0.357	-
Sub-total Place Directorate	**(2.393)**	**2.063**	**0.310**	**2.373**	**(0.020)**
Total Directorate Expenditure	**(3.538)**	**8.224**	**(5.001)**	**3.223**	**(0.315)**
Less Transfer from School Balances			8.915		
Directorate Total Excluding School Balances			**3.914**		

6.1.3 A net underspending of £5.5m on corporate accounts has been carried forward as part of balances and will be used to mitigate future savings and/or deliver the transformational change of the Council.

6.2 Capital Expenditure

6.2.1 Total reported expenditure on Directorate capital schemes in 2014/15 was £400.8m (2013/14: £262.3m), compared to the revised capital budget of £485.9m (2013/14: £510.7m). The reported variance of £85.1m is mainly as a result of delays in expenditure on a number of capital schemes (£97.1m). Details of this slippage are given in the Council's Capital Outturn report for 2014/15. It should be noted that no Council resources were lost as a result of the slippage as the resources and planned expenditure will be "rolled forward" into future years.

Directorate	Capital Revised Budget	Capital Outturn	Capital Variance
	£m	£m	£m
People Directorate	54.6	53.6	(1.0)
Economy Directorate	252.1	182.0	(70.1)
Place Directorate	179.2	165.2	(14.0)
Total Directorate Capital Expenditure	**485.9**	**400.8**	**(85.1)**
PFI and Finance Lease Assets		50.6	
Total Capital Expenditure		**451.4**	

6.3 Material Assets Acquired

6.3.1 During the year, work was completed on the refurbishment of the National Indoor Arena whilst a number of major projects have progressed, including New Street Station (Gateway) and Grand Central redevelopments and Housing improvements and redevelopments.

6.4 Capital Financing

6.4.1 The financing arrangements in respect of capital expenditure in 2014/15 are summarised below:

Financing Method	**£m**
Borrowing	148.1
Government Grants	94.7
Other Grants and Contributions	28.6
Use of Capital Receipts – HRA	17.7
Use of Revenue Resources – HRA	97.6
Use of Revenue Resources – General Fund	14.1
PFI and Finance Leases	50.6
Total Financing	**451.4**

6.4.2 During the financial year ended 31 March 2015, the Council took £45.7m of long term loans. The Council also maintained a significant short term loan debt portfolio during the year, taking advantage of historically low short term interest rates. Total debt remained within the Council's authorised limit.

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

6.5 Service Concession Arrangements and Similar Contracts

6.5.1 The Council has entered into a number of Service Concession arrangements, formerly classed as Private Finance Initiatives and similar contracts across Schools, Waste Management and Highways services to deliver improvements in infrastructure and future service delivery. As a result of the schemes, the Council has a future liability to the end of the contracts of £469.6m as at 31 March 2015.

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

6.6 Pension Liabilities

6.6.1 For the Local Government Pension Scheme, there is currently a net pension liability that is reviewed periodically by the West Midlands Metropolitan Authorities Pension Fund Actuary. The Council's share of the total pension shortfall is £2,293.6m at 31 March 2015. Whilst the figure is substantial it should be noted that:

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

- There is a 21 year recovery plan which has been built into the Council's financial plans;

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

6.6.2 Nevertheless, addressing the pension deficit represents a significant financial issue for the Council.

6.7 Provisions

Equal Pay

6.7.1 The Council has continued to receive claims in respect of the Equal Pay Act 1970 up to the sign off of these financial statements and has, as a result, made provision in its accounts for these potential future liabilities. The Council has continued to negotiate with claimants' representatives and settle where it is recognised that a claim would be successful. These accounts include the expected costs of settlement for claims received up to 31 March 2015.

National Non Domestic Rates

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

6.7.3 The Council, as Billing Authority, is required to make a provision for this liability. The financial statements include a provision to cover the Council's share of the estimated liability for the settlement of all appeals received up to 31 March 2015 but which remained unsettled. However, regulations permit local authorities to spread the impact over a period of 5 years up to 2017/18. A share of the liability is attributable to Central Government and the West Midlands Fire and Rescue Authority.

6.8 Reserves

6.8.1 The Council maintains two types of reserves:

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

6.8.2 Details of the reserves are set out below. The reserves as at 31 March 2014 have been restated to reflect the prior period adjustments in respect of accounting for schools as detailed in paragraph 7 below.

	31 March 2014 (Restated)	31 March 2015
	£m	£m
Usable Reserves	653.0	626.0
Unusable Reserves	(1,321.2)	(1,791.6)
Total	**(668.2)**	**(1,165.6)**

6.8.3 Taking the usable and unusable reserves together the Council's net liabilities at 31 March 2015 have increased by £497.4m to £1,165.6m. The increase in net liabilities is primarily due to the increase in liabilities for pensions that will mainly fall due over the medium to longer term and due to the transfer of 13 schools to Academy status. Details of the pension liabilities are set out in Notes 10,11 and 12 to these financial statements.

6.8.4 The Council has included financial assumptions for resourcing these liabilities in its long term financial plan, Business Plan 2015+.

7 Changes in Accounting Policy

Adoption of Accounting Standards

7.1 Accounting standards have been adopted for the first time in respect of:

- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities

7.2 The major impact in respect of the above changes, has been the consideration of accounting for local authority maintained schools, which the Council has previously consolidated into its entity accounts. Local authority maintained schools are considered to be entities where the balance of control lies with the Council and therefore the transactions in respect of the income and expenditure and the assets and liabilities of these schools falls within the Council boundary for consolidation purposes. The guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) requires that school transactions should be reported within the Council's entity financial statements rather than through consolidation in the Council's Group Accounts. This is consistent with the treatment of local authority maintained schools in the Council's accounts in previous years and there is, therefore, no change in the Council's accounting arrangements.

7.3 The Council has reviewed its collaborative activities with other third party organisations and determined that the implementation of these accounting standards has not impacted on the Council's financial statements, although additional disclosures have been made to ensure clarity for the readers of the accounts.

Accounting for Schools' Non-Current Assets

7.4 In light of the adoption of the accounting standards and the guidance from CIPFA, the Council has also reviewed its accounting policy in respect of non-current assets in local authority maintained schools. Historically, the Council has included the values associated with building assets for all local authority maintained schools in its financial statements but only included the associated land for community schools. The land for Voluntary Controlled (VC), Voluntary Aided (VA) and Foundation schools has not been consolidated into the Council's entity accounts. However, after reviewing the control arrangements of schools and the controls around the use of land and buildings by schools, the Council has determined that it benefits from the service potential of the assets and therefore, should include the land assets in its financial statements for all schools. The impact of this change in accounting policy is set out in Note 5, Prior Period Adjustments.

8 Future Revenue and Capital Expenditure Plans

8.1 National announcements indicate that there will continue to be a need to make a significant level of further savings in future years until 2019/20, although there is some uncertainty about the scale and timing of these reductions. Following the Summer Budget it is anticipated that further information will be available in the Spending Review expected in the autumn.

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

8.3 However, the Council has recognised that the need to make such large on-going savings requires a different approach to be adopted for 2016/17 onwards, through the Future Council Programme , involving a fundamental review of the role of the Council in meeting the needs of customers, and embracing joint working both across Council directorates and with partners.

8.4 The Council's key capital priorities are addressed through the three-year capital programme, totalling £1,046m in the Business Plan 2015+. The Council continues to pursue major initiatives taking advantage of the availability of external capital resources, with the programme including £246m of Government grants and other external contributions. The programme also incorporates borrowing proposals set out in the approved Enterprise Zone Investment Plan, the cost of which will be supported from projected business rates growth in the Enterprise Zone area.

8.5 Full details of the 2015/16 Revenue and Capital Budgets can be found within the Business Plan 2015+ approved by Council on 3 March 2015, via www.birmingham.gov.uk

CORE FINANCIAL STATEMENTS 2014/15

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves. The detail for 2013/14 has been restated to reflect the impact of changes in accounting for schools, set out in Note 5, Prior Period Adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 31 March 2013 (Restated)	**26.9**	**259.3**	**2.4**	**46.4**	**52.0**	**128.9**	**515.9**	**(1,477.4)**	**(961.5)**
Movement in Reserves during 2013/14									
Surplus/(Deficit) on the provision of services	(391.8)		33.2				**(358.6)**		**(358.6)**
Other Comprehensive Income and Expenditure							**-**	651.9	**651.9**
Total Comprehensive Income and Expenditure	**(391.8)**	**-**	**33.2**	**-**	**-**	**-**	**(358.6)**	**651.9**	**293.3**
Adjustments between accounting basis and funding basis under regulations (Note 7)	539.7	-	(31.2)	(18.9)	(7.4)	13.5	**495.7**	(495.7)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**147.9**	**-**	**2.0**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**156.2**	**293.3**
Transfers to/(from) Earmarked Reserves (Note 8)	(89.0)	89.0					**-**		**-**
Increase/Decrease in 2013/14	**58.9**	**89.0**	**2.0**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**156.2**	**293.3**
Balance at 31 March 2014	**85.8**	**348.3**	**4.4**	**27.5**	**44.6**	**142.4**	**653.0**	**(1,321.2)**	**(668.2)**
Movement in Reserves during 2014/15									
Surplus/(Deficit) on the provision of services	(136.4)		65.4				**(71.0)**		**(71.0)**
Other Comprehensive Income and Expenditure							**-**	(426.3)	**(426.3)**
Total Comprehensive Income and Expenditure	**(136.4)**	**-**	**65.4**	**-**	**-**	**-**	**(71.0)**	**(426.3)**	**(497.3)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	187.6		(65.3)	(11.2)	(28.8)	(38.3)	**44.0**	(44.1)	**(0.1)**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**51.2**	**-**	**0.1**	**(11.2)**	**(28.8)**	**(38.3)**	**(27.0)**	**(470.4)**	**(497.4)**
Transfers to/(from) Earmarked Reserves (Note 8)	0.8	(0.8)					**-**		**-**
Increase/Decrease in 2014/15	**52.0**	**(0.8)**	**0.1**	**(11.2)**	**(28.8)**	**(38.3)**	**(27.0)**	**(470.4)**	**(497.4)**
Balance at 31 March 2015	**137.8**	**347.5**	**4.5**	**16.3**	**15.8**	**104.1**	**626.0**	**(1,791.6)**	**(1,165.6)**

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The detail for 2013/14 has been restated to reflect the impact of the changes arising from the changes in accounting for schools and the changes in respect of pension cost allocation and trading accounts set out in Note 5, Prior Period Adjustments.

2013/14 (Restated)					2014/15		
Gross Expenditure £m	Gross Income £m	Net Expenditure £m	**Continuing Operations**	Note	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
24.1	(20.5)	3.6	Central services to the public		20.1	(13.5)	6.6
185.7	(49.9)	135.8	Cultural and Related Services		185.1	(33.1)	152.0
123.4	(33.8)	89.6	Environmental and Regulatory Services		105.1	(44.2)	60.9
74.1	(57.0)	17.1	Planning Services		68.3	(62.1)	6.2
1,381.3	(952.5)	428.8	Children's and Education Services		1,178.7	(900.1)	278.6
173.3	(40.9)	132.4	Highways and Transport Services		135.2	(33.1)	102.1
191.3	(280.6)	(89.3)	Housing Revenue Account (Local Authority Housing)		182.8	(289.1)	(106.3)
667.2	(571.7)	95.5	Housing General Fund		641.2	(571.1)	70.1
400.6	(82.7)	317.9	Adult Social Care		374.2	(96.7)	277.5
71.3	(79.6)	(8.3)	Public Health		73.4	(81.9)	(8.5)
46.5	(6.2)	40.3	Corporate and Democratic Core		(2.1)	(2.2)	(4.3)
(6.5)	-	(6.5)	Non Distributed Costs		46.4	-	46.4
3,332.3	**(2,175.4)**	**1,156.9**	**Total Cost Of Services**		**3,008.4**	**(2,127.1)**	**881.3**
220.4		220.4	Other Operating Expenditure	14	137.5		137.5
323.2	(91.7)	231.5	Financing and Investment Income and Expenditure	15	324.7	(86.5)	238.2
16.8	(1,267.1)	(1,250.3)	Taxation and Non-Specific Grant Income	16	5.4	(1,191.4)	(1,186.0)
		358.5	**(Surplus) / Deficit on Provision of Services**				**71.0**
			Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(285.5)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	21 & 22			(116.1)
		91.8	Impairment losses on non-current assets charged to the revaluation reserve	21 & 22			124.2
		(457.8)	Remeasurement of the net defined benefit liability	12			423.1
		(651.5)					**431.2**
			Items that may be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(0.4)	(Surplus) / deficit on revaluation of available for sale financial assets				(4.9)
		(0.4)					**(4.9)**
		(651.9)	**Other Comprehensive (Income) / Expenditure**				**426.3**
		(293.4)	**Total Comprehensive (Income) / Expenditure**				**497.3**

Exceptional Items

A major reason for the reduction in the Cost of Services is the sum included as a provision for potential liabilities under Equal Pay legislation, £7.9m in 2014/15 (2013/14: £95.8m). Further details of the provision are given in Note 32. The impact of this provision is reversed out through the Movement in Reserves Statement so that it does not fall as a charge to Council Tax until payment is made.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Balance Sheet has been restated for 2012/13 and 2013/14 to reflect the impact in the changes in accounting for local authority maintained schools, set out in Note 5, Prior Period Adjustments.

01 April 2013 (Restated)	31 March 2014 (Restated)		Note	31 March 2015
£m	£m			£m
4,908.0	4,856.8	Property, Plant and Equipment	21	4,822.4
245.3	245.7	Heritage Assets	22	246.1
-	-	Investment Property	21	10.8
43.6	49.3	Intangible Assets	23	28.4
268.2	257.0	Long Term Investments	24	32.1
70.8	77.1	Long Term Debtors	25	77.6
5,535.9	**5,485.9**	**Total Long Term Assets**		**5,217.4**
103.0	83.0	Short Term Investments	26	73.8
14.8	11.8	Assets Held for Sale	27	265.7
1.3	1.0	Inventories		1.0
243.9	228.4	Short Term Debtors	28	308.4
70.8	44.0	Cash and Cash Equivalents	29	37.7
433.8	**368.2**	**Total Current Assets**		**686.6**
(72.7)	(24.6)	Cash and Cash Equivalents	29	(22.1)
(466.2)	(569.8)	Short Term Borrowing	34	(603.8)
(283.0)	(290.0)	Short Term Creditors	30	(342.6)
(145.4)	(191.5)	Provisions	32	(332.5)
(967.3)	**(1,075.9)**	**Total Current Liabilities**		**(1,301.0)**
-	-	Long Term Creditors	31	(13.6)
(555.7)	(482.3)	Provisions	32	(265.5)
(2,787.2)	(2,646.2)	Long Term Borrowing	34	(2,668.0)
(437.2)	(513.3)	Other Long Term Liabilities	39	(527.9)
(2,183.7)	(1,804.6)	Net liability on defined benefit pension scheme	12	(2,293.6)
(5,963.8)	**(5,446.4)**	**Total Long Term Liabilities**		**(5,768.6)**
(961.4)	**(668.2)**	**Net Assets**		**(1,165.6)**
516.1	653.0	Usable Reserves	9	626.0
(1,477.5)	(1,321.2)	Unusable Reserves	10	(1,791.6)
(961.4)	**(668.2)**	**Total Reserves**		**(1,165.6)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The detail for 2013/14 have been restated to reflect the impact of the changes in accounting for schools set out in Note 5, Prior Period Adjustments.

2013/14 (Restated) £m		Note	2014/15 £m
(358.5)	Net Surplus/(Deficit) on the provision of services		(71.0)
636.3	Adjustments to net Surplus/Deficit on the provision of services for non cash movements		362.1
(138.0)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities		(122.7)
139.8	**Net cash flows from Operating Activities**	**35**	**168.4**
(149.7)	Investing Activities	36	(263.8)
31.2	Financing Activities	37	91.6
21.3	**Net increase/(decrease) in cash and cash equivalents**		**(3.8)**
(1.9)	Cash and cash equivalents at the beginning of the reporting period		19.4
19.4	**Cash and cash equivalents at the end of the reporting period**	**29**	**15.6**

Note 1
Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Accounts and Audit (England) Regulations 2011, requires the Council to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

The Council has adopted a general de minimis level for accruals of £5,000. Debtors and creditors below this level are not included in the accounting statements, with the exception of items relating to:

- Statutory accounts, for example, The Collection Fund, Precepts;
- Grants received by the Council that are conditional on expenditure within the year;

- Activity with bodies that will be consolidated within the entity or within the Group Accounts;
- Activity that in aggregate would be material to a specific service, for example, external residential care costs.

This is intended to improve the efficiency of the final accounts process in order that earlier close down deadlines can be achieved.

iii. Exceptional Items

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

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

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

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

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

v. Employee Benefits

Benefits Payable During Employment

<u>Short Term Benefits</u>

Short term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits, for example cars, for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of annual leave entitlements (or any other form of leave, for example time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the leave absence occurs.

Other Long Term Benefits

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

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

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

Termination Benefits

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

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

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

Post-Employment Benefits

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

- The Local Government Pension Scheme, administered by the West Midlands Pension Fund offices at Wolverhampton City Council;
- The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The NHS Pensions Scheme, administered by NHS Pensions.

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

The arrangements for the Teachers' Pension Scheme and the NHS Pensions Scheme mean liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are, therefore, accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement, the Children's and Education Services and the Public Health lines are charged with the employer's contributions payable to the Teachers' Pension Scheme and NHS Pensions Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the West Midlands Local Government Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% based on the indicative rate of return on AA rated corporate bond yields;
- The assets of the West Midlands Local Government Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price,
    - unquoted securities – professional estimate,
    - unitised securities – current bid price,
    - property – market value.

- The change in the net pensions liability is analysed into the following elements:

  Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked,
    - past service cost – the increase in liabilities arising from current year decisions whose effect related to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure as part of Non Distributed Costs,
    - net interest on the net defined benefit liability/(asset), that is the net interest expense for the Council – the change during the reporting period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments.

  Re-measurements comprising:
    - re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure,
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

  Contributions paid to the West Midlands Local Government Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund arising from the requirement to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers and public health employees, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vi. Revenue Expenditure Funded from Capital under Statute

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

vii. Charges to revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

viii. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution are considered more likely than not to be satisfied in the future. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

ix. Overheads and Support Services

The costs of overheads and support services are charged to those activities that benefit from the supply or service in accordance with the costing principles of SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

x. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The Council capitalises borrowing costs incurred whilst material assets are under construction. Material assets are considered to be those where total planned (multi-year) borrowing for a single asset (including land and building components) exceeds £20m, and where there is a 'substantial period of time' from the first capital expenditure financed from borrowing until the asset is ready to be brought into use. A substantial period of time is considered to mean in excess of two years. Both these tests will be determined using estimated figures at the time of preparing the accounts in the first year of capitalisation. Should either test be failed in subsequent financial years, the prior year's treatment will not be adjusted retrospectively.

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

From 1 April 2010 all additions and all material assets revalued (over £5m) are accounted for on a component basis. As components are added, any component being replaced is derecognised. On derecognising components where the component is within a non separated component bundle, the depreciation is apportioned on a straight line basis and derecognised accordingly. In addition, where the historic cost of the old component is not readily determinable, it has been estimated by comparing the remaining useful economic life of the component to the original useful economic life and the cost of the replacement component. A pro rata of both the depreciation and any applicable Revaluation Reserve is also derecognised.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- where cleared land has been designated for social housing use, that land is valued using the basis of EUV-SH;
- all other assets – fair value, determined as the price that would be received to sell an asset in an orderly transaction between market participants at the Balance Sheet date.

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are evaluated separately.

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, the accounting treatment is:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance;
- where there is insufficient balance, the carrying amount of the asset is written down firstly against the Revaluation Reserve and the remaining amount against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

Where impairment losses are identified, the accounting treatment is:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance;
- where there is insufficient balance, the carrying amount of the asset is written down firstly against the Revaluation Reserve and the remaining amount against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

Useful Life

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost and life is significant in relation to the total cost and life of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less the cost of sale. Where there is a subsequent decrease to fair value less the cost of sale, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus/Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

Amounts received from a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (for 2014/15, 75% of the receipt net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance through the Movement in Reserves Statement.

xi. Heritage Assets

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

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

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

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

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

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

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

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

xiii. Investment Properties

Investment properties are those that are held by the Council solely to earn rentals and/or for capital appreciation. An asset does not meet the definition of being an investment property if it is used in any way to facilitate the delivery of services, for the production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms' length. Investment properties are not depreciated but are revalued annually based on market conditions at the year-end. Gains/losses on revaluation are posted to Financing Income and Expenditure in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to Financing Investment Income in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains/losses are not permitted by statutory arrangements on the General Fund Balance and are therefore reversed out through the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, to the Capital Receipts Reserve.

Whilst discharging its role the Council works to ensure that the stewardship of all property assets is such that they are managed in a way that is economic, efficient and effective. The Council has a site that meets the definition of 'Investment Properties'.

The Council has a number of lease arrangements with subsidiary companies that are not treated as investment properties in line with *IAS 40, Investment Property*.

xiv. Service Concession Arrangements

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

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

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

The amounts payable to the contractor each year are analysed into five elements:

- fair value of the services procured during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- payment towards liability – applied to write down the Balance Sheet liability towards the contractor;

- lifecycle replacement costs – usually recognised as an addition to Property, Plant and Equipment when the relevant works are carried out in line with the operator's model spending profiles.

xv. Leases

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

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

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

The Council as Lessee

<u>Finance Leases</u>

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain/loss on disposal, matched by a lease (long term debtor) asset in the Balance Sheet

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor; and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to impact the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve through the Movement in Reserves Statement. Where the amount due in relation to the lease asset is settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve through the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance through the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi. Interests in Companies and Other Entities

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

xvii. Accounting for Schools

Local authority maintained schools, in line with relevant accounting standards and the Code, are considered to be separate entities with the balance of control lying with the Council. As such the Council should consolidate the activities of schools into its group accounts. However, the Code requires that the income, expenditure, assets and liabilities of maintained schools be accounted for in local authority entity accounts rather than requiring the preparation of group accounts.

The Council has the following types of maintained schools under its control:

- Community schools
- Voluntary Controlled schools
- Voluntary Aided schools
- Foundation schools

Given the nature of the control of the entities and the control of the service potential from the non-current assets of the maintained schools, the Council has recognised land, buildings and other non-current assets on its balance sheet.

The Code includes transitional provisions where non-current assets are recognised for the first time as a result of a change in accounting policy arising from a revision to accounting for schools. Under the transitional rules, non-current assets recognised for the first time should be accounted for at their 1 April 2013 valuation at "deemed cost" with the credit entry recognised in the Capital Adjustment Account. The Code does not recognise the need for identification of any historic valuation movements prior to 1 April 2013.

Academies and Free Schools are not considered to be controlled by the Council and are not consolidated into the entity or group accounts.

xviii. Financial Instruments

Financial Liabilities

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

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

However, the Birmingham City Council 2030 bonds, issued in exchange for NEC loan stock in 2005, were issued at a fair value in excess of the principal repayable. Interest is being charged on an amortised cost accounting basis, which writes the value down to zero at maturity.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

Available-for-Sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at cost. Where a fair value of those assets that do not form part of the Group Accounts can be determined the carrying value of the asset is adjusted to the fair value. Where a fair value cannot be measured reliably, the asset is carried at cost less any impairment losses. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Where it is possible to determine a fair value of an asset, they are based on:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market price – appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserves and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains/losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available-for-Sale Reserve.

Instruments Entered Into Before 1 April 2006

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

xix. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, which must be repayable immediately without penalty. Any deposits with financial institutions that may be repaid after the immediate day are considered to be investments, not cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand, where there are pooling arrangements across the accounts with the same institution, and form an integral part of the Council's cash management.

xx. Inventories and Long Term Contracts

Inventories are included on the balance sheet at the latest price. This valuation method does not comply with 'IAS 2 Inventories' which requires stocks to be valued at the lower of cost and net realisable value. However the effect of this is not considered material to the accounts. For trading activities the amount recognised in the appropriate revenue accounts for contract work in progress is the payments received and receivable, less related costs. The amount at which contract work in progress is included in the balance sheet is cost plus any attributable profit, less any foreseeable losses.

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Equal Pay Claims

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance through the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

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

xxiii. Council Tax and National Non-Domestic Rates

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

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

- While the Council Tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is the Council's demand on the Fund for that year, plus/(less) the Council's share of any surplus/(deficit) on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

xxiv. Business Improvement Districts

In accordance with the provisions of the Business Improvement District (BID) Regulations 2004 a ballot of local businesses within specific areas of the City has resulted in the creation of distinct Business Improvement Districts. Business ratepayers in these areas pay a levy in addition to the National Non Domestic Rate to fund a range of specified additional services which are provided by specific companies set up for the purpose.

In line with Code guidance the Council has determined that it acts as agent to the BID authorities and therefore neither the proceeds of the levy nor the payment to the BID Company are shown in the Council's accounts.

xxv. Events After the Reporting Period

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

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

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

xxvi. Jointly Controlled Operations and Jointly Controlled Assets

Joint arrangements are arrangements by which two or more parties have joint control. A Joint Arrangement can be classed as:

- A Joint Venture
- A Joint Operation

Joint Venture

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties. Parties to a Joint Venture share rights to the net assets of the arrangement.

Joint Operation

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xxvii. Council Acting as Agent

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

xxviii. Value Added Tax

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

xxix. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

IMPACT OF THE ADOPTION OF NEW STANDARDS ON THE 2014/15 FINANCIAL STATEMENTS

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

- IFRS 13, *Fair Value Measurement*
- IFRIC 21, *Levies*
- Annual Improvement to IFRS's 2011-2013 Cycle

<u>IFRS 13, *Fair Value Measurement*</u>

This standard sets out the requirement for the fair value measurement of those assets and liabilities that are covered by International Financial Reporting Standards that permit or require measurement at fair value. This will impact mainly on the valuation of surplus assets which have historically been valued at existing use value before being reclassified as surplus. In future surplus assets will be valued at fair value.

This standard is not expected to have a material impact on the Council's Statement of Accounts. Currently, the Council has no assets defined as surplus assets.

<u>IFRIC 21, *Levies*</u>

This standard provides clarification on the recognition point of levies imposed by government in the financial statements of the paying authority. The obligating event is specified as the activity which triggers the payment of the levy.

This standard is not expected to have a material impact on the Council's Statement of Accounts.

<u>Annual Improvement to IFRS's 2011-2013 Cycle</u>

The changes are minor and relate to matters of clarification and are not expected to have a material impact on the Council's Statement of Accounts.

Note 3
Critical Judgements in Applying Accounting Policies

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

<u>Going Concern</u>
The Council is continuing to face financial challenges as a result of the ongoing reduction in central government support and the need to fund budget pressures, including those arising from equal pay claims. The Council has developed its medium to long term financial strategy, detailed in the Council Business Plan 2015+, and is meeting these budget challenges by developing multi-year savings plans and through the generation of capital receipts. The Council has successfully delivered significant savings plans previously and has appropriate contingency plans in place to provide protection against any timing differences in the generation of capital receipts or any shortfall in the delivery of savings plans. As such the Council has identified that it has general fund balances and can redesignate earmarked reserves to meet the shortfall or it can delay the timing of MRP contributions and equal pay settlements. On this basis, the Council considers that it can continue to meet its liabilities as they fall due and the financial statements have been prepared on a going concern basis.

<u>Schools</u>
The Council has assessed the legal framework underlying each type of school and determined the treatment within the financial statements on the basis of whether it owns or has some responsibility for, control over or benefit from the service potential of the premises occupied.

Following the publication of Local Authority Accounting Panel (LAAP) Bulletin 101, *Accounting for Non-Current Assets Used by Local Authority Maintained Schools*, the Council has considered its existing accounting arrangements. It has determined that:

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

- The Council should include non-current assets, that is, land, buildings and other non-current assets for all schools within the City, with the exception of Academy schools, which maintain their own financial records and statements.

Local authority maintained schools, as independent entities, have responsibility for the management of their own resources. However, as their transactions are consolidated into the Council's financial statements, the Council has reviewed their activity to ensure consistency of accounting treatment. The Council has identified activity incurred as revenue expenditure by local authority maintained schools, which under the Council's policies would be considered to be capital expenditure. The Council has, therefore, treated expenditure which it can reasonably identify as being capital in nature as capital expenditure financed from revenue, which is then depreciated over an average useful economic life. Where it is not clear whether expenditure incurred relates specifically to capital, it has been left in revenue expenditure. This review has been back dated and has resulted in a prior period adjustment as detailed in Note 5.

As the Council is required to report the transaction of local authority maintained schools within its entity financial statements, it has included details of employees of Voluntary Aided and Foundation Trust schools in Note 45, Officers' Remuneration although they are considered to be employed by the relevant governing body. This is a change to the approach adopted in previous years.

The table below shows the number and type of schools within Birmingham at 31 March 2015.

Type of School	Primary	Secondary	Nursery	Special	Pupil Referral Unit	**Total**
Community	146	15	26	21	1	**209**
Voluntary Controlled	7	0	0	0	0	**7**
Voluntary Aided	62	10	0	0	0	**72**
Foundation Trust	9	8	0	3	0	**20**
Academy (formerly Council school)	75	42	0	3	0	**120**
Academy (not formerly Council school)	1	7	0	0	0	**8**
Total	**300**	**82**	**26**	**27**	1	**436**

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

National Exhibition Centre

On 16 January 2015, the Council announced that it had entered into a binding agreement for the disposal of The National Exhibition Centre Ltd (NEC Ltd) to Lloyds Development Capital, the private equity arm of Lloyds Banking Group.

The Council has considered the criteria within IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and has determined that the tests for inclusion of the assets within the balance sheet as Assets Held for Sale were met at the 2014/15 Balance Sheet Date. The Council has, therefore, included the NEC assets as Assets Held for Sale at the year end, which has entailed a transfer from Property, Plant and Equipment and from Long Term Investments on the Balance Sheet.

The disposal of the NEC was finalised on 1 May 2015.

Gateway/Grand Central Project

The Council is working in partnership in the development being undertaken at New Street Station, which includes the development of the Pallasades shopping centre.

The Council has considered the conditions within IFRS 11, *Joint Arrangements* and has determined, for this year, that it should account for the assets and liabilities of the Pallasades shopping centre within these financial statements and that it should not include the assets and liabilities from the station development. As the station development is jointly funded through Network Rail and Council resources, the Council has recognised a contingent liability in Note 33 to these accounts.

Specialist Assets

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

Highways PFI

The Council entered into a contract for the management and maintenance of highways on 7 June 2010. The Council has taken the view that the PFI capital expenditure replaces the current value of the infrastructure assets on the Council's Balance Sheet and has derecognised the existing assets in line with the recognition of new assets.

The Council acting as Agent

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

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

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

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

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

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

Note 4
Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Heritage Asset Valuations (Museum and Art Gallery Collections, Archives	In the absence of recent transactions in a number of assets held in the Museum and Art Gallery Collections, the Council has used the associated insurance valuations as the most reasonable measure of value of the assets.	If the value of the assets were to vary from the insurance valuations by 1%, this would change the carrying value of Heritage Assets on the Balance Sheet by £2.3m with a corresponding adjustment in the Revaluation Reserve.
Measure of financial instrument fair values	The Council has assessed the fair value of some of its financial investments by using the present value of future cashflows discounted at market rates.	Given the complex nature of the underlying assumptions and the uncertainty regarding future market rates, the fair value is the best estimate that can be made. A 1% change in long term interest rates would result in a £2.4m change in the fair value of the Council's financial investments.
Long term obligations under, for example, PFI schemes	For service concessions, the fair value of the long term obligations has been based on financial models, including future assumptions on inflation and interest rates.	If inflation were to increase by 1% over the expected interest rate each year assumed within each contract this would result in an increase of £67.0m over the life of the contracts.
Equal Pay	The Council has included a provision of £561.6m for the settlement of claims for back pay arising from the Equal Pay initiative. The Council has based its estimate on the number of claims received and on historic information on settlement of similar claims and on the current negotiations with claimants' representatives.	An increase of 1% in the average level of settlement would have the effect of increasing the provision required by £5.4m.
NNDR Appeals	An estimate of the impact of NNDR appeals has been based on the number of claims lodged and the experience of levels of success in settlement of those claims.	An increase of 1% in the average level of settlement would have the effect of £4.1m on the provision set aside.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Defined Benefit Pension Liability	The estimate for the Local Government Pension Scheme has been based on the latest actuarial valuation and transaction information from 2014/15	A number of factors can impact on the valuation of the scheme liability. A sensitivity analysis of the factors is set out in more detail in Note 12 of these financial statements
Non-current Asset Valuations	Valuations are undertaken on the basis of a five year rolling programme, which is supplemented by annual reviews to reflect significant changes in market values. HRA assets are subject to a full revaluation every five years, following DCLG guidance, with a desk top review in the intervening years.	An increase of 1% in the average valuation of assets would have the effect of increasing the carrying value of non-current assets by £42.5m, with a corresponding increase in the level of unusable reserves.

Note 5
Prior Period Adjustments

New accounting standards have been introduced in respect of consolidated financial statements. As a result the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance on the consolidation of local authority maintained schools' income, expenditure, assets and liabilities within the Council's financial statements, rather than consolidating them into the Council's Group Accounts.

Guidance has also been issued through the publication of LAAP 101, *Accounting for Non-Current Assets Used by Local Authority Maintained Schools*. Following this guidance the Council has reviewed its basis of accounting for local authority maintained schools to ensure continued compliance with the Code. The Council has identified two factors which are considered material and require a prior period adjustment.

Accounting for Schools' Assets

Within schools' assets there are two elements identified:
- Current Assets
- Non-current Assets

Current Assets

In addition to the funding allocated through the Dedicated Schools Grant, schools also account for income and expenditure through school funds. These school funds may be generated from a number of different areas and are controlled by the governing body. The Council has identified that schools hold approximately £1.7m of funds.

Non-Current Assets

The Council has previously included the building assets of Voluntary Controlled (VC), Voluntary Aided (VA) and Foundation schools in its financial accounts. Following a review of the guidance set out in LAAP 101 and a review of the arrangements supporting the assets used by schools, the Council has determined that it should also include the value of land assets within its financial statements because of the nature of control over schools and the service potential that will be delivered from those school assets.

Accounting for Capital Expenditure in Schools

The Council has also reviewed transactions within school revenue accounts and identified activity that would, if accounted for within the Council's own accounts, be treated as capital expenditure and included as an asset on its balance sheet. In subsequent years, the Council will depreciate the asset over its useful economic life, which will impact on the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement through the statutory reversal of the depreciation charge. The Council has, therefore, adjusted its accounts to recognise this error.

Accounting for Pension Contributions

The Council is required to account for past service costs in respect of employer pension contributions in Non Distributed Costs in the CIES. In previous years, the Council accounted for this expenditure in service lines within the CIES. The 2013/14 CIES has been restated to correct this error.

<u>Trading Accounts</u>

Income and expenditure generated through trading operations related to the provision of services within the Council should be accounted for in the relevant service line of the CIES whilst external activity is accounted for in Note 15, Financing and Investment Income and Expenditure. The CIES has been restated for 2013/14 to recognise the reallocation of income and expenditure.

Details of the prior year adjustment are set out below.

Movement in Reserves Statement

The recognition of:

- school funds increases the opening balance of earmarked reserves by £1.7m with a corresponding increase in cash balances;
- land associated with VC, VA and Foundation Schools, increases the opening balance of non-current assets by £207m, with a corresponding increase in unusable reserves;
- school capital expenditure increases the opening balance of non-current assets by £23.2m with a corresponding increase in unusable reserves.

	General Fund Balance	Earmarked General Fund Reserves	Other Usable Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£m	£m	£m	**£m**	£m	**£m**
Original Opening Balance at 31 March 2013	**26.9**	**257.6**	**229.7**	**514.2**	**(1,708.0)**	**(1,193.8)**
Adjustment to Opening Balance						
- **School Funds**		**1.7**		**1.7**		**1.7**
- **Recognition of Land Assets**					**207.4**	**207.4**
- **Recognition of Capital Expenditure**					**23.2**	**23.2**
Revised Opening Balance at 31 March 2013	**26.9**	**259.3**	**229.7**	**515.9**	**(1,477.4)**	**(961.5)**
Original Transactions						
Original Surplus/(Deficit) on the provision of services	(395.2)		33.2	**(362.0)**		**(362.0)**
Original Other Comprehensive Income and Expenditure					651.9	**651.9**
Original Total Comprehensive Income and Expenditure	**(395.2)**		**33.2**	**(362.0)**	**651.9**	**289.9**
Original Adjustments between accounting basis and funding basis under regulations (Note 7)	543.1		(44.0)	**499.1**	(499.1)	
Original Net Increase/(Decrease) before Transfers to Earmarked Reserves	**147.9**		**(10.8)**	**137.1**	**152.8**	**289.9**
Original Transfers to/(from) Earmarked Reserves (Note 8)	(89.0)	89.0				
Original Increase/Decrease in 2013/14	**58.9**	**89.0**	**(10.8)**	**137.1**	**152.8**	**289.9**
Adjustment Transactions						
Adjustment to Surplus/(Deficit) on the provision of services	(13.3)			(13.3)		(13.3)
Adjustment to Other Comprehensive Income and Expenditure						
Adjustment to Total Comprehensive Income and Expenditure						
Adjustment to Adjustments between accounting basis and funding basis under regulations (Note 7)	9.9			**9.9**	3.4	**13.3**
Adjustment to Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(3.4)**			**(3.4)**	**3.4**	**-**
Adjustment to Transfers to/(from) Earmarked Reserves (Note 8)	3.4			**3.4**		**3.4**
Adjustment to Increase/Decrease in 2013/14					**3.4**	**3.4**
Adjusted Balance at 31 March 2014	**85.8**	**348.3**	**218.9**	**653.0**	**(1,321.3)**	**(668.2)**

Comprehensive Income and Expenditure Statement

The capitalisation of expenditure results in an ongoing charge to service expenditure for depreciation which increases the net cost of services, whilst the pension and trading services adjustment reallocate activity between lines in the CIES. Details of the amendment are set out below. The impact of depreciation on the cost of services would be reversed out as a statutory adjustment through the movement in reserves statement.

	Original Net Expenditure 2013/14	Accounting for School Assets	Accounting for Capital Expenditure	Pension Adjustment	Trading A/c Adjustment	Revised Net Expenditure 2013/14
Services	£m	£m	£m	£m	£m	£m
Central Services to the Public	3.7	-	-	(0.2)	0.1	3.6
Cultural and Related Services	136.2	-	-	(0.9)	0.5	135.8
Environmental and Regulatory Services	91.1	-	-	(1.2)	(0.3)	89.6
Planning Services	17.8	-	-	(0.4)	(0.3)	17.1
Children’s and Education Services	446.5	-	(3.4)	(13.0)	(1.3)	428.8
Highways and Transport Services	132.7	-	-	(0.3)	-	132.4
Housing Revenue Account	(89.3)	-	-	-	-	(89.3)
Housing General Fund	96.4	-	-	(0.8)	(0.1)	95.5
Adult Social Care	319.9	-	-	(2.2)	0.2	317.9
Public Health	(8.3)	-	-	(0.1)	0.1	(8.3)
Corporate and Democratic Core	41.2	-	-	(0.9)	-	40.3
Non-Distributed Costs	(27.6)	-	-	21.1	-	(6.5)
Trading Operations	6.7	-	-	(1.1)	(5.6)	-
Total Cost of Services	**1,167.0**	**-**	**(3.4)**	**-**	**(6.7)**	**1,156.9**
Other Operating Expenditure	220.4	-	-		-	220.4
Financing and Investment Income and Expenditure	224.8	-	-	-	6.7	231.5
Taxation and Non-Specific Grant Income	(1,250.3)	-	-	-	-	(1,250.3)
(Surplus)/Deficit on Provision of Services	**361.9**	**-**	**(3.4)**	**-**	**-**	**358.5**
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	(285.5)	-	-	-	-	(285.5)
Impairment losses on non-current assets charged to the revaluation reserve	91.8	-	-	-	-	91.8
Remeasurement of the net defined benefit liability	(457.8)	-	-	-	-	(457.8)
	(651.5)	**-**	**-**	**-**	**-**	**(651.5)**
Items that may be reclassified to the (Surplus)/Deficit on Provision of Services						
(Surplus)/Deficit on revaluation of available for sale financial assets	(0.4)	-	-	-	-	(0.4)
	(0.4)	**-**	**-**	**-**	**-**	**(0.4)**
Other Comprehensive (Income)/Expenditure	**(651.9)**	**-**	**-**	**-**	**-**	**(651.9)**
Total Comprehensive (Income)/Expenditure	**(290.0)**	**-**	**(3.4)**	**-**	**-**	**(293.4)**

Balance Sheet

The impact of bringing on additional assets will impact on the values of Property, Plant and Equipment and Cash and Cash Equivalents with corresponding impacts on the levels of Usable and Unusable Reserves.

	Original Balance Sheet at 31 March 2014	Accounting for School Assets	Accounting for Capital Expenditure	Revised Balance Sheet at 31 March 2014
	£m	£m	£m	£m
Property, Plant and Equipment	4,622.8	207.4	26.6	4,856.8
Heritage Assets	245.7			245.7
Intangible Assets	49.3			49.3
Long Term Investments	257.0			257.0
Long Term Debtors	77.1			77.1
Total Long Term Assets	**5,251.9**	**207.4**	**26.6**	**5,485.9**
Short Term Investments	83.0			83.0
Assets Held for Sale	11.8			11.8
Inventories	1.0			1.0
Short Term Debtors	228.4			228.4
Cash and Cash Equivalents	42.3	1.7		44.0
Total Current Assets	**366.5**	**1.7**		**368.2**
Cash and Cash Equivalents	(24.6)			(24.6)
Short Term Borrowing	(569.8)			(569.8)
Short Term Creditors	(290.0)			(290.0)
Provisions	(191.5)			(191.5)
Total Current Liabilities	**(1,075.9)**			**(1,075.9)**
Provisions	(482.3)			(482.3)
Long Term Borrowing	(2,646.2)			(2,646.2)
Other Long Term Liabilities	(513.3)			(513.3)
Net liability on defined benefit pension scheme	(1,804.6)			(1,804.6)
Total Long Term Liabilities	**(5,446.4)**			**(5,446.4)**
Net Assets	**(903.9)**	**209.1**	**26.6**	**(668.2)**
Usable Reserves	651.3	1.7		653.0
Unusable Reserves	(1,555.2)	207.4	26.6	(1,321.2)
Total Reserves	**(903.9)**	**209.1**	**26.6**	**(668.2)**

Cash Flow Statement

The recognition of land assets has no impact on the cash flow statement.

The recognition of schools' funds adjusts the opening cash position.

The recognition of capital expenditure impacts on the investing and financing activities whilst the consequential impact in respect of depreciation will impact on the net surplus/(deficit) with a corresponding movement in the non-cash movements.

	Original Cash Flow Position 2013/14	Accounting for School Assets	Accounting for Capital Expenditure	Revised Cash Flow Position 2013/14
	£m	£m	£m	£m
Net Surplus/(Deficit) on the provision of services	(361.9)		3.4	(358.5)
Adjustments to net Surplus/Deficit on the provision of services for non-cash movements	626.4		9.9	636.3
Adjustment for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities	(138.0)			(138.0)
Net cash flows from Operating Activities	**126.5**		**13.3**	**139.8**
Investing Activities	(136.4)		(13.3)	(149.7)
Financing Activities	31.2			31.2
Net increase/(decrease) in cash and cash equivalents	**21.3**			**21.3**
Cash and cash equivalents at the beginning of the reporting period	(3.6)	1.7		(1.9)
Cash and cash equivalents at the end of the reporting period	**17.7**	**1.7**		**19.4**

Note 6
Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NEC Group

On 16 January 2015, the Council announced that it had entered into a binding agreement to sell The National Exhibition Centre Limited (NEC Ltd) to Lloyds Development Capital, the private equity arm of Lloyds Banking Group. As part of the disposal agreement, the NEC defined benefit pension scheme transferred to PETPS (Birmingham) Limited, a wholly owned subsidiary of the Council. The disposal of NEC Ltd was finalised on 1 May 2015.

Asset Disposals and use of Capital Receipts

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

The Council is currently exploring strategic options for its property portfolio including asset disposals that could generate capital receipts whilst protecting the long term interests of the Council. The Council has valued some of its assets as specialised assets because of their specialist nature and because the assets are rarely sold. The assets have been valued on this basis as a reliable market valuation of the assets is not available. The amount received for these assets depends on a number of underlying variables including current market conditions, and the package of assets sold. The Council may not receive the current balance sheet estimate of the value of these assets if they are sold. In accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15*, the Council has performed an impairment review, and concluded that no impairment is required as the value in use is assumed to equal the cost of replacing the service potential provided by the assets as there has been no reduction in service potential. The financial statements, therefore, have not been adjusted.

Transfer of Academy Schools

Academy Schools are not accounted for within the Council's financial statements. Where a school transfers to Academy status, it is deemed to be disposed of within the financial statements for nil consideration. Between 1 April 2015 and 30 June 2015, 6 schools, with assets having a net book value of £28.6m, have transferred to Academy School Trust status. A further 12 schools, with assets having a net book value of £101.6m have announced their proposals to transfer to Academy School Trust status.

Transfer of Council Services

Following Cabinet approval for the outsourcing of services, Civic Catering, Building Cleaning and Birmingham City Laboratories were transferred to Acivico (Design, Construction and Facilities Management) Ltd on 1st April 2015. Further information on Acivico Limited is set out in G23 in the Group Accounts section of these financial statements.

Future Resource Allocations

The Council faces reducing Government grants, reducing capital receipts and lower income from services. These pose challenges to the financial resilience of the Council. In this context, the Council's Business Plan sets out medium to long-term strategies for business changes and the management and development of its services. A key focus of business planning has been the achievement of the Council's priority outcomes through the adoption of a core set of corporate principles to inform service and organisational redesign where appropriate. The Council is planning to meet its anticipated expenditure reductions through a number of activities, including potential staff redundancies in 2015/16.

Care Act

The Care Act 2014, which received Royal Assent on 14 May 2014, is a new law about the care and support that adults receive. The act sets out key responsibilities for local authorities, including:

- Promoting individual well being
- Preventing the care and support needs of people from becoming more serious
- Promoting integration of care and support with health services
- Providing information and advice
- Promoting diversity and quality in provision of services
- Co-operating with relevant partners

The majority of the Act comes into force from April 2015, with the exception of the cap on care costs, independent personal budgets and care accounts which come into force in 2016.

Combined Authority

In the Queen's Speech on 27 May 2015, the Queen announced that legislation would be introduced to provide for the devolution of powers to cities. The Councils within the West Midlands are currently exploring options for the creation of a combined authority with a view to issuing a prospectus for consultation with a range of individuals, residents, businesses and organisations. It is envisaged that if, following the consultation, it is considered that a combined authority would prove advantageous, a submission to government for consideration would be in the Autumn.

Other Events

There were no other significant events after the reporting period.

Note 7
Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance on the reserve shows the resources that have yet to be applied at the year-end.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2014/15	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/(credited) to the Comprehensive Income and Expenditure Statement:						
Depreciation charges for Property, Plant and Equipment	105.5	39.3	-	-	-	(144.8)
Amortisation of intangible assets	25.7	-	-	-	-	(25.7)
Revaluation gains on Property, Plant and Equipment and intangible assets	-	-	-	-	-	-
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	46.7	-	-	-	-	(46.7)
Movements in the fair value of Investment Properties	-	-	-	-	-	-
Capital grants and contributions applied	(40.8)	(4.7)	-	-	-	45.5
Impairment in Capital contributions	21.7	-	-	-	-	(21.7)
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	53.2	-	-	-	-	(53.2)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	118.3	22.1	-	-	-	(140.4)
Insertion of items not debited/(credited) to the Comprehensive Income and Expenditure Statement:						
Provision for the financing of capital investment	(109.9)	(11.7)	-	-	-	121.6
Capital expenditure charged against the General Fund and HRA balances	(14.1)	(29.4)	-	-	-	43.5
Adjustments primarily involving the Capital Grants Unapplied Account:						
Adjustments to Opening Balance	9.6				(9.6)	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(43.1)	(0.4)	-	-	43.5	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(72.1)	72.1
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(21.8)	(36.1)	57.9	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(17.7)	-	-	17.7
Application of capital receipts to repay debt	-	-	(7.7)	-	-	7.7
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	2.7	-	(2.7)	-	-	-
Contribution from the Capital Receipts Reserve towards the costs of Equal Pay	37.6	-	(37.6)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5.7	-	(5.7)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	2.1	-	-	(2.1)

2014/15	Usable Reserves General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		Movement in Unusable Reserves
	£m	£m	£m	£m	£m		£m
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):							
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	0.4	-	-	-	-		(0.4)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12.2)	-	-	-	-		12.2
Adjustment involving the Major Repairs Reserve							
Reversal of Notional Major Repairs Allowance credited to the HRA	-	(39.3)	-	39.3	-		-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(68.2)	-		68.2
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs (mainly relating to NEC debt) charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11.9	-	-	-	-		(11.9)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (see Note 12)	162.0	7.5	-	-	-		(169.5)
Employer's pensions contributions and direct payments to retirees payable in the year	(98.9)	(4.7)	-	-	-		103.6
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which Council Tax and Non-Domestic Rating income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rating income calculated for the year in accordance with statutory requirements	(6.0)	-	-	-	-		6.0
Adjustment involving the Equal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(67.5)	(7.9)	-	-	-		75.4
Adjustment involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.9	-	-	-	-		(0.9)
Total Adjustments	**187.6**	**(65.3)**	**(11.4)**	**(28.9)**	**(38.2)**	**-**	**(43.8)**

2013/14 (Restated)	Usable Reserves: General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/(credited) to the Comprehensive Income and Expenditure Statement:						
Depreciation charges for Property, Plant and Equipment	134.5	38.9	-	-	-	(173.4)
Amortisation of intangible assets	20.6	-	-	-	-	(20.6)
Revaluation gains on Property, Plant and Equipment and intangible assets	-	-	-	-	-	-
Revaluation losses and impairments on Property, Plant and Equipment and intangible assets	175.9	-	-	-	-	(175.9)
Movements in the fair value of Investment Properties	-	-	-	-	-	-
Capital grants and contributions applied	(31.9)	(7.0)	-	-	-	38.9
Impairment in Capital contributions	0.1	-	-	-	-	(0.1)
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	50.4	-	-	-	-	(50.4)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	173.3	27.4	-	-	-	(200.7)
Insertion of items not debited/(credited) to the Comprehensive Income and Expenditure Statement:						
Provision for the financing of capital investment	(89.5)	-	-	-	-	89.5
Capital expenditure charged against the General Fund and HRA balances	(13.3)	(17.1)	-	-	-	30.4
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(57.6)	-	-	-	57.6	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(44.1)	44.1
Capital Grants Repaid	0.1	-	-	-	-	(0.1)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7.8)	(36.2)	44.0	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(15.8)	-	-	15.8
Application of capital receipts to repay debt	-	-	(7.3)	-	-	7.3
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.7	-	(0.7)	-	-	-
Contribution from the Capital Receipts Reserve towards the costs of Equal Pay	34.2	-	(34.2)	-	-	-
Repayment of advances made			0.3			(0.3)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5.2	-	(5.2)	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-

2013/14 (Restated)	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		Movement in Unusable Reserves
	£m	£m	£m	£m	£m		£m
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):							
Transfer of minimum lease payments charged to the Comprehensive Income and Expenditure Statement	(8.1)	-	-	-	-		8.1
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.4	-	-	-	-		(0.4)
Adjustment involving the Major Repairs Reserve							
Reversal of Notional Major Repairs Allowance credited to the HRA	-	(38.9)	-	38.9	-		-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(46.3)	-		46.3
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs (mainly relating to NEC debt) charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	12.1	-	-	-	-		(12.1)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (see Note 12)	153.8	8.1	-	-	-		(161.9)
Employer's pensions contributions and direct payments to retirees payable in the year	(79.2)	(4.1)	-	-	-		83.3
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which Council Tax and Non-Domestic Rating income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rating income calculated for the year in accordance with statutory requirements	13.8	-	-	-	-		(13.8)
Adjustment involving the Equal Pay Back Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	57.9	(2.3)	-	-	-		(55.6)
Adjustment involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(5.9)	-	-	-	-		5.9
Total Adjustments	**539.7**	**(31.2)**	**(18.9)**	**(7.4)**	**13.5**	**-**	**(495.7)**

Note 8
Transfers To/(From) Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15. The balance at 31 March 2013 for school reserves has been restated to reflect the funds held by schools as detailed in Note 5.

	Balance at 1 April 2013	Transfers Out 2013/14	Transfers In 2013/14	**Balance at 31 March 2014**	Transfers Out 2014/15	Transfers In 2014/15	**Balance at 31 March 2015**
	(Restated) £m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Earmarked Reserves	**82.7**	(52.2)	150.7	**181.2**	(120.7)	76.3	**136.8**
Grant Related Reserves	**97.0**	(56.5)	55.6	**96.1**	(41.5)	90.1	**144.7**
Schools Reserves	**79.6**	(10.3)	1.7	**71.0**	(13.1)	8.1	**66.0**
General Fund Balances	**259.3**	**(119.0)**	**208.0**	**348.3**	**(175.3)**	**174.5**	**347.5**

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

Note 9
Usable Reserves

Details of the major reserves held by the Council are detailed below. The balance at 31 March 2014 reflects the restatement for school reserves as detailed in Note 5. Further information on the movements in reserves is shown in the Movement in Reserves Statement and Note 7.

Usable Reserves	Balance at 31 March 2014	Transfers out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	(Restated) £m	£m	£m	£m
Insurance Fund	15.9	(3.6)	-	12.3
Highways PFI Earmarked Reserve	8.1	-	-	8.1
Sums set aside to finance Capital Expenditure	75.9	(47.8)	23.0	51.1
Treasury Management Reserve	8.3	(1.3)	-	7.0
Adult Education Reserve	0.7	(0.3)	-	0.4
Supporting People	1.6	(0.3)	0.7	2.0
Support to Future Years Savings Plan	3.9	(1.4)	0.2	2.7
Child Protection Reserve	9.3	(9.3)	-	-
Children's Social Care Growth	3.0	(3.0)	-	-
Housing Benefit Subsidy Reserve	7.4	(3.0)	2.3	6.7
Local Welfare Reserve	3.5	-	3.1	6.6
Business Plan 2014+	8.3	(8.3)	-	-
Contingency Reserve	7.6	(6.8)	7.7	8.5
Education Capitalisation Reserve	-	-	6.0	6.0
Other Earmarked Reserves	27.7	(35.6)	33.3	25.4
Total Earmarked Reserves	**181.2**	**(120.7)**	**76.3**	**136.8**

Section 256 Grant from the NHS	19.8	(10.5)	8.7	18.0
Public Health	6.9	(2.0)	12.2	17.1
Troubled Families Grant	7.0	(6.0)	2.5	3.5
Highways PFI Grant	58.9	(11.5)	10.2	57.6
Weekly Collection Support Scheme	0.5	(0.5)	9.1	9.1
Non-Schools' DSG	3.3	(3.3)	12.6	12.6
Other Grant Reserves	(0.3)	(7.7)	34.8	26.8
Total Grant Reserves	**96.1**	**(41.5)**	**90.1**	**144.7**
Schools' Balances	71.1	(13.1)	8.0	66.0
General Fund Balances	85.8	(6.2)	58.2	137.8
Housing Revenue Account	4.4	-	0.1	4.5
HRA Major Repairs Reserve	44.6	(68.2)	39.3	15.8
Capital Receipts Reserve	27.5	(71.5)	60.3	16.2
Capital Grants Unapplied	142.5	(81.7)	43.4	104.2
Total Usable Reserves	**653.2**	**(402.9)**	**375.7**	**626.0**

Details of the major usable reserves are set out below.

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

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

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

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

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

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

Support to Future Years' Savings Plan –has been set aside to fund the delivery of savings targets in future years within the People Directorate.

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

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

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

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

Education Capitalisation Reserve – has been earmarked to support the revised methodology on financial management in schools.

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

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

Schools' Balances - are the net cumulative balances held by the local authority maintained schools which, under national school funding regulations, the schools are entitled to retain for unexpected commitments and/or for planned school curriculum/infrastructure improvements and investment. This balance has been restated as at 1 April 2013 to reflect the inclusion of school funds as detailed in Note 5, Prior Period Adjustments.

General Fund Balances – reflect the accumulated surpluses of income over expenditure from previous years and any resources set aside as general contingency against adverse future events. General Fund Balances have increased by £58.8m to £85.7m, which includes £51.5m resulting from the revision of the Council's policy for Minimum Revenue Provision. In the Council's future decisions regarding the utilisation of these balances, the level previously assumed in its Business Plan 2015+ remains its planned minimum.

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

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

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

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

Note 10
Unusable Reserves

The following table shows the value of reserve balances that have come about as a result of accounting adjustments and are not therefore available to spend. The statement has been restated for 2013/14 to reflect the adjustments in respect of schools as detailed in Note 5, Prior Period Adjustments.

31 March 2014 (Restated) £m		31 March 2015 £m
797.8	Revaluation Reserve	743.8
0.40	Available for Sale Financial Instruments Reserve	5.3
353.4	Capital Adjustment Account	329.1
(31.3)	Financial Instruments Adjustment Account	(29.7)
(1,804.6)	Pensions Reserve	(2,293.6)
40.4	Deferred Capital Receipts Reserve	50.1
(19.8)	Collection Fund Adjustment Account	(13.8)
(636.7)	Equal Pay Back Pay Account	(561.3)
(20.8)	Accumulated Absences Account	(21.6)
(1,321.2)	**Total Unusable Reserves**	**(1,791.7)**

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/14				2014/15
£m	£m		£m	£m
	645.7	**Balance at 1 April**		**797.8**
316.8		Upward revaluation of assets	217.7	
(31.3)		Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(101.6)	
(91.8)		Impairment (losses)/reversals not charged to the Surplus/(Deficit) on the Provision of services	(124.2)	
	193.7	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		(8.1)
(10.5)		Difference between fair value depreciation and historical cost depreciation	(9.4)	
(31.0)		Accumulated gains on assets sold or scrapped	(25.7)	
(0.1)		Adjustment for Transfer of land to Investment Property	(10.8)	
	(41.6)	Amount written off to the Capital Adjustment Account		(45.9)
	797.8	**Balance at 31 March**		**743.8**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

The opening balance has been restated at 1 April 2013 to reflect the adjustment for land assets of Voluntary Aided, Voluntary Controlled and Foundation schools and for that activity that had been accounted for as revenue expenditure by local authority maintained school assets, which can reasonably be identified as complying with the Council's accounting policy for the recognition of capital expenditure.

2013/14 (Restated)			2014/15	
£m	£m		£m	£m
	443.0	**Balance at 1 April**		**353.2**
	230.6	Adjustment to Opening Balance		-
	673.6	**Restated Opening Balance at 1 April**		**353.2**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
(168.4)		Charges for depreciation and impairment of non current assets	(10.7)	
(180.9)		Revaluation losses on Property, Plant and Equipment	(180.8)	
(20.6)		Amortisation and impairment of intangible assets	(25.7)	
(0.2)		Impairment of Capital Debtors/Grants	(21.7)	
(50.4)		Revenue expenditure funded from capital under statute	(53.2)	
(200.7)		Amounts of non current assets written off on disposal or sale as part of the gain/(loss) on disposal to the CIES	(140.4)	
	(621.2)			(432.5)
	41.6	Adjusting amounts written out of the Revaluation Reserve		45.9
	(579.6)	Net written out amount of the cost of non-current assets consumed in the year		(386.6)
		Capital financing applied in the year:		
15.8		Use of the Capital Receipts Reserve to finance new capital expenditure	17.7	
46.3		Use of the Major Repairs Reserve to finance new capital expenditure	68.2	
38.9		Capital grants and contributions credited to the CIES that have been applied to capital financing	45.5	
44.1		Application of grants to capital financing from the Capital Grants Unapplied Account	72.1	
7.3		Application of capital receipts to repay debt	7.7	
89.5		Provision for the financing of capital investment charged against the General Fund and HRA balances	121.6	
30.4		Capital expenditure charged against the General Fund and HRA balances	43.5	
	272.3			376.3
	(12.8)	Amortisation of Investments debited to the CIES		(13.5)
	(0.3)	Repayment of long term debtors		(0.3)
	353.2	**Balance at 31 March**		**329.1**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses this account to manage premia paid and discounts received on the early redemption of loans and the recognised losses on loans advanced at less than a commercial interest rate. These values are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund

Balance to the Account in the Movement in Reserves Statement. Over time, these values are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. For premia and discounts, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2013/14 £m	2013/14 £m		2014/15 £m	2014/15 £m
	(31.9)	**Balance at 1 April**		**(31.2)**
-		Premia incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
0.7		Proportion of premia incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	1.6	
	0.7	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		1.6
	(31.2)	**Balance at 31 March**		**(29.6)**

<u>Pensions Reserve</u>

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

The net increase in the pension liability in 2014/15 is due to the reduction in the rate for discounting scheme liabilities, which is based on gilt yields, resulting in an increase in the present value of liabilities. There has been a partial offset from the increase in pension scheme assets.

2013/14 £m		2014/15 £m
(2,183.7)	**Balance at 1 April**	**(1,804.5)**
457.8	Remeasurement of the net defined benefit liability	(423.1)
(161.9)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(169.5)
83.3	Employer's pensions contributions and direct payments to retirees payable in the year	103.6
(1,804.5)	**Balance at 31 March**	**(2,293.5)**

Deferred Capital Receipts

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

2013/14 £m		2014/15 £m
32.7	**Balance at 1 April**	**40.4**
8.1	Transfer of deferred sale proceeds credited to the General Fund under capital finance regulations	(0.4)
(0.4)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	12.2
-	Transfer to the Capital Receipts Reserve upon receipt of cash	(2.1)
40.4	**Balance at 31 March**	**50.1**

Collection Fund Adjustment Account

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

2013/14 £m		2014/15 £m
(6.0)	**Balance at 1 April**	**(19.8)**
(13.8)	Amount by which Council Tax/NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax/NNDR income calculated for the year in accordance with statutory requirements	6.0
(19.8)	**Balance at 31 March**	**(13.8)**

Available for Sale Financial Instruments Reserve

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

2013/14 £m		2014/15 £m
-	**Balance at 1 April**	**0.4**
0.4	Upward revaluation of investments	**5.1**
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	**(0.2)**
0.4		**5.3**
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	**-**
0.4	**Balance at 31 March**	**5.3**

Equal Pay Back Pay Account

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

2013/14 £m		2014/15 £m
(581.1)	**Balance at 1 April**	**(636.7)**
(55.6)	Increase in provision for back pay in relation to Equal Pay cases	(7.9)
-	Cash settlements paid in the year	83.3
(55.6)	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	75.4
(636.7)	**Balance at 31 March**	**(561.3)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/14 £m		2014/15 £m
(26.7)	**Balance at 1 April**	**(20.8)**
5.9	Settlement or cancellation of accrual made at the end of the preceding year	(0.9)
-	Amounts accrued at the end of the current year	0.1
5.9	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.8)
(20.8)	**Balance at 31 March**	**(21.6)**

Note 11
Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

In 2014/15, the Council paid £36.9m (2013/14: £39.5m) to the Teachers' Pensions Scheme in respect of teachers' retirement benefits, representing 14.1% (2013/14: 14.1%) of pensionable pay. There were no contributions remaining payable at the year-end. The contributions due to be paid in the 2015/16 financial year are estimated to be £40.5m (employer contributions will increase from 14.1% to 16.48% from September 2015).

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

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

NHS Pension Scheme

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

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

In 2014/15, the Council paid £0.2m (2013/14: £0.2m) to the NHS Pensions Scheme in respect of employees' retirement benefits, representing 14.0% (2013/14: 14.0%) of pensionable pay. There were no contributions remaining payable at the year-end. The contributions due to be paid in the 2015/16 financial year are estimated to be £0.2m on the basis of an employer contribution rate of 14.3%.

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

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

Note 12
Defined Benefit Pension Schemes

<u>Participation in Pension Schemes</u>

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

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

- The Local Government Pension Scheme, administered locally by the West Midlands Pension Fund offices at Wolverhampton City Council – this is a funded defined benefit career average salary scheme for benefits accrued since 1 April 2014, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Benefits accrued to 31 March 2014 are based on final salary. An employer's contribution rate of 21.3% was set for the Council for 2014/15 (2013/14: 16.2%), which included an element to fund early retirement strain costs

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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

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

Transactions relating to Post-employment benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£m	**£m**	**£m**	**£m**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
current service cost	106.0	89.1		
past service costs	0.2	0.1		
effect of curtailments	7.2	11.8		
effect of settlements	(41.3)	(7.7)		
administration expenses	1.3	1.3		
Financing and investment income and expenditure:				
Net interest expense	85.9	72.1	2.6	2.8
Total post employment benefit charged to the (Surplus)/Deficit on the provision of services	**159.4**	**166.7**	**2.6**	**2.8**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit for the provision of services for post employment benefits in accordance with the Code	(82.0)	(69.2)	3.3	3.3
Net charge against the General Fund Balance for pensions in the year comprising:				
employer's contributions payable to scheme	77.4	97.5		
retirement benefits payable to retirees			**5.9**	**6.1**

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14	2014/15	2013/14	2014/15
	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement				
Total post employment benefit charged to the (Surplus)/Deficit on the provision of services	159.4	166.7	2.6	2.8
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
remeasurements (liabilities and assets)	(457.2)	418.5	(0.5)	4.6
Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement	(297.9)	585.1	2.1	7.4

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Present Value of Liabilities					
- Local Government Pension Scheme	(4,064.5)	(4,409.9)	(5,149.4)	(4,649.9)	(5,548.6)
- Unfunded Teachers' Scheme	(66.5)	(66.3)	(71.8)	(67.9)	(69.3)
Total Present Value of Liabilities	**(4,131.0)**	**(4,476.1)**	**(5,221.2)**	**(4,717.8)**	**(5,617.8)**
Fair Value of Assets in the Local Government Pension Scheme	2,725.0	2,743.3	3,037.5	2,913.2	3,324.2
Surplus/(Deficit) in the scheme					
- Local Government Pension Scheme	(1,339.5)	(1,666.6)	(2,111.9)	(1,736.7)	(2,224.3)
- Unfunded Teachers' Scheme	(66.5)	(66.3)	(71.8)	(67.9)	(69.3)
Net Liability arising from defined benefit obligation	**(1,406.0)**	**(1,732.9)**	**(2,183.7)**	**(1,804.6)**	**(2,293.6)**

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme				Unfunded Teacher Pension Scheme		Total	
	Funded		Unfunded					
	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m
Benefit Obligation at 1 April	5,067.6	4,568.8	81.8	81.1	71.8	67.9	5,221.2	4,717.8
Current Service Cost	106.0	89.1	-	-	-	-	106.0	89.1
Interest on Pension Liabilities	209.0	198.0	3.3	3.4	2.5	2.8	214.8	204.2
Member Contributions	28.6	27.9	-	-	-	-	28.6	27.9
Past service cost/(gain)	0.2	0.1	-	-	-	-	0.2	0.1
Actuarial (gains)/losses arising from changes in demographic assumptions	29.8	-	0.3	-	2.2	-	32.3	-
Actuarial (gains)/losses arising from changes in financial assumptions	(433.7)	733.5	(1.8)	7.5	(3.5)	4.6	(439.0)	745.6
Experience (gains)/losses on liabilities	(249.6)	-	3.2	-	0.8	-	(245.6)	-
Curtailments	7.2	11.8	-	-	-	-	7.2	11.8
Settlements	(42.7)	(7.9)	-	-	-	-	(42.7)	(7.9)
Benefits/Transfers paid	(153.6)	(158.8)	(5.9)	(5.9)	(5.9)	(6.1)	(165.2)	(170.7)
Benefit Obligation at 31 March	**4,568.8**	**5,462.5**	**81.0**	**85.9**	**67.9**	**69.3**	**4,717.8**	**5,618.0**

Reconciliation of the Movements in the Fair Value of Scheme Assets

	Local Government Pension Scheme				Unfunded Teacher Pension Scheme		Total	
	Funded		Unfunded					
	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m
Fair Value of Assets at 1 April	3,037.5	2,913.2	-	-	-	-	3,037.5	2,913.2
Interest on Plan Assets	126.4	129.3	-	-	-	-	126.4	129.3
Remeasurements (assets)	(194.5)	322.5	-	-	-	-	(194.5)	322.5
Administration expenses	(1.3)	(1.3)	-	-	-	-	(1.3)	(1.3)
Settlements	(1.4)	(0.2)	-	-	-	-	(1.4)	(0.2)
Employer contributions	71.5	91.6	5.9	5.9	5.9	6.1	83.3	103.6
Member contributions	28.6	27.9	-	-	-	-	28.6	27.9
Benefits/transfers paid	(153.6)	(158.6)	(5.9)	(5.9)	(5.9)	(6.1)	(165.3)	(170.8)
Fair Value of Assets at 31 March	**2,913.2**	**3,324.2**	**-**	**-**	**-**	**-**	**2,913.2**	**3,324.2**

Local Government Pension Scheme assets comprised

	2013/14				2014/15			
	Quoted	Unquoted	Total	Percentage of Total	Quoted	Unquoted	Total	Percentage of Total
	£m	£m	£m	%	£m	£m	£m	%
Equity Instruments								
UK Quoted	289.6		289.6	9.9%	317.1		317.1	9.5%
UK Unquoted		53.3	53.3	1.8%		55.5	55.5	1.7%
Global Quoted	151.8		151.8	5.2%	242.0		242.0	7.3%
Global Unquoted		304.4	304.4	10.4%		345.7	345.7	10.4%
Europe	195.5		195.5	6.7%	258.0		258.0	7.8%
Japan	52.7		52.7	1.8%	72.5		72.5	2.2%
Pacific Basin	119.1		119.1	4.1%	142.6		142.6	4.3%
North America	282.3		282.3	9.7%	255.0		255.0	7.7%
Emerging Markets	244.1		244.1	8.4%	275.2		275.2	8.3%
Sub-total equity	**1,335.1**	**357.7**	**1,692.8**	**58.1%**	**1,562.4**	**401.2**	**1,963.6**	**59.1%**
Bonds:								
UK Government	240.0		240.0	8.2%	261.6		261.6	7.9%
Other	312.0		312.0	10.7%	353.7		353.7	10.6%
Sub-total bonds	**552.0**	**-**	**552.0**	**18.9%**	**615.3**	**-**	**615.3**	**18.5%**
Property:								
UK	181.8		181.8	6.2%	203.8		203.8	6.1%
Overseas	-		-	-	-		-	-
Property Funds	85.9		85.9	2.9%	86.4		86.4	2.6%
Sub-total property	**267.7**	**-**	**267.7**	**9.2%**	**290.2**	**-**	**290.2**	**8.7%**
Alternatives								
Commodities	54.8		54.8	1.9%	-		-	-
Infrastructure	84.8		84.8	2.9%	113.0		113.0	3.4%
Absolute Return	185.3		185.3	6.4%	206.1		206.1	6.2%
Sub-total Alternatives	**324.9**	**-**	**324.9**	**11.2%**	**319.1**	**-**	**319.1**	**9.6%**
Cash								
Cash Instruments	60.9		60.9	2.1%	39.2		39.2	1.2%
Cash Accounts	14.9		14.9	0.5%	96.7		96.7	2.9%
Sub-total Cash	**75.8**	**-**	**75.8**	**2.6%**	**135.9**	**-**	**135.9**	**4.1%**
Total assets	**2,555.5**	**357.7**	**2,913.2**	**100.0%**	**2,922.9**	**401.2**	**3,324.1**	**100.0%**

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 an actuarial basis using the projected unit method, an estimate of the pensions that will have to be paid in the future years dependent on assumptions about mortality rates, salary levels etc. The estimates for the Local Government Pension Scheme have been based on the latest full valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary have been:

Assumptions	Local Government Pension Scheme		Discretionary Benefits	
	2013/14	2014/15	2013/14	2014/15
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men (years)	22.9	23.0	22.9	23.0
Women (years)	25.5	25.6	25.5	25.6
Longevity at 65 for future pensioners:				
Men (years)	25.1	25.2	n/a	n/a
Women (years)	27.8	28.0	n/a	n/a
Rate of CPI inflation	2.4%	2.0%	2.4%	2.0%
Rate of increase in salaries	4.2%	3.8%	n/a	n/a
Rate of increase in pensions	2.4%	2.0%	2.4%	2.0%
Rate for discounting of scheme liabilities	4.4%	3.2%	4.3%	3.1%

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

	Impact on the Defined Benefit Obligation in the Scheme		
	Change in assumption	Impact on Council Liability	Impact on Council Deficit
	£m	%	%
Longevity (increase/decrease by 1 year)	110.4	2.0	4.8
Rate of inflation (increase/decrease by 0.1%)	100.1	1.8	4.4
Rate of change in salaries (increase/decrease by 0.1%)	23.8	0.4	1.0
Rate for discounting scheme liabilities	(98.3)	(1.8)	(4.3)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 21 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The Council expects to pay £99.6m of contributions to the scheme in 2015/16 on the basis of an equivalent employer's contribution rate of 22.5%.

Note 13
Material Items of Income and Expense and Acquired Operations

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. A provision of £7.9m (2013/14: £95.8m) for potential liabilities under the Act has been included in the cost of services, allocated to the relevant service lines, and details are given in Note 32.

Note 14
Other Operating Expenditure

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

2013/14 £m		2014/15 £m
-	Parish Council Precepts	0.1
-	Enterprise Zone Growth Payment	3.8
57.1	Integrated Transport Authority Levy	54.5
0.3	Environment Agency Levy	0.3
5.2	Payments re: Housing Capital Receipt Pool	5.7
157.8	(Gains)/Losses on the Disposal of non current assets	73.1
220.4	**Total**	**137.5**

Note 15
Financing and Investment Income and Expenditure

Finance and Investment Income and Expenditure disclosed in the Comprehensive Income and Expenditure Statement is detailed below. The figures for 2013/14 have been restated to reflect the recognition of trading account activity as detailed in Note 5.

2013/14 (Restated)				2014/15		
Gross Expenditure	Income	Net		Gross Expenditure	Income	Net
£m	£m	£m		£m	£m	£m
171.6	-	171.6	Interest Payable and Similar charges	185.6	-	185.6
88.5	-	88.5	Pensions Interest cost and expected return on pensions assets	74.9	-	74.9
-	(14.8)	(14.8)	Interest Receivable and similar income	-	(16.3)	(16.3)
63.1	(56.4)	6.7	(Surplus)/Deficit on trading operations not consolidated within Service Expenditure Analysis in Comprehensive Income and Expenditure Statement	64.3	(64.2)	0.1
-	(20.5)	(20.5)	Other investment income and expenditure	(0.1)	(6.0)	(6.1)
323.2	**(91.7)**	**231.5**	**Total**	**324.7**	**(86.5)**	**238.2**

Note 16
Taxation and Non Specific Grant Income and Expenditure

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

2013/14				2014/15		
Gross Expenditure	Income	Net		Gross Expenditure	Income	Net
£m	£m	£m		£m	£m	£m
-	(255.1)	(255.1)	Council Tax Income - Collection Fund	-	(261.8)	(261.8)
-	(193.7)	(193.7)	NNDR - Collection Fund	-	(199.7)	(199.7)
16.8	-	16.8	Share of Collection Fund - Council Tax	5.4	(7.0)	(1.6)
-	(738.2)	(738.2)	Non Ring Fenced Government Grants	-	(655.0)	(655.0)
-	(80.1)	(80.1)	Capital Grants and Contributions	-	(67.9)	(67.9)
16.8	**(1,267.1)**	**(1,250.3)**	**Total**	**5.4**	**(1,191.4)**	**(1,186.0)**

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

Note 17
Trading Operations

Trading operations are those activities where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. In 2014/15, the Council reviewed its trading units to ensure that the trading activities reported continued to meet the criteria detailed above.

As a result of the review, the information disclosed in the 2013/14 financial year has been restated. The internal trading expenditure and income is incorporated within the relevant service line in the Comprehensive Income and Expenditure Statement. External trading income and expenditure is identified in Note 15, Financing and Investment Income and Expenditure. Details of units with significant trading activity are as follows.

2013/14 (Restated)				2014/15		
Turnover	Expenditure	(Surplus) / deficit	**Trading activity**	Turnover	Expenditure	(Surplus) / deficit
£m	**£m**	**£m**		**£m**	**£m**	**£m**
(2.1)	2.4	0.3	Catering	(2.4)	2.6	0.2
(37.9)	42.8	4.9	City Serve (Direct Services)	(38.9)	37.6	(1.3)
(10.4)	9.0	(1.4)	Trade Refuse	(11.0)	10.9	(0.1)
(6.8)	7.4	0.6	Birmingham Parks and Nurseries	(6.9)	6.9	-
(1.6)	1.9	0.3	Birmingham City Laboratories	(1.8)	1.8	-
(0.7)	1.3	0.6	Pest Control	(1.1)	0.9	(0.2)
(3.9)	4.0	0.1	Procurement	(3.3)	4.6	1.3
(4.5)	5.8	1.3	Schools' Human Resources	(4.5)	5.0	0.5
(2.3)	2.4	0.1	Central Payroll	(1.9)	1.9	-
(1.6)	3.7	2.1	Other Trading Activities	(1.7)	2.2	0.5
(71.8)	**80.7**	**8.9**		**(73.5)**	**74.4**	**0.9**
			Allocation of Surplus/Deficit on Trading Operations			
(15.4)	17.6	2.2	- consolidated in CIES	(9.3)	10.1	0.8
(56.4)	63.1	6.7	- consolidated in Note 15, Financing and Investment Income and Expenditure	(64.2)	64.3	0.1
(71.8)	**80.7**	**8.9**		**(73.5)**	**74.4**	**0.9**

<u>Details of Trading Activities</u>

City Serve (Direct Services)
Cityserve provides a facilities management (catering and cleaning) to schools and Community Day Nurseries. It also provides a mobile caretaking service.
Catering has become more complex and challenging in complying with the government's mandatory Nutritional Standards for School Food. Cityserve is committed to a compliant and nutritious provision in each school. Due to the diverse nature of the pupil base across the city the provision in each school is tailored to the pupil profile.

Cleaning services are provided in all types of education establishments including primary, secondary, nursery schools and children's centres. The main aim of the service is to provide a safe and healthy environment for the pupils/children and staff by achieving and maintaining high standards of cleaning in all establishments.

The Mobile Caretaking Service completes a range of duties to cover sickness, holiday or where there is a vacancy.

Trade Refuse
Trade Refuse offers a competitive waste management service to businesses and industrial premises and provides Clinical Waste Removal Services, Graffiti Removal, Septic Tank and Cesspit emptying, Containers and Skips, Prepaid Sacks, Hire of Equipment and Special Collection.

Birmingham Parks and Nurseries
Birmingham parks and Nurseries is responsible for the maintenance of all of the City's parks, open spaces and golf courses as well as the floral displays that have helped to promote the City over the years. In addition, it looks after all of the 'green' maintenance of Council estates, highway verges, traffic islands, schools, residential care homes, cemeteries and crematoria, playing fields, allotments and children's outdoor playgrounds.

Pest Control
The pest control service provides treatment to commercial properties for rats, mice, insect control including wasps, fleas and ants and control of squirrels and pigeons. Rat and mice pest control services are free for domestic users.

Procurement Services
In addition to providing the Council's in house procurement service, contracts to provide work to schools have been won in a competitive environment.

Schools' Human Resources
Schools have a choice in deciding who will support them with a Human Resources function. The School's Human Resources team have won competitive contracts to provide a range of schools with this function.

Payroll Services
In addition to providing the Council's payroll service, contracts have been won to provide payroll services to academies, further education colleges and other external bodies.

Birmingham City Laboratories
Birmingham City Laboratories (BCL) is an entirely Local Authority owned Consultancy and Test House which is approved to carry out specific United Kingdom Accreditation Services (UKAS) tests. Its specialist team of scientists and engineers are also able to undertake a wide range of on-site and laboratory inspection services, ranging from microscopic analysis of samples, through to full scale testing/appraisal of civil engineering structures.

Catering
Civic Catering provides a varied range of catering services for Council official functions and its major administration buildings, and to members of the public and external organisations at various prestigious civic locations across the city. Services provided include catering for weddings and civil partnerships, banquets, private functions, conferences and are tailored to customers' requirements.

Birmingham City Laboratories and Catering have transferred to Acivico, a wholly owned subsidiary of the Council with effect from 1st April 2015.

Other
Other trading activities include Shelforce and Schools' Management. Shelforce is part of the Council's employment support services to registered disabled people (predominantly delivering the Work Choice contract on behalf of the Department for Work and Pensions) and through the direct employment of registered disabled people in the manufacture of PVCu windows and doors.

Note 18
Grant Income

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

2013/14 £m		2014/15 £m
	Credited to Taxation and Non Specific Grant Income	
-	Redistributed non-domestic rates	-
470.4	Revenue Support Grant	388.1
121.3	NNDR Top Up Grant	123.7
3.3	Council Tax Freeze Grant	-
12.9	New Homes Bonus Grant	16.2
18.1	Schools PFI Grant	18.2
50.3	Highways Management and Maintenance PFI Grant	50.3
5.2	Troubled Families Grant	2.4
10.9	Housing Benefit Administration Grant	7.8
5.1	Discretionary Housing Benefit Grant	4.1
6.2	Local Welfare Provision Programme	6.2
18.2	Education Services Grant	18.2
4.8	Small Business Rate Relief Grant	5.9
-	Business Rates S31 Grant	3.4
11.5	Other	10.5
738.2	**Revenue Grants credited to Taxation and Non Specific Grant Income**	**655.0**
	Credited to Cost of Services	
20.0	CCG Contributions including Transfer of Care	34.8
12.1	Adult Education (Skills Funding Agency)	11.8
529.9	HB/CTB Subsidy Grant Claim	537.2
767.4	Dedicated Schools Grant	747.9
21.4	Education Funding Agency	20.3
51.5	Pupil Premium Grant	62.9
3.8	Illegal Money Lending	3.8
-	Universal Infants Free School Meals Grant	5.7
-	Health Contribution to Equipment Loan Service	4.5
8.0	NHS Clinical Commissioning Group contributions	2.1
78.6	Public Health Grant	80.8
6.8	Weekly Collection Support Scheme Grant	20.3
28.2	Grants and contributions of less than £3m	35.4
1,527.7	**Total Revenue Grants Credited to Cost of Services**	**1,567.5**
2,265.9	**Total Revenue Grants**	**2,222.5**

2013/14 £m		2014/15 £m
	Capital Grants	
26.6	Education Funding Agency (formerly DSCF fund)	29.7
0.3	Demographic Growth	0.2
1.1	Lottery	-
1.4	Section 106/278	2.0
2.5	Centro	6.9
3.0	Department of Health - Community Capacity	3.4
6.1	Centro - Integrated Transport Block	8.7
0.3	Disabled Facilities	-
0.2	European Regional Development Fund	1.7
4.9	Homes & Community Agency - New Build Programme	4.4
24.5	Department for Transport (inc. Cycle Ambition)	1.8
-	Home and Communities Agency	1.0
0.9	Public Health England	-
1.5	Community Energy Savings Programme	-
0.7	Growing Places	1.2
-	Contribution from Developers (Paradise)	4.0
6.1	Other	2.9
80.1	**Capital Grants credited to Taxation and Non Specific Grant Income**	**67.9**
	Capital Grants funding Revenue Expenditure under Statute credited to Cost of Services	
6.9	Centro - A45 Road Improvement	2.0
-	Centro - Gateway	1.0
3.7	Disabled Facilities	4.1
-	Urban Broadband Grant	3.5
1.4	European Regional Development Fund	9.1
4.4	Other	1.4
16.4	**Total Capital Grants funding Revenue Expenditure Under Statute**	**21.1**
96.5	**Total Capital Grants Received**	**89.0**

All Capital Grants received are either non-conditional or the conditions have been met, therefore there are no entries to the Capital Grants Receipts in Advance Account for 2014/15. The Capital Grants received have been credited to the Taxation and Non Specific Grant Income line on the Comprehensive Income and Expenditure Statement except where the grant is used to finance Revenue Expenditure funded from Capital under Statute (REFCUS).

Note 19
Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE) through the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in Birmingham. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 are as follows:

	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2014/15 before academy recoupment	115.2	939.2	**1,054.4**
Academy figure recouped for 2014/15		(308.1)	**(308.1)**
Total DSG after Academy recoupment for 2014/15	**115.2**	**631.1**	**746.3**
Plus: Brought forward from 2013/14	3.3	-	**3.3**
Less: Carry forward to 2015/16 agreed in advance	-	-	**-**
Agreed initial budgeted distribution in 2014/15	**118.5**	**631.1**	**749.6**
In year adjustments	(0.7)	2.3	**1.6**
Final budgeted distribution for 2014/15	**117.8**	**633.4**	**751.2**
Less Actual Central Expenditure	(105.2)		**(105.2)**
Less Actual ISB deployed to schools		(633.4)	**(633.4)**
Plus: Council contribution for 2014/15	-	-	**-**
Carry forward to 2015/16	**12.6**	**-**	**12.6**

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

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of regular revenue monitoring reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- charges made in relation to capital expenditure may differ as revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement but typically not charged against service budgets during the year;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

Net expenditure underlying the variance analysis reported to Cabinet in the corporate Revenue Outturn report was as follows. The detail for 2013/14 has been restated to reflect the impact of the changes arising from the changes in accounting for schools and the changes in respect of pension cost allocation and trading accounts set out in Note 5, Prior Period Adjustments.

	2013/14				2014/15	
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Directorate**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
1,854.6	(1,250.8)	603.8	People	1,874.7	(1,302.0)	572.7
604.0	(360.1)	243.9	Place	614.1	(386.2)	227.9
1,105.0	(859.9)	245.1	Economy	1,027.4	(806.7)	220.7
3,563.6	**(2,470.8)**	**1,092.8**	**Total Directorate**	**3,516.2**	**(2,494.9)**	**1,021.3**

	2013/14 (Restated)	**2014/15**
	'£m	**£m**
Net expenditure in Directorate Analysis	**1,092.8**	**1,021.3**
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	284.5	75.5
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(220.4)	(215.5)
Cost of Services in Comprehensive Income and Expenditure Statement	**1,156.9**	**881.3**

Reconciliation to Subjective Analysis

2014/15	**Portfolio Analysis**	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of Support Service Recharges	**Cost of Services in CIES**	Amounts reported below the Net Expenditure of Continuing Operations in the CIES	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Fees, charges and other service income	(356.4)	60.4	(242.6)		(538.6)	(64.2)	(602.8)
Support service recharges	(423.9)			423.9	-		-
Collection Fund Surplus					-	(7.0)	(7.0)
Interest and investment income	(9.6)		9.6		-	(22.3)	(22.3)
Income from Council Tax					-	(261.8)	(261.8)
Government grants and contributions	(1,705.0)		116.5		(1,588.5)	(922.6)	(2,511.1)
Total income	**(2,494.9)**	**60.4**	**(116.5)**	**423.9**	**(2,127.1)**	**(1,277.9)**	**(3,405.0)**
Employee expenses	1,074.2	(10.9)			1,063.3		1,063.3
Other service expenses	1,966.5	(62.7)	(99.0)		1,804.8	68.0	1,872.8
Support service recharges	311.3	1.8		(423.9)	(110.8)		(110.8)
Collection Fund Deficit/Capital Grants Repaid					-	5.4	5.4
Depreciation, amortisation and impairment	164.2	86.9			251.1		251.1
Interest payments					-	260.5	260.5
Precepts and levies					-	54.9	54.9
Payments to Housing Capital Receipts pool					-	5.7	5.7
(Gain)/Loss on disposal of non-current assets					-	73.1	73.1
Total expenditure	**3,516.2**	**15.1**	**(99.0)**	**(423.9)**	**3,008.4**	**467.6**	**3,476.0**
(Surplus)/deficit on the Provision of Services	**1,021.3**	**75.5**	**(215.5)**	**-**	**881.3**	**(810.3)**	**71.0**

2013/14 comparative figures (Restated)	**Portfolio Analysis**	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of Support Service Recharges	**Cost of Services in CIES**	Amounts reported below the Net Expenditure of Continuing Operations in the CIES	**Total**
	£m	£m	£m	**£m**	**£m**	**£m**	**£m**
Fees, charges and other service income	(594.9)	45.9	(137.9)		(686.9)	(56.4)	(743.3)
Support service recharges	(325.0)		1.1	311.1	(12.8)		(12.8)
Collection Fund Surplus					-		-
Interest and investment income	(6.8)		6.8		-	(35.3)	(35.3)
Income from Council Tax					-	(255.1)	(255.1)
Government grants and contributions	(1,544.1)		68.4		(1,475.7)	(1,012.1)	(2,487.8)
Total income	**(2,470.8)**	**45.9**	**(61.6)**	**311.1**	**(2,175.4)**	**(1,358.9)**	**(3,534.3)**
Employee expenses	1,109.4	81.8			1,191.2		1,191.2
Other service expenses	2,089.2	(76.0)	(101.5)		1,911.7	63.1	1,974.8
Support service recharges	227.9			(311.1)	(83.2)		(83.2)
Collection Fund Deficit					-	16.9	16.9
Depreciation, amortisation and impairment	137.1	232.8			369.9		369.9
Interest payments					-	260.1	260.1
Precepts and levies			(57.3)		(57.3)	57.4	0.1
Payments to Housing Capital Receipts pool					-	5.2	5.2
(Gain)/loss on disposal of non-current assets					-	157.8	157.8
Total expenditure	**3,563.6**	**238.6**	**(158.8)**	**(311.1)**	**3,332.3**	**560.5**	**3,892.8**
(Surplus)/deficit on the Provision of Services	**1,092.8**	**284.5**	**(220.4)**	**-**	**1,156.9**	**(798.4)**	**358.5**

Note 21
Property, Plant and Equipment

The following tables analyse movements in the carrying values of non-current assets during the year. The information for 2013/14 has been restated to recognise school assets as detailed in Note 5, Prior Period Adjustments.

<u>Movements in Balances: 2014/15</u>

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Investment Properties	Assets under construction	Total Property, Plant and Equipment	Concession assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2014	**1,769.8**	**2,556.6**	**254.5**	**540.1**	**89.5**	**-**	**189.6**	**5,400.1**	***507.1***
Additions	135.1	73.3	22.0	56.8	1.5	-	85.3	**374.0**	*52.6*
Donations	-	-	-	-	-	-	-	**-**	
Assets reclassified between categories	-	2.0	0.1	10.7	0.2	-	(12.9)	**0.1**	
Assets reclassified (to)/from Held for Sale	-	(63.9)	-	-	-	-	-	**(63.9)**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	55.5	(6.7)	-	-	-	-	**48.8**	*(7.1)*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(73.3)	(107.5)	-	-	-	-	-	**(180.8)**	*(4.4)*
Derecognition - Disposals	(17.7)	(128.4)	(68.3)	-	-	-	(0.1)	**(214.5)**	*(0.3)*
Derecognition - other	(3.1)	-	-	(131.4)	(0.5)	-	-	**(135.0)**	
Other movements in cost or valuation	-	(10.7)	(0.1)	0.1	-	10.8	0.2	**0.3**	
At 31 March 2015	**1,810.8**	**2,376.9**	**201.5**	**476.3**	**90.7**	**10.8**	**262.1**	**5,229.1**	***547.9***
								-	
Accumulated Depreciation and Impairment								**-**	
At 1 April 2014	**(109.7)**	**(157.5)**	**(129.1)**	**(147.0)**	**-**	**-**	**-**	**(543.3)**	***(42.2)***
Depreciation charge	(39.3)	(50.1)	(24.5)	(30.9)	-	-	-	**(144.8)**	*(19.6)*
Depreciation written out to the Revaluation Reserve	38.9	18.5	-	-	-	-	0.1	**57.5**	*2.8*
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	
Impairment (losses)/reversals recognised in the Revaluation Reserve	(108.6)	(18.2)	10.6	-	-	-	(0.1)	**(116.3)**	*15.2*
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	73.3	61.9	-	-	-	-	0.1	**135.3**	*1.9*
Derecognition - Disposals	-	16.9	66.7	131.4	-	-	-	**215.0**	
Assets reclassified (to)/from Held for Sale	-	0.6	-	-	-	-	-	**0.6**	
Other movements in depreciation and impairment	0.1	0.1	-	-	-	-	(0.1)	**0.1**	
At 31 March 2015	**(145.3)**	**(127.8)**	**(76.3)**	**(46.5)**	**-**	**-**	**0.0**	**(395.9)**	***(41.9)***
								-	
Net Book Value								**-**	
At 31 March 2015	**1,665.5**	**2,249.1**	**125.2**	**429.8**	**90.7**	**10.8**	**262.1**	**4,833.2**	***506.0***
At 31 March 2014	**1,660.1**	**2,399.1**	**125.4**	**393.1**	**89.5**	**-**	**189.6**	**4,856.8**	***464.9***

Movements in Balances:2013/14 (Restated)

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Investment Properties	Assets under construction	Total Property, Plant and Equipment	assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2013	**1,666.9**	**2,317.3**	**188.4**	**624.6**	**87.6**	**-**	**348.0**	**5,232.8**	***724.3***
Prior Period Adjustments	-	207.4	39.5	-	-	-	-	**246.9**	*(296.8)*
Restated Balance at 1 April 2013	**1,666.9**	**2,524.7**	**227.9**	**624.6**	**87.6**	**-**	**348.0**	**5,479.7**	***427.5***
Additions	88.7	89.8	24.7	76.4	1.9	-	21.3	**302.8**	*108.2*
Donations	-	-	-	-	-	-	-	**-**	
Assets reclassified between categories	-	169.0	4.0	5.2	0.1	-	(178.3)	**-**	
Assets reclassified (to)/from Held for Sale	-	(1.6)	-	-	-	-	-	**(1.6)**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	160.5	-	-	-	-	-	**160.5**	*2.5*
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	36.9	(216.3)	-	-	-	-	(1.5)	**(180.9)**	*(9.1)*
Derecognition - Disposals	(20.3)	(169.6)	(2.0)	-	(0.1)	-	-	**(192.0)**	*(22.0)*
Derecognition - other	(2.3)	-	-	(166.1)	-	-	-	**(168.4)**	
Other movements in cost or valuation	(0.1)	0.1	(0.1)	-	-	-	0.1	**(0.0)**	
At 31 March 2014	**1,769.8**	**2,556.6**	**254.5**	**540.1**	**89.5**	**-**	**189.6**	**5,400.1**	***507.1***
								-	
Accumulated Depreciation and Impairment								**-**	
At 1 April 2013	**(78.7)**	**(148.0)**	**(77.0)**	**(251.7)**	**-**	**-**	**-**	**(555.4)**	***(61.8)***
Prior Period Adjustments	**-**	**-**	(16.3)	**-**	**-**	**-**	**-**	**(16.3)**	***33.5***
Restated Balance at 1 April 2013	**(78.7)**	**(148.0)**	**(93.3)**	**(251.7)**	**-**	**-**	**-**	**(571.7)**	***(28.3)***
Depreciation charge	(38.9)	(53.4)	(36.9)	(44.1)	-	-	(0.1)	**(173.4)**	*(16.2)*
Depreciation written out to the Revaluation Reserve	37.0	7.4	-	-	-	-	(0.1)	**44.3**	*0.4*
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	
Impairment (losses)/reversals recognised in the Revaluation Reserve	7.9	(21.0)	-	-	-	-	-	**(13.1)**	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(36.9)	41.6	-	-	-	-	-	**4.7**	
Derecognition - Disposals	-	15.5	1.2	148.9	-	-	(0.1)	**165.5**	*1.9*
Assets reclassified (to)/from Held for Sale	-	0.4	-	-	-	-	-	**0.4**	
Other movements in depreciation and impairment	(0.1)	-	(0.1)	(0.1)	-	-	0.3	**0.0**	
At 31 March 2014	**(109.7)**	**(157.5)**	**(129.1)**	**(147.0)**	**-**	**-**	**-**	**(543.3)**	***(42.2)***
								-	
Net Book Value								**-**	
At 31 March 2014	**1,660.1**	**2,399.1**	**125.4**	**393.1**	**89.5**	**-**	**189.6**	**4,856.8**	***464.9***
At 31 March 2013	**1,588.2**	**2,376.7**	**134.6**	**372.9**	**87.6**	**-**	**348.0**	**4,908.0**	***399.2***

Revaluations

Operational (other than Housing):
The Council carries out valuations of its property assets over a five year cycle and reviews those assets that are not in the valuation cycle for the year to ensure that carrying values remain materially correct at the Balance Sheet date. Peter Jones, Fellow of the Royal Institution of Chartered Surveyors (FRICS), Director of Property and other similarly qualified staff in Birmingham Property Services, Economy Directorate, carried out the valuations, and a Valuation Certificate was issued on 23 June 2015 in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The effective date of the current year's valuation is 1 April 2014, with a review of any significant changes to assets during the year to ensure that any material changes in asset values at the Balance Sheet date are identified. Properties regarded as operational were valued on the basis of Existing Use Value. Where the asset is of a specialist nature, the method of valuation was Depreciated Replacement Cost. During the annual revaluation exercise material assets are componentised in line with the accounting policy. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Housing:
The entire housing stock was valued as at 1 April 2014 by Peter Jones FRICS, and similarly qualified staff in Birmingham Property Services, according to the Department of Communities and Local Government 'Stock Valuation for Resource Accounting - Guidance for Valuers 2010'. The valuation was on the basis of Existing Use Value for Social Housing using sample "Beacon Properties" and a Valuation Certificate was issued in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuation was reviewed for any significant changes to assets during the year to ensure that any material changes in asset values at the Balance Sheet date are identified.

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

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Investment Properites	Assets under construction	**Total Property, Plant and Equipment**
	£m	£m	£m	£m	£m	£m	£m	**£m**
Carried at Historical Cost			151.1	476.3	90.7		262.1	**980.2**
Valued at fair value as at:								
31 March 2015	1,810.8	720.3	50.4			10.8		**2592.3**
31 March 2014		384.6						**384.6**
31 March 2013		271.4						**271.4**
31 March 2012		395.3						**395.3**
31 March 2011		605.3						**605.3**
Total cost or valuation	**1,810.8**	**2,376.9**	**201.5**	**476.3**	**90.7**	**10.8**	**262.1**	**5,229.1**

Investment Property

The Council has one asset where it is anticipated that the major return from holding it will be through capital appreciation in the value of the site. As a result the asset has been reclassified as an investment property and valued on the basis of its anticipated market value at 31 March 2015.

Impairment:

An impairment of £106.0m (2013/14: £70.7m) was made to the carrying value of HRA dwellings to reflect the fact that capital expenditure on HRA dwellings did not add equivalent value. Details are included in Note H3 of the Supplementary Statements.

Capital Commitments

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant, Furniture and Equipment in 2015/16 and future years budgeted to cost £1,105.6m. Similar commitments at 31 March 2014 were £1,094.1m. The major commitments are:

	£m
PFI lifecycle costs	680.9
Paradise Circus Enterprise Zone	97.2
ICT Infrastructure	50.6
Grand Central	44.2
New Wholesale Markets	42.9
Starbank Basic Needs	18.3
Connection Opportunity Enterprise	17.2
Gateway New Street Station/Pallasades	13.8
Refuse Collection Vehicles/Containers	12.3
Cockhill Blocks	10.6
SAP Developments	10.5
Digital Districts	7.4
Life Sciences	7.2
Wyley Birch	6.2
New Zealand Blocks	6.1
Sparkhill Pool	5.9
Other projects < £5m	74.3

Capitalisation of Borrowing Costs

The Council has adopted an accounting policy of capitalising borrowing costs in relation to qualifying assets. In 2014/15 the amount of borrowing costs capitalised during the period was £5.5m (2013/14: £12.3m). Of this sum, £1.1m of interest related to a specific fixed rate loan of £91.0m taken out in April 2009 at an interest rate of 2.955%. The remaining £4.4m of interest did not relate to a specific loan and was calculated using the Council's average borrowing rate in the year expenditure was incurred. This was 4.70% in 2014/15 (2013/14: 4.68%). For 2014/15, interest capitalised by scheme was as follows:

	£m
Enterprise Zone	0.3
Birmingham Gateway New St Station	0.2
Southside Grand Central	5.0

Note 22
Heritage Assets

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

Heritage Assets Held By the Council:

	Museum collections	Historic buildings	Public Art	Libraries and Archive collections	Civic Regalia and Plate	Total Assets
	£m	£m	£m	£m	£m	£m
01 April 2013						
- At Cost	3.5	11.1	0.4	-	-	15.0
- At Valuation	213.0	-	-	15.5	1.8	230.3
Additions	0.1	-	-	-	-	0.1
Disposals	-	-	-	-	-	-
Revaluations	0.3	-	-	-	-	0.3
Depreciation	-	-	-	-	-	-
31 March 2014	**216.9**	**11.1**	**0.4**	**15.5**	**1.8**	**245.7**
- At Cost	*3.6*	*11.1*	*0.4*	*-*	*(0.0)*	*15.1*
- At Valuation	*213.3*	*-*	*-*	*15.5*	*1.8*	*230.6*
31 March 2014	***216.9***	***11.1***	***0.4***	***15.5***	***1.8***	***245.7***
01 April 2014						
- At Cost	3.6	11.1	0.4	-	(0.0)	15.1
- At Valuation	213.3	-	-	15.5	1.8	230.6
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	0.4	-	-	-	-	0.4
31 March 2015	**217.3**	**11.1**	**0.4**	**15.5**	**1.8**	**246.1**
- At Cost	*3.6*	*11.1*	*0.4*	*-*	*(0.0)*	*15.1*
- At Valuation	*213.7*	*-*	*-*	*15.5*	*1.8*	*231.0*
31 March 2015	***217.3***	***11.1***	***0.4***	***15.5***	***1.8***	***246.1***

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

Where historic cost information is available, the Council has used this when compiling the balance sheet; otherwise insurance valuations have been used, where applicable. Where there is evidence of a movement in valuations as a result of material acquisitions or disposals, or a significant movement in comparable market values, a revaluation will be considered. The Council has estimated that from its insurance records, the value of the Library collection was £15.5m, the Museum's collection was £212.4m and the Civic Regalia was £1.8m as at 1 April 2011. There has been no amendment to these asset valuation based on insurance records at 31 March 2015.

Museum Collections

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

The Birmingham Museums Trust has acquired a number of small items from various sources during the year. In addition the Trust was bequeathed the Ceramic Collection acquired by the late Stanley Sellers, a Birmingham-born man who worked as an architect in the city for 33 years, and who was a keen supporter of the Birmingham Museum and Art Gallery. Highlights of the collection include Bernard Leach's rustic 'Leaping Salmon' vase, Austrian-born Lucie Rie's brightly coloured modernist bowls, and Dame Barbara Hepworth's bronze sculpture 'Sun and Moon'.

Historic Buildings and the Historic Environment

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

Public Art

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

Libraries and Archive Collections

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

Civic Regalia and Plate

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

Additions

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

5-year financial summary of heritage asset transactions

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Purchases					
Museum collections	2.1	-	1.5	0.1	-
Historic buildings	0.1	0.1	0.2	-	-
Public Art	0.3	0.1	-	-	-
Other Acquisitions					
Museum collections	0.7	-	0.6	0.3	0.4
Total additions	**3.2**	**0.2**	**2.3**	**0.4**	**0.4**

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

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

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

Note 23
Intangible Assets

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

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

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

	2013/14			2014/15		
	Internally Generated Assets £m	Other Assets £m	Total £m	Internally Generated Assets £m	Other Assets £m	Total £m
Balance at start of year:						
- Gross carrying amounts	-	99.9	99.9	-	126.2	126.2
- Accumulated amortisation	-	(56.3)	(56.3)	-	(76.9)	(76.9)
Net carrying amount at start of year	**-**	**43.6**	**43.6**	**-**	**49.3**	**49.3**
Additions:			-			-
- Internal development	-	26.3	26.3	-	4.8	4.8
- Purchases	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	(19.9)	(19.9)
Amortisation for the period	-	(20.6)	(20.6)	-	(25.7)	(25.7)
Amortisation written out for disposals/transfers	-	-	-	-	19.9	19.9
Other changes	-	-	-	-	-	-
Net carrying amount at end of year	-	49.3	49.3	-	28.4	28.4
Comprising:						
Gross carrying amounts	-	126.2	126.2	-	111.1	111.1
Accumulated amortisation	-	(76.9)	(76.9)	-	(82.7)	(82.7)
	-	49.3	49.3	-	28.4	28.4

Note 24
Long Term Investments

On 16 January 2015, the Council announced that it had entered into a binding agreement to sell the National Exhibition Centre Limited (NEC Ltd). As the sale of NEC Ltd had progressed to such an extent the NEC Debentures were now considered as meeting the criteria to be re-categorised as Assets Held for Sale. Details of the Council's long term investments are summarised below:

31 March 2014		31 March 2015
£m		£m
227.0	NEC Debentures	-
26.5	Investment in subsidiary and associated companies	26.5
2.1	Available for Sale Financial Assets	5.3
1.4	Unquoted Equity Investment at Cost	0.3
257.0	**Total**	**32.1**

Note 25
Long Term Debtors

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

31 March 2014		31 March 2015
£m		**£m**
36.7	External Loans	37.6
1.0	Employee loans	0.7
0.3	Mortgages: former Council House tenants	0.3
39.1	Other debtors	39.0
77.1	**Total**	**77.6**

Note 26
Short Term Investments

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

31 March 2014		31 March 2015
£m		£m
43.9	Money Market Funds	53.6
27.0	Financial Institutions	20.2
12.1	Other Investments	-
83.0	**Total**	**73.8**

Note 27
Assets Held for Sale

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

	Current	
	2013/14	2014/15
	£m	**£m**
Balance outstanding at start of year	**14.8**	**11.8**
Assets newly classified as held for sale:		
- Property, plant and equipment	2.7	68.5
- Intangible assets	-	-
- Financial Instruments	-	196.9
- Other assets/(liabilities) in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	1.7	1.4
Impairments (losses)/reversals	0.2	(1.1)
Assets declassified as held for sale:		
- Property, plant and equipment	(1.4)	(5.2)
- Intangible assets	-	-
- Other assets/(liabilities) in disposal groups	-	-
Assets sold	(6.2)	(6.5)
Transfers from non-current to current	-	-
Other Movements	-	(0.1)
Balance outstanding at year end	**11.8**	**265.7**

In 2014/15, 6 assets have been reclassified as held for sale, with disposal expected in 2015/16. Prior to transfer, the assets were revalued from the previous existing use value to a valuation based on fair value less cost of disposal, resulting in a net gain of £0.3m.

Included within Assets Held for Sale are those assets of the National Exhibition Centre which the Council disposed of on 1 May 2015. The assets held by the Council at 31 March 2015 which formed part of the NEC disposal agreement were a combination of land and financial instruments.

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

- The Council values a number of assets at ‘fair value’. The size of a receipt from the sale of an asset is heavily dependent on how much the market is willing to pay for a particular asset at any one time and this can fluctuate
- In line with the Code, the Council values some of its assets at Depreciated Replacement Cost (DRC). This includes those associated with the entities that are consolidated into the Group Accounts. Typically, where assets are valued at DRC it

is likely that the asset values in the accounts will be higher than those the open market is willing to pay.

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

Note 28
Short-Term Debtors

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

31 March 2014		31 March 2015
£m		**£m**
39.5	Central government bodies	62.4
8.3	Other local authorities	12.2
1.4	NHS bodies	9.7
11.0	Public corporations and trading funds	0.1
168.2	Other entities and individuals	224.0
228.4	**Total**	**308.4**

Note 29
Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the elements detailed below. The balances as at 31 March 2014 have been restated to reflect the school fund balances as detailed in Note 5.

31 March 2014 (Restated)		31 March 2015
£m		£m
0.8	Cash held by the Council	2.7
43.2	Bank current accounts	35.0
(24.6)	Bank Overdrafts	(22.1)
19.4	**Total**	**15.6**

Note 30
Short Term Creditors

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

31 March 2014		31 March 2015
£m		**£m**
(23.6)	Central government bodies	(30.3)
(6.3)	Other local authorities	(5.7)
(10.6)	NHS bodies	(5.9)
(26.3)	Public corporations and trading funds	(33.6)
(223.2)	Other entities and individuals	(267.1)
(290.0)	**Total**	**(342.6)**

Note 31
Long Term Creditors

The table below shows amounts owed by the Council at the end of the year that are due after 12 months.

31 March 2014		31 March 2015
£m		**£m**
-	Other entities and individuals	(13.6)
-	**Total**	**(13.6)**

Note 32
Provisions

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

	Current				Non-current			
	Equal Pay	Business Rates Appeals	Other Provisions	**Total**	Equal Pay	Business Rates Appeals	Other Provisions	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 April 2014	**180.4**	**-**	**11.1**	**191.5**	**457.8**	**21.3**	**3.2**	**482.3**
Additional provisions made in 2014/15	-	14.4	2.2	**16.6**	11.6	0.1	-	**11.7**
Amounts used in 2014/15	(84.8)	(14.1)	(1.3)	**(100.2)**	-	-	-	**-**
Transfer between current and non-current provision	207.8	14.1	3.2	**225.1**	(207.8)	(14.1)	(3.2)	**(225.1)**
Unused amounts reversed in 2014/15	-	-	(0.5)	**(0.5)**	(3.4)	-	-	**(3.4)**
Balance at 31 March 2015	**303.4**	**14.4**	**14.7**	**332.5**	**258.2**	**7.3**	**-**	**265.5**
Balance at 1 April 2013	141.5	-	3.9	**145.4**	**548.5**	**-**	**7.2**	**555.7**

Equal Pay

Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equal Pay Act and, as a result, has set aside a provision of £561.6m (2014: £638.2m) that incorporates our best estimate of all unpaid claims received to 31 March 2015, which will be subject to review during the period of the audit. The Council has developed a model to assess the likely costs of claims, gained through the history of claims settled to date. Furthermore, a substantial number of claims received at 31 March 2015, which remain to be settled, are subject to a legal agreement that stipulates the conditions of settlement.

The Secretary of State for Communities and Local Government has issued regulations allowing Local Authorities to use capital receipts received on or after 1 April 2013 to meet back payments associated with implementing the Equal Pay Act 1970. The Council has included both the capital and revenue impacts of equal pay claims in its long term financial plan, Business Plan 2015+.

National Non Domestic Rate Appeals (NNDR)

As a result of the change in the funding of Local Government in 2014/15, local authorities have assumed part of the liability for refunding NNDR payers who have successfully appealed against the rateable value of their properties in the rating list. This liability includes amounts that were collected in respect of both the current year and prior years.

Under the new legislation the Council, as Billing Authority, is required to make a provision for this liability on behalf of the major preceptors and itself. These accounts include a provision of £21.7m, set aside to cover the Council's share of the total estimated unpaid liability related to the settlement of all appeals received up to 31 March 2015. The remaining share of the liability is attributable to Central Government and the West Midlands Fire and Rescue Authority. The Council has developed a model to assess the likely costs of settling appeals, gained through the history of appeals settled to date. The information used in this modelling has been provided by the Valuations Office Agency (VOA).

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

Other Provisions

Details of the major items included in other provisions are:

Equal Pay Legal Costs

The Council's provision is for legal costs associated with the handling or defending of Equal Pay claims. The provision will be used when the legal fees are agreed for each case and may be subject to assessment, the timing of which is uncertain. It is anticipated that the provision will be utilised fully by 31 March 2018.

The National Exhibition Centre Limited Loan Debt

On 21 May 1997, The National Exhibition Centre Developments PLC issued £73m guaranteed unsecured loan stock 2027. The loan stock is guaranteed by Birmingham City Council. The Council received a guarantee fee of £7.932m in 1997 and this is being amortised over the life of the guarantee (1997 to 2027). On completion of the sale of the NEC Group, the balance of the guarantee fee of £3.2m will be released.

Gateway/Grand Central

A provision of £2.6m from the rental income from the units with the former Pallasades Shopping Centre that will be required to fund future lease severance costs or other eligible costs associated with the redevelopment of New Street Station, as prescribed in the Master Agreement with Network Rail.

Highways Bus Lane Enforcement

The provision of £1.9m will be applied in future years to highway improvement schemes.

The Carbon Reduction Commitment

In 2015/16 the Council will have to purchase allowances as a result of mandatory participation in the Government's Carbon Reduction Commitment Energy Efficiency scheme (CRCEES). The quantity of allowances that will be purchased is dependent on the amount of energy used in properties that the Council occupies during 2014/15. In line with the recommended treatment by CIPFA, a provision for this cost has been made in the 2014/15 accounts based on the energy used in 2014/15.

Note 33
Contingent Liabilities and Contingent Assets

Contingent Liabilities

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

1. The Council is guaranteeing payment of the full amount on the principal of and interest accruing on the National Exhibition Centre (Developments) PLC loan stock raised in May 1997 for the construction of the four new halls at the NEC. The amount of the loan guaranteed is £73m (2013/14: £73m), due in 2027.

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

   Direct
   For arrangements managed under its control, the Accountable Body function covers projects and programmes where the Council accesses European or Domestic grant support either for itself or on behalf of another organisation. In accepting this role the Council underwrites the financial performance and delivery of the activity along with compliance with the funding regulations. Under this role there is, depending on the nature of the particular scheme, a potential liability to the Council arising from either non-delivery of outputs, claiming of ineligible expenditure or from the disposal of assets prior to any clawback liability expiring. The Council has quantified this potential liability at 31 March 2014 of £393.2m and has identified future commitments of £38.8m.

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

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

3. The Council's final Housing Benefit claims for 2013/14 and 2014/15 are still being considered by the Department for Work and Pensions. There may be clawback of subsidy from the Council, above the level provided for in the accounts, which would reduce the level of benefit income shown and also reduce the General Fund balance carried forward.

4. Under the Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, employees are entitled to equal pay for work of equal value. The Council has received a number of claims under the Equal Pay Act and, as a result, has set aside a provision of £561.6m (31 March 2014: £638.2m) which incorporates all claims received and negotiations agreed to 31 March 2015.

   Whilst the provision reflects the forecast impact of claims made to date, there remain a number of uncertainties regarding any additional liabilities that the Council may face. There are major uncertainties surrounding the volume and timing of future claims and the determination of any settlements. The Council has developed a robust medium to long term financial plan, set out in Business Plan 2015+, which recognises the impact of future spending and funding requirements. The Council also has the ability to use capital receipts generated from 1 April 2013 to meet equal pay costs.

5. Local Authorities were entitled to charge, under Section 93(1) of the Local Government Act 2003 and subsequently the Local Authorities (Charges for Property Searches)(England) Regulations 2008, for personal searches of the Local Land Charges Register. However, these charges were contrary to the Environmental Information Regulations 2004 which states that Public Authorities (such as the Council) are not able to charge for access to environmental data, which includes information held on the Local Land Charges Register. Claims are being brought against Local Authorities for personal search fees charged between 1 January 2005 and August 2010. The claims are being handled, on behalf of all Local Authorities, by the Local Government Association. If the claims are successful, the Council faces a potential liability of up to £5m.

6. The Council is currently in partnership arrangements with Network Rail that is carrying out development of New Street Station and the Pallasades shopping centre through the Gateway and Grand Central projects. As part of the arrangements, should there be cost overruns above the agreed funding arrangements the Council may be required to make an additional contribution to the projects.

7. The Council is facing a number of compensation claims from former employees for current health issues and from people who attended Council schools. Currently the validity of any claims is being assessed.

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

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

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

Contingent Assets

At 31 March 2015 the Council has identified the following material contingent asset.

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

Note 34
Council Borrowing

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

2013/14			2014/15	
Long Term	Short Term		Long Term	Short Term
£m	£m		£m	£m
100.5	109.0	Lender's Option Borrower's Option (LOBO) loans	110.5	98.8
340.8	4.4	Local Bonds	336.5	4.6
2,204.9	91.0	Public Works Loan Board	2,221.0	55.5
-	365.4	Other Borrowing (mainly Other Local Authorities)	-	444.9
2,646.2	**569.8**	**Total**	**2,668.0**	**603.8**

Note 35
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2013/14		2014/15
£m		£m
(14.8)	Interest received	(16.3)
171.6	Interest paid	185.6
(20.5)	Dividends received	(6.2)
136.3		**163.1**

Note 36
Cash Flow Statement - Investing Activities

The cash flow investing balances have been restated for 2013/14 to reflect the prior period adjustment in respect of the recognition of capital expenditure in local authority maintained schools as detailed in Note 5. The cash flows from investing activities include the following.

2013/14 (Restated) £m		2014/15 £m
(225.6)	Purchase of property, plant and equipment, investment property and intangible assets	(328.4)
(3,545.7)	Purchase of short-term and long-term investments	(3,191.8)
(1.2)	Other payments for investing activities	-
44.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	57.9
3,578.5	Proceeds from short-term and long-term investments	3,198.2
0.3	Other receipts from investing activities	0.3
(149.7)	**Net cash flows from investing activities**	**(263.8)**

Note 37
Cash Flow Statement - Financing Activities

The cash flows from financing activities include the following..

2013/14		2014/15
£m		£m
93.6	Other receipts from financing activities	67.1
723.3	Cash receipts of short-term and long-term borrowing	2,069.8
(25.0)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(28.5)
(760.7)	Repayments of short-term and long-term borrowing	(2,014.1)
-	Other payments for financing activities	(2.7)
31.2	**Net cash flows from financing activities**	**91.6**

Note 38
Cash Flow – Other Adjustments

The balances have been restated for 2013/14 to reflect the prior period adjustment in respect of the recognition of capital expenditure in local authority maintained schools as detailed in Note 5. The cash flow adjustments to the net surplus/deficit on the provision of services include:

2013/14 (Restated) £m		2014/15 £m
173.4	Depreciation/Impairment charge	144.8
20.6	Amortisation of Intangible Assets	25.7
-	Amortisation of Financial Instruments	34.6
175.9	Revaluation of Non-Current Assets	46.7
201.1	Derecognition of Non-Current Assets	140.9
9.3	(Increase)/Decrease in Debtors	(79.4)
4.2	Increase/(Decrease) in Creditors	58.9
0.3	(Increase)/Decrease in Inventories	-
(27.2)	Increase/(Decrease) in Provisions	(75.9)
78.7	Pensions Liability	65.8
636.3		**362.1**

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

2013/14		2014/15
(80.1)	Capital Grants	(67.1)
(44.3)	Capital Receipts	(58.2)
(13.4)	Council Tax and NNDR Adjustments	2.7
(137.8)		**(122.6)**

Note 39
Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet. The cash balances for 2013/14 have been restated to reflect the recognition of school balances.

	Long Term		Current	
	31 March 2014	31 March 2015	31 March 2014 (Restated)	31 March 2015
	£m	£m	£m	£m
Investments				
Loans and receivables	227.0	-	83.0	73.8
Available-for-sale financial assets	2.1	5.3	-	-
Unquoted equity investment at cost	1.4	0.3	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total	**230.5**	**5.6**	**83.0**	**73.8**
Investments that are not financial instruments	26.5	26.5	-	-
Total investments	**257.0**	**32.1**	**83.0**	**73.8**
Debtors				
Loans and receivables	37.6	38.3	4.5	5.2
Financial assets carried at contract amounts	-	-	148.5	225.6
Total	**37.6**	**38.3**	**153.0**	**230.8**
Debtors that are not financial instruments	39.5	39.3	75.4	77.6
Total debtors	**77.1**	**77.6**	**228.4**	**308.4**
Cash				
Loans and receivables			44.0	37.7
Total cash: asset			44.0	37.7
Financial liabilities at amortised cost			(24.6)	(22.1)
Total cash: liability			(24.6)	(22.1)
Borrowings				
Financial liabilities at amortised cost	(2,646.2)	(2,668.0)	(569.8)	(603.8)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total	(2,646.2)	(2,668.0)	(569.8)	(603.8)
Borrowings that are not financial instruments	-	-	-	-
Total borrowings	**(2,646.2)**	**(2,668.0)**	**(569.8)**	**(603.8)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(443.5)	(458.6)		
Total	(443.5)	(458.6)		
Other long term liabilities.	(69.8)	(69.3)		
Total long term liabilities	**(513.3)**	**(527.9)**		
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	(193.6)	(261.8)
Total	-	-	(193.6)	(261.8)
Creditors that are not financial instruments	-	(13.6)	(96.4)	(80.8)
Total creditors	**-**	**(13.6)**	**(290.0)**	**(342.6)**

Material Soft Loans Made by the Council

The Council has made the following material soft loans:

Warwickshire County Cricket Club was granted a loan of £20m in 2009 to support the major ground refurbishment undertaken. The loan is deemed to be a material soft loan and is carried in the accounts at £16.0m, pays a fixed interest rate of 5% and matures in 2043. During the development phase of the project, interest was rolled up in the loan. In 2014/15, Warwickshire Cricket Club exercised its right, under the terms of the loan agreement, to defer interest and principal repayment for two quarters from March 2013 and extend the loan maturity to make these payments. The club applied for a further 18 month interest and principal deferral, which was granted by the Council. Bullet payments are due at the end of the 18 month deferral period. All interest on the deferred payments is rolled up and the term of the loan has been extended to 2045.

Marketing Birmingham received a loan of £1.1m in 2012 to support the creation of the Birmingham Business Hub at Baskerville House. The loan is deemed to be a material soft loan and is carried in the accounts at £0.7m, pays an interest rate of 2.2% and matures in 2022.

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

	2013/14 £m	2014/15 £m
Opening balance	**15.6**	**15.8**
Nominal value of new loans granted in year	-	0.8
Fair value adjustment on initial recognition	-	(0.2)
Loans repaid	(0.3)	(0.1)
Impairment losses	-	-
Increase in discount	0.5	0.5
Closing Balance at end of year	**15.8**	**16.8**
Nominal value at 31 March	22.3	22.6

Valuation Assumptions

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

Income, Expenses, Gains and Losses

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

	2013/14				2014/15			
	Financial Liabilities measured at amortised cost	Financial Assets:Loans and Receivables	Financial Assets: Available for Sale	**Total**	Financial Liabilities measured at amortised cost	Financial Assets:Loans and Receivables	Financial Assets: Available for Sale	**Total**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Interest Expense	171.6			**171.6**	185.6			**185.6**
Total expense in (Surplus)/Deficit on the Provision of Services	**171.6**	**-**	**-**	**171.6**	**185.6**			**185.6**
Interest and Dividend Income		(14.8)	(20.5)	**(35.3)**		(16.3)	(6.2)	**(22.5)**
Total income in (Surplus)/Deficit on the Provision of Services	**-**	**(14.8)**	**(20.5)**	**(35.3)**		**(16.3)**	**(6.2)**	**163.1**
Gains on Revaluation			(0.4)	(0.4)			(4.9)	(4.9)
(Surplus)/Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			**(0.4)**	**(0.4)**			**(4.9)**	**(4.9)**
Net (gain)/loss for the year	**171.6**	**(14.8)**	**(20.9)**	**135.9**	**185.6**	**(16.3)**	**(11.1)**	**158.2**

Fair Value of Assets and Liabilities

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

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

The fair values of financial liabilities are calculated as follows:

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£m	£m	£m	£m
Creditors	(193.6)	(193.6)	(261.8)	(261.8)
Borrowings	(3,216.0)	(3,825.5)	(3,271.8)	(4,500.6)
Other Long Term Liabilities	(513.3)	(522.5)	(527.9)	(794.0)
Total	**(3,922.9)**	**(4,541.6)**	**(4,061.5)**	**(5,556.4)**

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

The fair values of financial assets are calculated as follows:

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£m	£m	£m	£m
Investments	313.5	313.5	79.4	79.4
Debtors	190.6	188.3	269.1	272.4
Total	**504.1**	**501.8**	**348.5**	**351.8**

The fair value of the assets at 31 March 2015 is higher than the carrying amount because the Council's portfolio of investments includes fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional gain (based on economic conditions at 31 March 2015) attributable to the commitment to receive interest below current market rates.

Note 40
Nature and Extent of Risks Arising from Financial Instruments

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

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

These risks are mainly managed by a central Treasury Management Team in accordance with policies and approvals set by the Council in its annual Budget Report, Treasury

Management Strategy, and Treasury Management Practices in particular. The Council complies with CIPFA's Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities, both of which regulate the use of financial instruments and establish a treasury risk management framework.

Credit Risk

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

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

'Specified' short term investments (all in Sterling)	Short term rating*	Long term rating*	CITY COUNCIL Individual lending limit
Banks (including overseas banks) and Building Societies	F1+ /A1+ /P1	AA- /AA- /Aa3	£25m
	F1+ /A1+ /P1	A- / A- /A3	£20m
	F1 /A1 /P1	A- / A- /A3	£15m
	F2 /A2 /P2	BBB+ /BBB+ /Baa1	£10m
Sterling commercial paper and corporate bonds	F1+ /A1+ /P1	A- / A- /A3	£15m
Sterling Money Market Funds (short term and Enhanced)	AAA (with volatility rating V1 /S1 /MR1 where applicable)		£40m
Local authorities	n/a	n/a	£25m
UK Government and supranational bonds	n/a	n/a	none
UK Nationalised Banks and Government controlled agencies	n/a	n/a	£25m
Secured investments including repo and covered bonds	Lending limits determined as for banks (above) using the rating of the individual investment		

* Fitch / S&P / and Moody's rating Agencies respectively. Institutions must be rated by at least two of the Agencies, and the lowest rating will be taken into account.

Significant changes in banking regulation have taken place to address some of the issues arising from the banking crisis, and unsecured lenders will be more exposed to losses from bank failure under EU and UK 'bail in' rules. The Council has, therefore, introduced an additional risk category for Banks and Building Societies and will seek to use secured forms of lending such as covered bonds and repo agreements. However, these instruments are not generally available for short term and smaller size deposits.

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

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

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

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

The Council's maximum exposure to credit risk, in relation to its investments in financial institutions, cannot be assessed generally, as the risk of any institution failing to make due payments will be specific to each individual institution. In relation to the Council's outstanding treasury deposits with financial institutions, local authorities and other institutions, no such deposits have defaulted in the year or are impaired. A risk of irrecoverability applies to all deposits, but there is no evidence at 31 March 2015 that this was likely to crystallise.

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

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

	Amount outstanding	Historical experience of default	Estimated experience of default	Estimated maximum exposure to default and uncollectability at 31 March 2015	Estimated maximum exposure at 31 March 2014
	£m			£m	£m
Service investments	5.3	1.2	12%	0.7	1.1

Liquidity Risk

Liquidity risk arises from the need to borrow to finance capital expenditure, loan maturities and other payments. The Council has a comprehensive cash flow management system that measures liquidity and seeks to ensure that cash is available as needed. The Council has ready access to loans from the Public Works Loans Board (PWLB) in accordance with the PWLB circulars currently in force, and there is no significant risk that it will be unable to raise finance to meet its commitments. The Council sets limits on the proportion of its fixed rate borrowing maturing in specified periods. The maturity analysis of financial liabilities is as follows:

	31 March 2014 £m	31 March 2015 £m
Less than 1 year	(884.4)	(968.4)
Between 1 and 2 years	(174.2)	(196.3)
Between 2 and 5 years	(204.9)	(243.9)
Between 5 and 20 years	(1,291.2)	(1,301.8)
Between 20 and 40 years	(1,007.4)	(1,036.0)
Over 40 years	(481.8)	(431.5)
Total	**(4,043.9)**	**(4,177.9)**

All trade and other current payables are due to be paid in less than one year.

Market Risk

Interest rate risk
The Council is exposed to significant risk in relation to interest rate movements on its borrowing and investments.

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

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

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

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

At 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	4.4
Increase in interest receivable on variable rate investments	(0.7)
Impact on Surplus/(Deficit) on the Provision of Services	3.7
Share of overall impact debited to the HRA	0.2
Decrease in fair value of fixed rate investment assets	2.4
Impact on Other Comprehensive Income and Expenditure	2.4
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus/(Deficit) on the Provision of Services or Other Comprehensive Income and Expenditure)	(531.2)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The above sensitivities have been prepared and based on loan debt and loan investments outstanding at 31 March 2015.

In 2005, the Council acquired NEC (Finance) plc loan stock of which £192.4m remains to be repaid to the Council (31 March 2014: £192.4m). The loan stock is secured on an equal amount of NEC Ltd loan stock, which is itself guaranteed by the Council.

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

Price Risk

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

Note 41
Capital Expenditure and Capital Financing

The Council's capital expenditure on an accruals basis, analysed between types of asset, is summarised below. This also includes revenue expenditure funded from capital under statute. The detail for 2013/14 has been restated to reflect the recognition of capital expenditure within schools as detailed in Note 5, Prior Period Adjustments.

	31 March 2014 (Restated) £m	31 March 2015 £m
Opening Capital Financing Requirement	**4,183.1**	**4,291.6**
Capital Investment		
Property, Plant and Equipment	302.8	374.2
Heritage Assets	0.1	-
Investment Properties	-	-
Intangible Assets	26.3	4.8
Revenue Expenditure funded from Capital under Statute	50.4	53.2
Equal Pay Directive	-	-
Long Term Loans	-	0.6
Acquisition of Share Capital	1.2	2.9
Sources of Finance		
Capital Receipts	(15.8)	(17.7)
Government Grants and other Contributions	(83.0)	(117.7)
Sums set aside from Revenue:	-	-
- Direct Revenue Contributions	(30.4)	(43.5)
- Use of Major Repairs Reserve	(46.3)	(68.2)
- Minimum Revenue Provision	(89.5)	(121.6)
- Voluntary Revenue Provision	-	-
- Capital Receipts set aside for debt redemption	(7.3)	(7.7)
Adjustments to Capital Financing	-	-
Closing Capital Financing Requirement	**4,291.6**	**4,350.9**
Explanation of Movements in Year		
Increase in underlying need to borrow	3.3	8.7
Assets acquired under finance leases	1.6	1.1
Assets acquired under PFI contracts	103.6	49.5
Increase/(decrease) in Capital Financing Requirement	**108.5**	**59.3**
Movement in Year	**108.5**	**59.3**

Note 42
Leases

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

Authority as the lessee

Finance leases
The Council has acquired a number of buildings and other assets under finance leases. The assets acquired under these leases are carried as either Property, Plant and Equipment or Assets Held for Sale in the Balance Sheet at the following net amounts.

31 March 2014		31 March 2015
£m		£m
7.5	Other Land and Buildings	14.2
4.6	Vehicles, Plant Furniture & Equipment	3.4
1.0	Assets Held for Sale	
13.1	**Total**	**17.6**

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

31 March 2014		31 March 2015
£m		£m
	Finance lease liabilities (net present value of minimum lease payments):	
1.4	- current	1.2
2.1	- non-current	1.5
2.1	Finance costs payable in future years	2.0
5.6	**Minimum lease payments**	**4.7**

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£m	£m	£m	£m
Not later than one year	1.7	1.4	1.4	1.2
Later than one year and not later than five years	2.2	1.6	1.8	1.3
Later than five years	1.7	1.7	0.2	0.2
Total	**5.6**	**4.7**	**3.4**	**2.7**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In both 2014/15 and 2013/14, no contingent rents were payable by the Council.

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

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

31 March 2014 £m		31 March 2015 £m
1.0	Not later than one year	0.6
1.2	Later than one year and not later than five years	1.0
1.1	Later than five years	0.9
3.3	**Total**	**2.5**

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

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

31 March 2014 £m		31 March 2015 £m
1.4	Minimum lease payments	0.8
0.3	Contingent rents	0.1
1.7	**Total**	**0.9**

Authority as the lessor

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

31 March 2014 £m		31 March 2015 £m
	Finance lease debtor (net present value of minimum lease payments):	
0.1	- current	0.1
37.0	- non-current	36.8
207.8	Unearned finance income	224.0
(20.3)	Less – Unguaranteed residual value of property	(20.4)
224.6	**Gross investment in the lease**	**240.5**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Finance Lease Debtor		Minimum lease payments	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£m	£m	£m	£m
Not later than one year	0.1	0.1	2.3	2.3
Later than one year and not later than five years	0.3	0.1	9.2	9.0
Later than five years	36.7	36.7	213.1	229.2
Total	**37.1**	**36.9**	**224.6**	**240.5**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £1.1m contingent rents were receivable by the Council (2013/14 £1.1m).

Operating leases

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

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

31 March 2014		31 March 2015
£m		£m
11.7	Not later than one year	11.7
34.0	Later than one year and not later than five years	31.9
146.2	Later than five years	145.0
191.9	**Total**	**188.6**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £2.6m contingent rents were receivable by the Council (2013/14 £3.4m).

Leases - contingent rent

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

Note 43
Service Concession Arrangements

The Council has entered into a number of Service Concession arrangements, formerly classes and Private Finance Initiative arrangemnts, through which assets are constructed or refurbished and services are provided under long-term contracts with private sector firms. These contracts cover Schools, Waste Disposal facilities and Highways Management and Maintenance.

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

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

- Schools. There are 4 separate arrangements in place for the rebuild / refurbishment and management of a total of 24 schools within Birmingham. These arrangements are of varying duration and service providers: 6 schools from 2001/02 (for 32 years), 11 schools from 2004/05 (for 35 years), 4 schools from 2011/12 (for 25 years) and a single secondary school from 2013/14 ending 2038/39. The service provider is paid a Unitary Charge monthly for the duration of the contracts, with indexation applied annually as per the terms of each contract. Within each contract the Council retains both the schools' assets and the liability for future contract commitments in the balance sheet. As at 31 March 2015 there are five schools managed under PFI contracts that have converted to Academy status. Whilst the assets no longer belong to the Council and are thus removed from the balance sheet, the ongoing liability remains as a Council responsibility.

- Birmingham Highways Management and Maintenance arrangement. The contract provides for management and maintenance of all public highway and other contractually designated areas within the Birmingham boundary by the Service Provider. The contract commenced on 7 June 2010, with a contract period of 25 years, and provides for a 5 year period of remediation for all of the main highway assets followed by a 20 year period during which the improved highway condition is maintained. The management element of the contract deals with road space management under legislation and responsibility for the Street Works Register, and services include:
    - Raising highway standards
    - Upgrading street lighting and the Council's traffic management assets
    - Refurbishing the Council's tunnels
    - Maintaining specified street furniture.

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

The Council continues to have full use of the roads and roadside furniture during the period of the arrangement, at the end of which all rights revert to the Council. There are no early termination or period clauses within the PFI arrangement. There have been no changes in the arrangement during 2014/15.

Payments remaining as at 31 March 2015	Interest	Repayment of liability	Payment for services	**Total**
	£m	£m	£m	£m
Payable in 2015/16	37.2	12.6	73.1	**122.9**
Payable within 2 to 5 years	135.1	64.5	265.9	**465.5**
Payable within 6 to 10 years	143.6	78.5	227.3	**449.4**
Payable within 11 to 15 years	106.3	114.4	268.8	**489.5**
Payable within 16 to 20 years	54.1	158.4	297.1	**509.6**
Payable within 21 to 25 years	5.6	41.2	45.6	**92.4**
Total	**481.9**	**469.6**	**1,177.8**	**2,129.3**

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

2013/14		2014/15
£m		£m
370.1	Liability outstanding at the start of the year	448.6
(25.0)	Repayment of liability	(28.5)
103.5	Lifecycle and further capital expenditure	49.5
448.6	**Liability outstanding at the year end**	**469.6**

The major part of the expenditure incurred, £49.0m, in respect of the lifecycle and further capital expenditure relates to the continuing upgrade of the City infrastructure, with the remainder incurred on minor enhancements to PFI projects.

Contingent rents, charged to the CIES, as a result of the impact of inflation total £6.1m (2013/14: £4.7m). The outstanding liability identified does not include the impact of future contingent rent.

Note 44
Members' Allowances

Allowances paid to Members of the Council in 2014/15 totalled £2.7m (2013/14: £2.8m). These figures include Members' allowances, superannuation contributions and expenses. Further information can be found on the Council's website www.birmingham.gov.uk

Note 45
Officers' Remuneration

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

		Salary, fees and allowances	Pension contributions	Total
		£	£	£
M Rogers, Chief Executive and Strategic Director of Economy(1)	2013/14	14,227	2,305	16,532
	2014/15	182,500	38,872	221,372
P Dransfield, Deputy Chief Executive (2)	2013/14	150,930	24,451	175,381
	2014/15	150,930	32,148	183,078
S Lea, Strategic Director of Place (3)	2013/14	150,930	12,225	163,155
	2014/15	150,364	32,148	182,512
P Hay, Strategic Director for People (4)	2013/14	170,584	27,635	198,219
	2014/15	158,693	33,801	192,494
J Warlow, Director of Finance (Section 151 Officer)	2013/14	111,150	18,006	129,156
	2014/15	117,000	24,722	141,722
Dr A Phillips, Director of Public Health	2013/14	124,076	10,133	134,209
	2014/15	124,076	24,608	148,684

Notes:
The Council undertook a review of the senior management structure in the 2013/14 finanical year and the changes in responsibilities are set out below. Where the restructure has resulted in senior officers leaving the Council, the posts have been deleted, generating future annual savings and the officers have received payments in respect of redundancy pay, a payment in lieu of notice and, where eligible, gained access to their pension in line with the Council policy in the case of redundancy. With effect from 20 January 2014, the Council operates through three Directorates, namely, Economy, People and Place.

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

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

(3) Sharon Lea's post, formerly the Strategic Director of Local Services, was redesignated to Strategic Director of Place with effect from 20 January 2014.

(4) Peter Hay held the post of Strategic Director of Adults and Communities. With effect from 19 July 2013, the role also included the responsibilities of Interim Head for Children, Young People & Families. With effect from 20 January 2014, Peter Hay took on the role of Strategic Director for People.

The recent reviews by Lords Kerslake and Warner and Sir Mike Tomlinson have identified that there is deficiency in senior managerial capacity in the Council, particularly at a time when radical change is required in moving to The Future Council model whilst significantly reducing the cost base. To provide immediate support a post of Interim Director for Service Delivery has been filled. Payments in respect of the interim post holder in 2014/15 were £62,700.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the amounts detailed in the table below. The figures for 2013/14 have been restated to include those staff employed in Voluntary Aided and Foundation schools, which were previously excluded.

2013/14 (Restated)				**2014/15**		
Teaching Staff & Staff in Schools	Other Council Employees	Total	Remuneration band	Teaching Staff & Staff in Schools	Other Council Employees	Total
No	**No**	**No**		**No**	**No**	**No**
231	187	418	£50,000 - £54,999	214	168	382
150	106	256	£55,000 - £59,999	147	85	232
118	60	178	£60,000 - £64,999	110	47	157
92	56	148	£65,000 - £69,999	79	53	132
36	22	58	£70,000 - £74,999	36	13	49
25	11	36	£75,000 - £79,999	25	8	33
11	20	31	£80,000 - £84,999	21	13	34
10	13	23	£85,000 - £89,999	10	13	23
10	6	16	£90,000 - £94,999	9	12	21
3	7	10	£95,000 - £99,999	4	12	16
4	3	7	£100,000 - £104,999	2	3	5
-	1	1	£105,000 - £109,999	2	2	4
1	2	3	£110,000 - £114,999		3	3
2	3	5	£115,000 - £119,999	1	1	2
2	1	3	£120,000 +	1	3	4
695	**498**	**1,193**		**661**	**436**	**1,097**

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

The 'Other Council Employees' figures in the above table include employees with planned termination payments, 77 in 2014/15 (103 in 2013/14). Excluding employees in receipt of planned termination payments, 359 employees in 2014/15 (395 in 2013/14) received remuneration of £50,000 or more.

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

Note 46
Exit Packages

The costs of exit packages are amounts payable as a result of either the Council's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. The following table provides information on the number of exit packages payable by the Council for the year, with total cost per band and total cost of both compulsory and other redundancies.

2013/14							2014/15					
Compulsory		Voluntary		Total		Value of individual package	Compulsory		Voluntary		Total	
No	£m	No	£m	No	£m	£000	No	£m	No	£m	No	£m
		2	0.5	2	0.5	£150+	-	-	7	1.5	7	1.5
		14	1.7	14	1.7	£100 - £150	1	0.1	12	1.4	13	1.5
		28	2.4	28	2.4	£80 - £100	1	0.1	13	1.2	14	1.3
2	0.1	55	3.7	57	3.8	£60 - £80	1	0.1	23	1.6	24	1.7
4	0.2	81	3.9	85	4.1	£40 - £60	2	0.1	53	2.6	55	2.7
9	0.2	256	7.1	265	7.3	£20 - £40	5	0.1	232	6.3	237	6.4
61	0.4	706	5.5	767	5.9	less than £20	33	0.2	506	4.5	539	4.7
76	**0.9**	**1,142**	**24.8**	**1,218**	**25.7**	**Total**	**43**	**0.7**	**846**	**19.1**	**889**	**19.8**

In addition to the costs of exit packages identified above, the Council incurred costs of £0.1m in 2014/15 (£0.1m in 2013/14) relating to the provision of transitional support and training to employees whose further employment was considered to be at risk.

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

Note 47
Auditor Remuneration

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

2013/14 £m		2014/15 £m
0.4	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	0.4
0.1	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	-
0.5	**Total**	**0.4**

Note 48
Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In addition to the companies where the Council has influence through its share ownership or representation on the board, which are considered in more detail below, the Council has had transactions of over £100,000 with the following organisations which fall within the definition of related parties:

Chinnbrook Family and Community Project
Evenbrook
MEL Research Limited
Stonham (part of Home Group)

The value of transactions for other, non-consolidated, related parties was net expenditure of £0.3m (£0.5m expenditure and £0.2m income).

During 2014/15, works and services to the value of £302.1m, inclusive of VAT, were commissioned from related parties of which £44.2m remains outstanding. Additionally £73.4m, inclusive of VAT, was received during 2014/15 from companies in which the Council had a related party interest of which £47.7m remains outstanding. The majority of the value of expenditure is in relation to companies where elected members are acting in their official capacity within the Group.

Other balances at 31 March 2015 are £31.7m of investments, £196.9m of Assets Held for Sale (NEC) and £44.5m of loans (of which £39.1m is repayable after 31 March 2016).

<u>Central Government</u>
Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example, Council Tax bills, Housing Benefits). Grants received from Government departments are set out in the subjective analysis in Note 20 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2015 are included in the balances within Note 29.

<u>Members</u>
Members of the Council have direct control over the Council's financial and operational policies. The total of Members' allowances paid in 2014/15 is shown in Note 44.

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

<u>Greater Birmingham and Solihull Business Rates Pooling Arrangement</u>

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

The Council entered into a pooled budget arrangement in 2013/14 with seven other local authorities, as detailed in the table below, following the introduction of the Business Rates Retention Scheme. This arrangement has continued in 2014/15. The objective of the Pool is to adopt a strategic approach to promoting growth and job creation that supports the Greater Birmingham and Solihull Local Enterprise Partnership's Strategy for Growth, which includes:

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

The table below summarises the financial activity for the year:

	2013/14		2014/15	
	£m	£m	£m	£m
Funding provided to the pooled budget				
Birmingham City Council	-		-	
Bromsgrove District Council	8.9		9.0	
Cannock Chase District Council	10.4		10.3	
East Staffordshire Borough Council	18.0		18.3	
Lichfield District Council	10.8		11.0	
Redditch Borough Council	11.9		12.2	
Solihull Metropolitan Borough Council	25.0		25.6	
Tamworth Borough Council	10.5		10.4	
		95.5		96.8
Expenditure met from the pooled budget				
Birmingham City Council	94.8		96.8	
Bromsgrove District Council	-		-	
Cannock Chase District Council	0.1		-	
East Staffordshire Borough Council	-		-	
Lichfield District Council	-		-	
Redditch Borough Council	0.2		-	
Solihull Metropolitan Borough Council	-		-	
Tamworth Borough Council	0.1		-	
		95.2		96.8
Net surplus arising from the pooled budget during the year		0.3		0.0

The table above is based on information available at the time of compiling the 2014/15 Statement of Accounts. On finalisation of the business rates income (post audit), it is possible that there will be some additional income to be re-allocated, but this will not be of a material nature.

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

Other Public Bodies - Pooled Budgets

The Council is in a pooled budget arrangement with the Clinical Commissioning Groups (CCGs) covering the Birmingham area for the joint commissioning of services relating to Mental Health and Learning Disabilities. The objective of the pooled arrangement is to improve services for users through closer working and co-operation in the commissioning of services. The arrangements have been established pursuant to Section 75 of the NHS Act 2006 and related Regulations, and the Council hosts the Learning Disability element with the combined CCGs acting as host in relation to Mental Health Services. During 2014/15 a balanced budget position has again been achieved. The table below summarises the financial activity for the year:

	2013/14		2014/15	
	£m	£m	£m	£m
Funding provided to the pooled budget				
Birmingham City Council	122.6		120.0	
Cross City CCG	111.0		102.6	
South Central CCG	33.8		38.9	
Sandwell and West Birmingham CCG	30.1		33.3	
		297.5		294.8
Expenditure met from the pooled budget				
Birmingham City Council	122.6		120.0	
Cross City CCG	111.0		102.6	
South Central CCG	33.8		38.9	
Sandwell and West Birmingham CCG	30.1		33.3	
		297.5		294.8
Net surplus arising from the pooled budget during the year		-		-

In 2014/15, the Council became accountable body for the Equipment Loan Store through an agreement under section 75 of the NHS Act 2006 with the CCGs covering the Birmingham area. The purpose of the arrangement is to work in an integrated way to allow citizens across the health system access to equipment to enhance the quality of their lives. In 2015/16, the arrangement will form part of the Better Care Fund pooled budget. Details of the financial activity for the year are detailed below:

	2014/15	
	£m	£m
Funding provided to the pooled budget		
Birmingham City Council	1.7	
Cross City CCG	2.6	
South Central CCG	1.3	
Sandwell and West Birmingham CCG	0.6	
		6.2
Expenditure met from pooled budget		
Birmingham City Council	1.7	
Cross City CCG	2.6	
South Central CCG	1.3	
Sandwell and West Birmingham CCG	0.6	
		6.2
Net surplus on the pooled budget		-

Entities Controlled or Significantly Influenced by the Council
The Council maintains involvement with a number of associated and subsidiary companies where the assets and liabilities of these companies are not included in the Council's core financial statements. Group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

	Expenditure	**Income**	**Debtor balance at year end**	**Creditor balance at year end**
	£m	£m	£m	£m
The National Exhibition Centre Limited	29.8	19.3	16.0	16.8
The National Exhibition Centre (Developments)	-	0.2	-	-
Innovation Birmingham Limited	1.6	0.2	0.2	-
Performances (Birmingham) Limited	2.6	0.1	-	-
Acivico Limited	42.3	4.2	5.7	12.8
Birmingham Museums Trust	9.1	2.4	-	0.3

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

	Expenditure	**Income**	**Debtor balance at year end**	**Creditor balance at year end**
	£m	£m	£m	£m
Birmingham Airport Holdings Limited (BAH)	3.2	2.1	0.8	0.5
Service Birmingham Limited	120.6	31.0	13.5	6.8

The Council also has relationships with a number of other companies and third party organisations where the assets and liabilities of the Council's holding is not material to the Group Accounts or where the Council has representation and influence on the board of the organisation but has no claim on the assets and liabilities of the organisation. Details of the organisation and its relationship to the Council are set out in the tables below.

Organisations where the Council has 100% share ownership of the company but the level of activity is not material to the Council's Group Accounts. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2014/15.

Birmingham Business Support Centre Limited
Birmingham Brand Care Limited
Birmingham Venture Capital Limited
Finance Birmingham Limited
Gallery 37 Foundation
Greater Birmingham and West Midlands Brussells Office*
INReach (Birmingham) Limited*
Library of Birmingham Development Trust
PETPS (Birmingham) Limited
Creative Advantage West Midlands Limited

Entities where the Council has some influence

Organisations where the Council is a minority shareholder of the company and the level of activity is not material to the Council's Group Accounts are detailed below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2014/15.

Auctus*	Host My Portfolio/Hobzy
Big Button	Inspyra Technologies
Birmingham Wheels Ltd	
Birmingham LEP Company (also known as Birmingham Lend Lease Partnership)*	Local Finance Capital Company Ltd
Birmingham Research Park Ltd*	Marketing Birmingham*
Birmingham Schools SPC Holdings Phase 1A Limited	Matchbox Enterprises Ltd
Birmingham Schools SPC Phase 1A Limited*	Midlands Industrial Association Ltd
Birmingham Schools SPC Holdings Phase 1B Limited	Owned It
Birmingham Schools SPC Phase 1B Limited*	Paradise Circus General Ltd*
Bridge Street Management Ltd	Paradise Circus Limited Partnership
Central Technology Belt	Pure Mobile*
Closed Questions (Vote Here Ltd)	Skips
Concurrent Thinking	Socially Accepted Games T/A Soshi
Crowd Technologies	Stockfield Community Association
Droplet Online	Stockfield Community Association (Subsidiary) Ltd
Finds You	The Review Business*
Foodient/Whisk	Veolia Environmental Services Birmingham Ltd*

The Council also has representation on the board of a number of organisations but has no associated shareholding or entitlement to returns from the organisation. Details of the relevant companies are detailed below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2014/15.

Birmingham Asian Resource Centre	Jewellery Quarter Development Trust CIC*
Birmingham Citizens Advice Bureau Service Ltd	Midlands Arts Centre*
Birmingham Conservation Trust*	Millennium Point Property Ltd*
Birmingham Disability Resource Centre*	Millennium Point Trust*
Birmingham Hippodrome Theatre Trust Ltd	Retail B'ham Limited*
Birmingham Opera Company*	St Basils*
Birmingham Royal Ballet*	S4E
Birmingham Settlement Ltd*	St. Paul's Community Development Trust*
Birmingham Voluntary Service Council*	The Birmingham Repertory Theatre*
Broad Street Partnership Ltd	The Drum/ Newtown Cultural Project*
Castle Vale Neighbourhood Partnership Board	Warwickshire County Cricket Club*
Centro*	West Midlands Arts Trust
City of Birmingham Symphony Orchestra*	WLCA Enterprises Ltd
Dance Xchange*	Witton Lodge Community Association Ltd*
Erdington Town Centre Partnership*	

Business Improvement Districts (BID) are business led partnerships, created to deliver additional services to local businesses. A BID covers a defined area in which a levy is charged on all business rate payers, which is then used to develop projects that will benefit business within the area. The Council has member representation on BIDs within the Birmingham area as detailed below. Those organisations highlighted with an asterisk had transactions with the Council in excess of £0.1m in 2014/15.

Acocks Green Village BID*
Broad Street BID
Colmore Business District BID*
Erdington BID
Jewellery Quarter BID
Kings Heath BID
Northfield BID*
Retail Birmingham BID
Soho Road BID*
Southside BID*
Sutton Coldfield Town Centre BID*

Note 49
The Council Acting as Agent

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

Agency Role	**No**	**Level of Reserve**	**Gross Expenditure**
		£m	£m
Provision of External Payrolls	88	-	235.1
Accountable Body	22	170.3	37.9
Business Rate Pooling	8	-	123.9
Arrangements supporting Housing activities	16	0.6	15.7
Reporting of Trust activities	16	21.1	0.5
Other transactions	6	0.3	0.9

External Payrolls

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

<u>Accountable Body Role</u>

Greater Birmingham & Solihull Local Enterprise Partnership

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

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

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

Enterprise Zones

The Council provides accountancy support, collecting Business Rate contributions through its role as agent for the Collection Fund and making payments on its behalf against LEP approved projects as contained in the Enterprise Zone Investment Programme.

Other Roles

England Illegal Money Lending Team

The England Illegal Money Lending Team seizes and holds cash from third parties temporarily as part of its Accountable Body activities on behalf of the Courts.

InReach

The Council set up the wholly owned subsidiary on 31 March 2015. The company will be used to facilitate the development of 92 new private rented homes at market rent at St Vincent Street, Ladywood. The company is not consolidated into the Council's Group Accounts as the level of transactions within the company to date is not considered material to the whole.

Business Rate Pooling

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

Housing Activities

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

Trusts

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

Endowments

Where the Council receives an endowment, it holds the money in trust and uses the income generated in line with the conditions of the endowment.

Other

The Council provides accountancy support to:

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

Note 50
Trust Funds

The Council administers a number of trust funds which have been established from donations and bequests made to it to meet a variety of objectives and purposes. The total monies held at 31 March 2015 were £27.7m (2013/14: £26.9m). In addition, the Council held £3.5m (2013/14: £3.4m) of Adult Services Clients' Funds. The trust funds and clients' funds do not represent assets of the Council and have not been included in the Consolidated Balance Sheet.

The major trust funds are detailed below.

	Balance at 31 March 2014	Income	Expenditure	Balance at 31 March 2015
	£m	£m	£m	£m
Council acting as Sole Trustee				
Birmingham Municipal Charity General Charitable Objectives	0.4	-	-	0.4
Charles Baker Trust – for the elderly and disabled	0.3	-	-	0.3
Cropwood Estate – management of the estate	14.7	-	-	14.7
Elford Trust – healthy recreation for Birmingham citizens	3.0	0.4	0.2	3.2
Harriet Louisa Loxton Charity – for the aged and infirm	1.7	-	-	1.7
Highbury Trust – for the benefit of the citizens of Birmingham	1.9	0.2	0.1	2.0
Total Council acting as Sole Trustee	**22.0**	**0.6**	**0.3**	**22.3**
Council acting as Custodian				
Alderson – To let dwelling houses to ex-servicemen and other persons in need	0.1	0.1	(0.1)	0.3
Bodenham Trust – for children with special educational needs	0.6	-	-	0.6
Clara Martineau Trust – for children with special educational needs	3.5	0.3	0.1	3.7
Holinsworth Fund – to further the work of voluntary bodies	0.2	-	-	0.2
The Lord Mayor's Charity Appeal – for charitable purposes	0.1	0.1	-	0.2
Moseley Road Friends Institute – provision and maintenance	0.2	0.1	0.1	0.2
Other	0.2	-	-	0.2
Total for Council acting as Custodian	**4.9**	**0.6**	**0.1**	**5.4**
Total Trust balances	**26.9**	**1.2**	**0.4**	**27.7**

Analysis of the assets of the main funds:

	Restricted Funds at 31 March 2015	Unrestricted Funds at 31 March 2015	Total Funds at 31 March 2015
	£m	£m	£m
Council acting as Sole Trustee			
Birmingham Municipal Charity General Charitable Objectives	0.4	-	0.4
Charles Baker Trust – for the elderly and disabled	0.1	0.2	0.3
Cropwood Estate – management of the estate	0.2	14.5	14.7
Elford Trust – healthy recreation for Birmingham citizens	3.2	-	3.2
Harriet Louisa Loxton Charity – for the aged and infirm	1.5	0.2	1.7
Highbury Trust – for the benefit of the citizens of Birmingham	2.0	-	2.0
Total Council acting as Sole Trustee	**7.4**	**14.9**	**22.3**
Council acting as Custodian			
Alderson – To let dwelling houses to ex-servicemen and other persons in need	-	0.3	0.3
Bodenham Trust – for children with special educational needs	0.6	-	0.6
Clara Martineau Trust – for children with special educational needs	3.7	-	3.7
Holinsworth Fund – to further the work of voluntary bodies	0.2	-	0.2
The Lord Mayor's Charity Appeal – for charitable purposes	-	0.2	0.2
Moseley Road Friends Institute – provision and maintenance	0.2	-	0.2
Other	-	0.2	0.2
Total for Council acting as Custodian	**4.7**	**0.7**	**5.4**
Total	**12.1**	**15.6**	**27.7**

SUPPLEMENTARY FINANCIAL STATEMENTS 2014/15

Housing Revenue Account Income and Expenditure Statement

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

2013/14 £m		Note	2014/15 £m
	Income		
(249.8)	Dwellings rents		(260.6)
(6.9)	Non-dwellings rents		(7.3)
(23.9)	Charges for services and facilities		(21.2)
-	Sums Directed by the Secretary of State that are income in accordance with the Code		-
(280.6)	**Total Income**		**(289.1)**
	Expenditure		
61.3	Repairs and maintenance		59.7
78.9	Supervision and management	H9	71.4
4.5	Rent, rates, taxes and other charges		4.7
38.9	Depreciation and impairment charge	H3 & H6	39.3
0.2	Debt management costs		0.2
7.5	Movement in the allowance for bad debts (not specified by the Code)		7.5
-	Sums Directed by the Secretary of State that are expenditure in accordance with the Code		-
191.3	**Total Expenditure**		**182.8**
(89.3)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(106.3)**
0.1	HRA share of Corporate and Democratic Core		0.1
(1.7)	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		0.3
(90.9)	**Net (Income) / Cost of HRA Services**		**(105.9)**

	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
69.0	Interest payable and similar charges	56.6
0.7	Amortisation of premia and discounts	0.2
(0.6)	HRA interest and investment income	(0.5)
(8.7)	(Gains)/ Losses on the disposal of HRA non-current assets	(14.0)
4.4	Pensions interest cost and expected return on pensions assets	3.3
(7.1)	Capital Grants and Contributions Receivable	(5.1)
(33.2)	**(Surplus)/Deficit for the Year on HRA Services**	**(65.4)**

Movement on the Housing Revenue Account Statement

2013/14		2014/15
£m		£m
(33.2)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(65.4)
31.2	Adjustments between accounting basis and funding basis under statute (note 7)	65.3
(2.0)	Net (increase) / decrease before transfers to / (from) reserves	**(0.1)**
-	Transfers to / (from) reserves	-
(2.0)	(Increase) / decrease for the year on HRA balance	**(0.1)**
(2.4)	HRA Balance Brought Forward	(4.4)
(4.4)	HRA Balance Carried Forward	**(4.5)**

Exceptional Items
Included in the Cost of HRA Services is a credit of £3.4m (2013/14: £3.7m charge) in respect of liabilities under Equal Pay legislation. Further details of the provision are given in Note H9. The impact of this provision is reversed out through the Movement in Reserves Statement so that it doesn't fall as a charge to the HRA until payment is made.

Notes to the Housing Revenue Account

H1. Housing Stock

The types of properties (including Shared Ownership properties) owned by the Council at 31st March comprise:

31 March 2014		31 March 2015
3,738	1 bedroom bungalows	3,734
15,502	1 bedroom flats	15,358
33	1 bedroom houses	42
295	2 bedroom bungalows	295
11,082	2 bedroom flats	10,921
8,406	2 bedroom houses	8,494
35	3 or more bedroom bungalows	34
4,287	3 or more bedroom flats	4,227
20,040	3 or more bedroom houses	19,838
63,418	**Total housing stock**	**62,943**

The change in the property numbers is analysed below:

2013/14		2014/15
64,100	Stock at 1 April	63,418
(565)	Sales	(521)
(263)	Demolitions / transfers	(275)
146	Acquisitions	321
63,418	**Stock at 31 March**	**62,943**

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

31 March 2014		31 March 2015
£m		**£m**
1,660.2	Council dwellings/garages	1,665.5
14.5	Other land and buildings	29.2
1,674.7	**Total operational assets**	**1,694.7**
32.7	Non-operational assets	26.9
1,707.4	**Total**	**1,721.6**

The housing stock, land and other property within the HRA are valued in line with the DCLG Guidance on Stock Valuation for Resource Accounting published in January 2011. The basis of the valuation for the housing stock element is in accordance with the Royal Institution of Chartered Surveyors using the Existing Use Value - Social Housing basis, which takes open market value for the underlying dwellings and applies a discount factor to reflect the reduced value as a result of use for social housing for 2014/15 of 34%.

The change reflects properties lost through sales, demolitions, acquisitions, and revaluation of Beacon Values and depreciation. £135.1m was spent on HRA dwellings during the year of which £106.0m was impaired as not adding value to the dwellings. This impairment was charged to the revaluation reserve in year.

As at 31 March 2015, the Council also owned 137 dwellings (2014: 173) that were occupied by trespassers following the death or departure of the tenant of that property. These properties are, therefore, not available for social housing. These properties are not considered to have a value whilst they are occupied in this way, but if they were to become available for social housing, their value, on the basis of an Existing Use Value – Social Housing (EUV-SH) would be £3.6m (2014: £4.6m).

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

31 March 2014		31 March 2015
£m		**£m**
392.9	Land	398.9
24.3	Kitchens	23.8
32.2	Bathrooms	31.6
71.2	Windows	70.6
43.4	Heating	43.8
36.8	Roofs	38.9
1,059.4	Remaining Structure	1,057.9
1,660.2	**Total**	**1,665.5**

H2. Value of Dwellings on Vacant Possession

(a) The vacant possession value of dwellings within the Council's HRA, valued in accordance with the Guidance, as at 31 March 2015 is £4,459.3m

(b) The difference between the above figure and the figure of £1,665.5m in the Balance Sheet notionally represents diminution in the value of assets caused by their being let at social housing rents, according to the DCLG's stock valuation model as explained in Supplementary Note H1.

H3. Revaluations and Impairment Charges

Revaluations and impairment charges reflect an increase or reduction in the value of property due to the economic environment or an event has occurred to the assets. This could include a decline in demand, obsolescence, and commitments to make significant changes to housing. As disclosed in Supplementary Note H1 there was an impairment of £106.0m made to the carrying value of HRA dwellings to reflect the fact that capital expenditure on the assets did not add equivalent value. In addition a revaluation of the HRA dwellings has identified an increase in value of £36.3m, resulting in a net decrease in value of £69.8m. This decrease has been transferred to a revaluation reserve.

H4. Major Repairs Reserve

A transfer is made to the Major Repairs Reserve each year of a value equivalent to the amount charged to the HRA for depreciation of dwellings based on the componentised valuation of the dwellings and individual component residual lives, to make provision for ongoing elemental renewal over the longer term.

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

2013/14 £m		2014/15 £m
52.0	Balance on Major Repairs Reserve at 1 April	44.6
38.9	Amount transferred to Major Repairs Reserve during the year	39.3
(46.3)	Charge to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses and other property within the Council's HRA	(68.1)
44.6	**Balance on Major Repairs Reserve at 31 March**	**15.8**

H5. Capital Expenditure on HRA Assets

Expenditure on HRA assets was funded from the following sources:

2013/14 £m		2014/15 £m
15.8	Usable Capital Receipts (Right to Buy / land)	17.7
46.3	Major Repairs Reserve	68.1
17.1	Revenue contributions	29.4
-	Prudential Borrowing	14.0
9.5	Other resources	5.9
88.7		**135.1**

The total capital receipts from disposals of land, houses and other property within the HRA during the financial year was £35.6m (land £12.8m, houses £22.8m). The values for 2013/14 were £31.5m (land £6.5m and houses £25.0m). The Government operates a capital receipts pooling framework and of these amounts £5.7m was paid to Central Government (2013/14: £5.2m).

H6. Depreciation Charges

The total charge for depreciation for the land, houses, and other property within the Authority's HRA is £39.3m (2013/14: £38.9m). The depreciation charge is calculated by reference to an assessment of the remaining useful life of the key components of each individual dwelling valued on a depreciated replacement cost basis.

H7. Contribution from Pension Reserve

The Comprehensive Income and Expenditure Statement includes pension costs calculated in accordance with International Accounting Standard (IAS) 19 as described in detail in Note 11 and 12 to the Financial Statements. To ensure that these costs do not affect the level of HRA balances and Council House rents, an appropriation is made from the Pensions Reserve so that the movement in balances only reflects the actual employer's pension contribution.

H8. Rent Arrears

Rent arrears from current tenants at 31 March 2015 totalled £11.3m (2013/14: £10.3m). Other arrears including Housing Benefit overpayments, leaseholder major works and miscellaneous services totalled £21.8m at 31 March 2015 (2013/14: £18.9m).

A provision for bad debts has been made to meet possible future write offs of rent and other services/leaseholder/benefit overpayments. The provision was £25.2m at 31 March 2015 (2013/14: £22.5m) and has been calculated based on value/aged analysis in accordance with Government guidelines.

31 March 2014		31 March 2015
£m		**£m**
10.3	Current tenants	11.3
9.8	Housing benefit overpayment	11.3
9.1	Other debt (services/leaseholders)	10.5
29.2	**Total arrears**	**33.1**
22.5	Provision for bad debts	25.2

H9 Supervision and Management

The Council has recognised that an element of the settlements being agreed in respect of claims under the Equal Pay Act 1970 relate to employees whose employment costs fell on the HRA. Therefore the HRA has been charged its share of the Council's overall Equal Pay liability based on the current estimate of claims. The charge to the HRA relates solely to claims in respect of activities correctly charged to the HRA, and amounts to a credit of £3.4m in 2014/15 (2013/14: £3.7m charge). These amounts also include £25.1m that has been set aside in a provision for future years payments. Statutory arrangements (Capital Regulation 30A) allow the change in provision to be reversed back to an Equal Pay Back Pay Account. The remaining balance on the Equal Pay Back Pay Account will be debited back to the HRA through the Movement in Reserves Statement in future financial years as payments are made.

Collection Fund Income and Expenditure Account

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

2013/14				2014/15		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m		£m	£m	£m
			Income			
			Council Tax Receivable:			
(298.2)		(298.2)	Collectable Council Tax	(313.6)		(313.6)
(3.6)		(3.6)	Transfer from General Fund: Council Tax Benefit	-		-
(301.8)		**(301.8)**		**(313.6)**		**(313.6)**
			Business Rates Receivable:			
	(414.0)	(414.0)	Collectable Business Rates		(439.6)	(439.6)
	0.4	0.4	Transitional Payment Payable to Government		4.8	4.8
	(413.6)	**(413.6)**			**(434.8)**	**(434.8)**
	(1.7)	(1.7)	Reconciliation Adjustments:		(2.6)	(2.6)
			Apportionment of Prior Year Deficit:			
(3.0)	-	(3.0)	Birmingham City Council	(1.1)	(3.2)	(4.3)
(0.1)	-	(0.1)	Fire Authority	-	(3.1)	(3.1)
(0.3)	-	(0.3)	West Midlands Police and Crime Commissioner	(0.1)	(0.1)	(0.2)
(3.4)	-	**(3.4)**		**(1.2)**	(6.4)	**(7.6)**
(305.2)	**(415.3)**	**(720.5)**	**TOTAL INCOME**	**(314.8)**	**(443.8)**	**(758.6)**

2013/14				2014/15		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£m	£m	£m	Expenditure	£m	£m	£m
			Precepts Demands & Shares:			
255.1	193.7	448.8	Birmingham City Council	261.7	199.6	461.3
-		-	New Frankley Parish Council	0.1	-	0.1
	195.2	195.2	Central Government		199.5	199.5
12.1	3.9	16.0	Fire Authority	12.4	4.0	16.4
23.5		23.5	West Midlands Police and Crime Commissioner	24.1		24.1
			Charges:			
0.7		0.7	Transfer to General Fund: Council Tax Benefit Overpayment	0.7		0.7
3.2	3.9	7.1	Write Offs	8.1	11.2	19.3
6.9	4.6	11.5	(Increase)/Decrease in Bad Debt Provision	(0.2)	(1.9)	(2.1)
	11.4	11.4	(Increase)/Decrease in Provision for Appeals		29.6	29.6
	32.0	32.0	(Increase)/Decrease in Provision for Back Dated Appeals			
	1.9	1.9	Cost of Collection		1.9	1.9
	-	-	Payment to NNDR Pool			
10.8	**53.8**	**64.6**		**8.6**	**40.8**	**49.4**
	0.1	**0.1**	**Reconciliation Adjustments:**		**0.2**	**0.2**
301.5	**446.7**	**748.2**	**TOTAL EXPENDITURE**	**306.9**	**444.1**	**751.0**
(3.7)	**31.4**	**27.7**	**(Surplus)/Deficit for the year**	**(7.9)**	**0.3**	**(7.6)**
6.8	**-**	**6.8**	**(Surplus)/Deficit brought forward**	**3.2**	**31.4**	**34.6**
3.2	**31.4**	**34.6**	**(Surplus)/Deficit carried forward**	**(4.7)**	**31.7**	**27.0**

Notes to the Collection Fund
C1. Contributions from Council Taxpayers

The Council's tax base at January 2014 (the number of chargeable dwellings in each valuation band net of discounts) converted to an equivalent number of Band D dwellings was calculated as follows:

Band	Number of Properties	Ratio	Band D equivalent dwellings
AR	147	5/9	82
A	76,358	6/9	50,905
B	81,726	7/9	63,565
C	56,148	8/9	49,909
D	30,137	1	30,137
E	17,382	11/9	21,245
F	7,748	13/9	11,192
G	5,284	15/9	8,807
H	736	18/9	1,472
Total	**275,666**		**237,314**
Less adjustment for collection rate			(6,882)
			230,432

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

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

The figures for the New Frankley in Birmingham Parish are:

Band	Number of Properties	Ratio	Band D equivalent dwellings
AR	3	5/9	2
A	659	6/9	439
B	943	7/9	733
C	84	8/9	75
D	52	1	52
E	1	11/9	1
F	-	13/9	-
G	-	15/9	-
H	1	18/9	2
Total			**1,304**
Less adjustment for collection rate			(38)
			1,266

C2. Business Ratepayers

The Council collects NNDR for its area which are based on local rateable values multiplied by a uniform rate which is set by the Government (47.1p for 2014/15: 46.2p for 2013/14). The total non-domestic rateable value at 31 March 2015 was £1,061.89m (31 March 2014: £1,070.27m). Under the NNDR Retention Scheme the amount raised each year, less certain reliefs and adjustments, is distributed on the following basis:

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

C3. Precept Payments

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

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

Statement of GROUP Accounts 2014/15

Foreword to the Accounts

1 Introduction

1.1 This document presents the statutory financial statements for Birmingham City Council Group for the period from 1 April 2014 to 31 March 2015. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

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

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

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

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

1.6 The pages which follow contain the Group's Financial Statements for the year ended 31 March 2015, with comparative figures for the previous financial year.

2 Consolidation of Subsidiary and Associate Companies

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

<u>Subsidiaries</u>

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

Associates

- Birmingham Airport Holdings Limited
- Service Birmingham Limited

2.2 Further detail regarding the Council's relationship with the above companies is given in notes G23 and G24.

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

3 Changes in Group Structure

3.1 On 16 January 2015, the Council announced that it had entered into a binding agreement to sell the National Exhibition Centre Limited (NEC Ltd) to Lloyds Development Capital, the private equity arm of Lloyds Banking Group. The sale was completed on 1 May 2015.

3.2 The sale involved a number of transactions, the key ones being:

- Disposal of the Council's interests in NEC Ltd;
- The transfer of the on-going funding of the NEC defined benefit pension schemes to PETPS (Birmingham) Limited, a wholly owned subsidiary of the Council
- The termination and re-signing of existing lease arrangements.

3.3 The assets held in the Group's financial statements that are related to the disposal of NEC Ltd have been categorised as Assets Held for Sale. Additional information is included in the relevant Group notes and in the Council's financial statements for clarity.

3.4 In 2015/16, PETPS (Birmingham) Limited will be within the Group Boundary and if material, consolidated into the Group Accounts.

3.5 The Council has set up InReach (Birmingham) Limited, a wholly owned subsidiary of the Council, to facilitate the development of new private rented homes at market rent at St Vincent Street, Ladywood. The company has not been consolidated into the Council's Group Accounts as the level of transactions within the company to date is not considered material to the whole. However, it is anticipated that the level of transactions will increase during the 2015/16 financial year such that the company would be consolidated into the Group Accounts at that time

3.6 The Council has entered into a partnership arrangement with BRITEL Funds Trustees Limited through Paradise Circus Limited Partnership to facilitate the development of the area known as Paradise Circus. The Council has a 50% share of the joint venture. As at 31 March 2015, the transactions of the partnership were not considered material to the Council's Group and were, therefore, not consolidated into the financial statements. However, it is anticipated that the level of transactions will increase during the 2015/16 financial year such that the level of equity will be material and will be accounted for in the Group Accounts at that time.

4 The Main Financial Statements

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

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

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

The 2014/15 GCIES shows a reduction of £416.8m in the net cost of services compared to 2013/14. The reduction relating to the Council as a single entity, prior to consolidation adjustments, was £275.6m, and is explained in the Foreword to the Council’s Accounts and Note 5 Prior Period Adjustments.

4.4 Group Balance Sheet – shows the value of assets and liabilities recognised by the Group at 31 March 2015 and the level of reserves, split into usable and unusable.

The net liability has increased to £1,260.3. The principle difference to the Council’s single entity net liability (£1,165.6m) results from the addition of consolidation adjusted net liabilities of £94.7m, consisting of £43.8m long-term assets, £25.7m net current liabilities and £112.9m long term liabilities.

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

5 Prior Period Adjustments

5.1 Accounting standards have been adopted for the first time in respect of:

- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities

5.2 In light of the adoption of the standards the Council has reviewed its collaboration arrangements to ensure full compliance in its financial statements. The major impact of the adoption of the new accounting standards has been the approach to the consolidation of local authority maintained schools.

5.3 The Council has determined that, after reviewing the control arrangements for schools and the controls around the use of land and buildings, it benefits from the service potential of the land assets of Voluntary Controlled (VC), Voluntary Aided (VA) and Foundation schools. The Council has, therefore, determined that it should include the land assets of VC, VA and Foundation schools on its balance sheet, in addition to the buildings assets that it has previously included. Details are set out in the foreword to the Council's financial statements and in further detail in Note 5, Prior Period Adjustments and other relevant notes.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves. The detail for 2013/14 has been restated to reflect the adjustments in the entity accounts as set out in Note 5, Prior Period Adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied Account	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures	**MI Reserves**	**Total Group Reserves**
	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**			
Balance at 31 March 2013 (Restated)	**26.9**	**259.3**	**2.4**	**-**	**46.4**	**52.0**	**128.9**	**515.9**	**(1,477.4)**	**(961.5)**	**537.2**	**-**	**(424.3)**
Movement in Reserves during 2013/14 (Restated)													
Surplus/(Deficit) on the provision of services	(347.3)	-	33.2	-	-	-	-	**(314.1)**	-	**(314.1)**	(131.7)		**(445.7)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	651.9	**651.9**	(560.7)		**91.2**
Total Comprehensive Income and Expenditure	**(347.3)**	**-**	**33.2**	**-**	**-**	**-**	**-**	**(314.1)**	**651.9**	**337.8**	**(692.3)**	**-**	**(354.5)**
Adjustments between Group accounts and Council accounts (Note G21)	(44.5)	-	-	-	-	-	-	**(44.5)**	-	**(44.5)**	44.5		**-**
Change in Group Reserves accounted for through equity (Note G6)	-	-	-	-	-	-	-	**-**	-	**-**	-		**-**
Net Increase/(Decrease) before Transfers	**(391.8)**	**-**	**33.2**	**-**	**-**	**-**	**-**	**(358.6)**	**651.90**	**293.3**	**(647.8)**	**-**	**(354.5)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	539.7	-	(31.2)	-	(18.9)	(7.4)	13.5	**495.7**	(495.7)	**-**			**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**147.9**	**-**	**2.0**	**-**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**156.2**	**293.3**	**(647.8)**	**-**	**(354.5)**
Transfers to/(from) Earmarked Reserves (Note 8)	(89.0)	89.0						**-**		**-**			**-**
Increase/Decrease in 2013/14	**58.9**	**89.0**	**2.0**	**-**	**(18.9)**	**(7.4)**	**13.5**	**137.1**	**156.2**	**293.3**	**(647.8)**	**-**	**(354.5)**
Balance at 31 March 2014	**85.8**	**348.3**	**4.4**	**-**	**27.5**	**44.6**	**142.4**	**653.0**	**(1,321.2)**	**(668.2)**	**(110.5)**	**-**	**(778.7)**
Movement in Reserves during 2014/15													
Surplus/(Deficit) on the provision of services	(68.6)	-	65.4	-	-	-	-	**(3.2)**	-	**(3.2)**	(14.2)		**(17.4)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(426.3)	**(426.3)**	(37.8)		**(464.1)**
Total Comprehensive Income and Expenditure	**(68.6)**	**-**	**65.4**	**-**	**-**	**-**	**-**	**(3.2)**	**(426.3)**	**(429.5)**	**(52.0)**	**-**	**(481.5)**
Adjustments between Group accounts and Council accounts (Note G21)	(67.8)	-	-	-	-	-	-	**(67.8)**	-	**(67.8)**	67.8		**-**
Change in Group Reserves accounted for through equity (Note G6)	-	-	-	-	-	-	-	**-**	-	**-**	-		**-**
Net Increase/(Decrease) before Transfers	**(136.4)**	**-**	**65.4**	**-**	**-**	**-**	**-**	**(71.0)**	**(426.3)**	**(497.3)**	**15.8**	**-**	**(481.5)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	187.6	-	(65.3)	-	(11.2)	(28.8)	(38.3)	**44.0**	(44.1)	**(0.1)**	-	**-**	**(0.1)**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**51.2**	**-**	**0.1**	**-**	**(11.2)**	**(28.8)**	**(38.3)**	**(27.0)**	**(470.4)**	**(497.4)**	**15.8**	**-**	**(481.6)**
Transfers to/(from) Earmarked Reserves (Note 8)	0.8	(0.8)						**-**		**-**			**-**
Increase/Decrease in 2014/15	**52.0**	**(0.8)**	**0.1**	**-**	**(11.2)**	**(28.8)**	**(38.3)**	**(27.0)**	**(470.4)**	**(497.4)**	**15.8**	**-**	**(481.6)**
Balance at 31 March 2015	**137.8**	**347.5**	**4.5**	**-**	**16.3**	**15.8**	**104.1**	**626.0**	**(1,791.6)**	**(1,165.6)**	**(94.7)**	**-**	**(1,260.3)**

Group Comprehensive Income and Expenditure Statement

This statement shows the income and expenditure recognised by the Group during the reporting period. The detail for 2013/14 has been restated to reflect the adjustments to the Council entity accounts set out in Note 5, Prior Period Adjustments.

2013/14 (Restated)					2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m	**Continuing Operations**		£m	£m	£m
24.1	(20.5)	3.6	Central services to the public		20.1	(13.5)	6.6
382.8	(169.3)	213.5	Cultural and Related Services		277.5	(189.1)	88.4
123.4	(33.8)	89.6	Environmental and Regulatory Services		105.1	(44.2)	60.9
74.1	(57.0)	17.1	Planning Services		68.3	(62.1)	6.2
1,381.3	(952.5)	428.8	Children's and Education Services		1,178.7	(900.1)	278.6
173.3	(40.9)	132.4	Highways and Transport Services		135.2	(33.1)	102.1
191.3	(280.6)	(89.3)	Housing Revenue Account (Local Authority Housing)		182.8	(289.1)	(106.3)
667.2	(571.7)	95.5	Housing General Fund		641.2	(571.1)	70.1
400.6	(82.7)	317.9	Adult Social Care		374.2	(96.7)	277.5
71.3	(79.6)	(8.3)	Public Health		73.4	(81.9)	(8.5)
46.5	(6.2)	40.3	Corporate and Democratic Core		(2.1)	(2.1)	(4.2)
(6.5)	-	(6.5)	Non Distributed Costs		46.4	-	46.4
-	-	-	Trading Operations				-
3,529.4	**(2,294.8)**	**1,234.6**	**Total Continuing Operations excluding acquired services**		**3,100.8**	**(2,283.0)**	**817.8**
			Acquired Services				
	-	-	Public Health			-	-
3,529.4	**(2,294.8)**	**1,234.6**	**Total Cost Of Services**		**3,100.8**	**(2,283.0)**	**817.8**
220.4	-	220.4	Other Operating Expenditure		137.5	-	137.5
340.5	(91.8)	248.7	Financing and Investment Income and Expenditure	G5	341.6	(87.3)	254.3
16.9	(1,267.2)	(1,250.3)	Taxation and Non-Specific Grant Income		5.4	(1,191.4)	(1,186.0)
		453.4	**(Surplus) / Deficit on Provision of Services**				**23.6**
		(10.3)	Share of the (Surplus)/Deficit on the Provision of Services of Associates				(8.4)
		(0.1)	Tax Expense of Subsidiaries				-
		2.7	Tax Expense of Associates				2.1
		445.7	**Group (Surplus)/Deficit**				**17.3**
			Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services				
		260.8	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	G7			(116.1)
		91.7	Impairment losses on non-current assets charged to the revaluation reserve	G13			124.2
		(465.6)	Remeasurement of the net defined benefit liability	G13			441.9
		-	Other (Gains)/Losses				-
		22.2	Share of Other Comprehensive Income and Expenditure of Associates and Joint Ventures				19.0
		(90.9)					**469.0**
			Items that may be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(0.4)	(Surplus) / deficit on revaluation of available for sale financial assets				(4.9)
		(0.4)					**(4.9)**
		(91.3)	**Other Comprehensive (Income) / Expenditure**				**464.1**
		354.4	**Total Comprehensive (Income) / Expenditure**				**481.4**

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The detail for 2012/13 and 2013/14 has been restated to reflect the adjustments in the Council entity accounts as detailed in Note 5, Prior Period Adjustments.

1 April 2013 (Restated) £m	31 March 2014 (Restated) £m		Note	31 March 2015 £m
5,759.9	5,056.6	Property, Plant and Equipment	G7	4,862.7
245.4	245.8	Heritage Assets		246.1
-	-	Investment Property	G7	10.8
46.7	52.3	Intangible Assets		28.4
-	-	Assets Held for Sale		-
2.8	4.3	Long Term Investments		6.4
60.2	66.9	Long Term Debtors		67.9
66.3	51.7	Investments in Associates and Joint Ventures	G23, G24	38.9
6,181.3	**5,477.6**	**Total Long Term Assets**		**5,261.2**
-	-	Current Held for Sale Investment Property		-
-	-	Current Intangible Assets		-
132.1	108.8	Short Term Investments		75.3
14.8	11.8	Assets Held for Sale	G8	239.4
3.6	2.7	Inventories		1.1
264.2	247.9	Short Term Debtors	G10	298.3
75.9	50.3	Cash and Cash Equivalents		43.5
490.6	**421.5**	**Total Current Assets**		**657.6**
(75.9)	(24.6)	Cash and Cash Equivalents		(22.5)
(466.2)	(569.8)	Short Term Borrowing		(603.8)
(341.3)	(350.3)	Short Term Creditors	G11	(338.9)
(145.4)	(191.6)	Provisions		(332.4)
-	-	Liabilities in Disposal Groups		-
-	-	Donated Assets Account		-
-	-	Grant Receipts in Advance - Revenue		-
-	-	Grant Receipts in Advance - Capital		-
(1,028.8)	**(1,136.3)**	**Total Current Liabilities**		**(1,297.6)**
(73.0)	(73.1)	Long Term Creditors	G9	(86.8)
(552.2)	(479.0)	Provisions		(262.9)
-	-	Liabilities in Disposal Groups		-
(2,787.2)	(2,646.2)	Long Term Borrowing		(2,667.6)
(437.9)	(513.6)	Other Long Term Liabilities		(527.9)
-	-	Donated Assets Account		-
-	-	Grant Receipts in Advance - Revenue		-
-	-	Grant Receipts in Advance - Capital		-
(2,217.0)	(1,829.6)	Net liability on defined benefit pension scheme	G20	(2,336.3)
(6,067.3)	**(5,541.5)**	**Total Long Term Liabilities**		**(5,881.5)**
(424.2)	**(778.7)**	**Net Assets**		**(1,260.3)**
474.2	518.8	Usable Reserves	G12	537.0
(898.4)	(1,297.5)	Unusable Reserves	G13	(1,797.3)
(424.2)	**(778.7)**	**Total Reserves**		**(1,260.3)**

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The detail for 2013/14 has been restated to reflect the adjustments in the Council entity accounts as set out in Note 5, Prior Period Adjustments.

2013/14 (Restated) £m		Note	2014/15 £m
(445.7)	Net Surplus/(Deficit) on the provision of services		(17.3)
758.0	Adjustments to net Surplus/Deficit on the provision of services for non-cash movements		297.8
(137.5)	Adjustments for items included in the net Surplus/(Deficit) on the provision of services that are investing and financing activities		(122.9)
174.8	**Net cash flows from Operating Activities**	**G14**	**157.6**
(177.4)	Investing Activities	G15	(254.4)
28.3	Financing Activities	G16	92.1
25.7	**Net increase/(decrease) in cash and cash equivalents**		**(4.7)**
-	Cash and cash equivalents at the beginning of the reporting period		25.7
25.7	**Cash and cash equivalents at the end of the reporting period**		**21.0**

Note G1
Accounting Policies

The Group Financial Statements summarise the Council's and Group's transactions for the 2014/15 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, supported by International Financial Reporting Standards (IFRS).

Members within the Group have been classified as either subsidiaries or associates with details included in respect of the classification within Notes G23 and G24. Subsidiaries have been consolidated into the Group Financial Statements on a line by line basis, with associates consolidated under the equity method.

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

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council's entity accounts. Where there are not material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies. The financial statements of the National Exhibition Centre Limited (NEC Ltd) have been prepared under EU IFRS however all other subsidiaries and associates have been prepared under UK GAAP. Adjustments have been made to the financial statements accounted for under UK GAAP to align these with IFRS under The Code.

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

Derivative Financial Instruments and Hedging Activities

The Group uses foreign currency forward contracts to mitigate the adverse currency exchange risk on trade receivables. These contracts are treated as a trading instrument with fair value movements on the derivative being recognised immediately through the income statement. At 31 March 2015 NEC Ltd had entered into forward contracts totalling €3.65m all of which mature within 24 months (2013/14: €2.15m).

Defined Contribution Pension Schemes

The NEC Limited Group funds two defined benefit schemes, which ceased to provide future service accrual with effect from 30 June 2010 and operates two contributory benefit schemes comprising a Stakeholder Scheme to which only members contribute, and a Group Personal Pension Plan where the company matches member contributions to an agreed maximum. Further information may be found in Note G20.

Defined Benefit Pension Scheme

Acivico Limited participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit scheme based upon final pensionable salary. Further information may be found within the Council's entity accounting policies and Note G20.

Note G2
Critical Judgements in Applying Accounting Policies

National Exhibition Centre

On 16 January 2015, the Council announced that it had entered into a binding agreement for the disposal of The National Exhibition Centre Ltd (NEC Ltd) to Lloyds Development Capital, the private equity arm of Lloyds Banking Group.

The Council has considered the criteria within IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and has determined that the tests for inclusion of the assets within the balance sheet as Assets Held for Sale were met at the 2014/15 Balance Sheet Date. The Council has, therefore, included the NEC assets as Assets Held for Sale at the year end, which has entailed a transfer from Property, Plant and Equipment and from Long Term Investments on the Balance Sheet.

The disposal of the NEC was finalised on 1 May 2015.

Other critical judgements relating to the Council in applying Accounting Policies are provided in Note 3 to the Council entity accounts.

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

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

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

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

Note G4
Events After the Reporting Period

NEC Group

On 16 January 2015, the Council announced that it had entered into a binding agreement to sell The National Exhibition Centre Limited (NEC Ltd) to Lloyds Development Capital, the private equity arm of Lloyds Banking Group. As part of the disposal agreement, the NEC defined benefit pension scheme transferred to PETPS (Birmingham) Limited, a wholly owned subsidiary of the Council. The disposal of NEC Ltd was finalised on 1 May 2015.

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

There are no additional material events after the reporting period to report in respect of the remaining Group Entities.

Note G5

Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure disclosed in the Group Comprehensive Income and Expenditure Statement comprises the following. The detail has been restated for 2013/14 to reflect the revised analysis of Trading Account activity in the Council entity accounts as set out in Note 5, Prior Period Adjustments.

2013/14 (Restated)				2014/15		
Gross Expenditure £m	Income £m	Net £m		Gross Expenditure £m	Income £m	Net £m
188.1	-	188.1	Interest Payable and Similar charges	201.5	-	201.5
89.3	-	89.3	Pensions Interest cost and expected return on pensions assets	75.9	(0.6)	75.3
-	(14.9)	(14.9)	Interest Receivable and similar income	-	(16.4)	(16.4)
63.1	(56.3)	6.8	(Surplus)/Deficit on trading operations not consolidated within Service Expenditure Analysis in Comprehensive Income and Expenditure Statement	64.2	(64.1)	0.1
-	(20.6)	(20.6)	Other investment income and expenditure	-	(6.2)	(6.2)
340.5	**(91.8)**	**248.7**	**Total**	**341.6**	**(87.3)**	**254.3**

Note G6
Changes in Group Ownership Processed in Equity

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

There were no such changes during 2013/14 or 2014/15.

Note G7

Property, Plant and Equipment

The detail has been adjusted for 2013/14 to reflect the changes in the Council entity accounts as detailed in Note 5, Prior Period Adjustments.

Movements on Balances:2014/15

	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture & equipment £m	Infrastructure assets £m	Community assets £m	Investment Properties £m	Assets under construction £m	Total Property, Plant and Equipment £m	assets Included in Property, Plant and Equipment £m
Cost or Valuation									
At 1 April 2014	**1,769.8**	**2,746.9**	**280.3**	**540.1**	**89.5**	**-**	**189.8**	**5,616.2**	**507.0**
Additions	135.1	74.9	23.8	56.8	1.5		102.1	**394.2**	52.6
Donations								**-**	
Assets reclassified between categories		13.3	0.3	10.7	0.2		(24.4)	**0.1**	
Assets reclassified (to)/from Held for Sale		(237.2)						**(237.2)**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve		55.5	(6.7)					**48.8**	(7.1)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(73.3)	(103.3)	(10.1)				(4.4)	**(191.1)**	(4.4)
Derecognition - Disposals	(17.7)	(128.4)	(68.3)					**(214.4)**	(0.3)
Derecognition - other	(3.1)			(131.4)	(0.5)			**(135.0)**	
Other movements in depreciation and impairment		(10.7)	(0.1)	0.1		10.8	0.2	**0.3**	
At 31 March 2015	**1,810.8**	**2,411.0**	**219.2**	**476.3**	**90.7**	**10.8**	**263.3**	**5,281.9**	**547.8**
								-	
Accumulated Depreciation and Impairment								**-**	
At 1 April 2014	**(109.7)**	**(157.7)**	**(145.3)**	**(146.9)**	**-**	**-**	**-**	**(559.6)**	**(42.2)**
Depreciation charge	(39.2)	(50.3)	(25.5)	(30.9)				**(145.9)**	(19.6)
Depreciation written out to the Revaluation Reserve	38.9	18.5						**57.4**	2.8
Depreciation written out to the Surplus/Deficit on the Provision of Services			5.3					**5.3**	
Impairment (losses)/reversals recognised in the Revaluation Reserve	(108.6)	(18.2)	10.6					**(116.2)**	15.2
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	73.3	61.9						**135.2**	1.9
Derecognition - Disposals		16.9	66.7	131.4				**215.0**	
Derecognition - of components		0.6						**0.6**	
Other movements in depreciation and impairment								**-**	
At 31 March 2015	**(145.3)**	**(128.3)**	**(88.2)**	**(46.4)**	**-**	**-**	**-**	**(408.2)**	**(41.9)**
								-	
Net Book Value								**-**	
At 31 March 2015	**1,665.5**	**2,282.7**	**131.0**	**429.9**	**90.7**	**10.8**	**263.3**	**4,873.7**	**505.9**
At 1 April 2014	**1,660.1**	**2,589.2**	**135.0**	**393.2**	**89.5**	**-**	**189.8**	**5,056.6**	**464.8**

Movements on Balances:2013/14 (Restated)

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Investment Properties	Assets under construction	Total Property, Plant and Equipment	PFI / Service Concession assets Included in Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation									
At 1 April 2013	**1,666.9**	**3,247.4**	**212.2**	**624.6**	**87.6**	**-**	**348.0**	**6,186.7**	**724.3**
Adjustment to Opening Balance		207.4	39.5					**246.9**	(296.8)
Restated Balance at 1 April 2013	**1,666.9**	**3,454.8**	**251.7**	**624.6**	**87.6**	**-**	**348.0**	**6,433.6**	**427.5**
Additions	88.6	90.5	26.7	76.4	1.9		35.1	**319.2**	108.2
Donations								**-**	
Assets reclassified between categories		169.0	4.0	5.2	0.1		(178.3)	**-**	
Assets reclassified (to)/from Held for Sale		(1.6)						**(1.6)**	
Revaluation increases/ (decreases) recognised in the Revaluation Reserve		(464.8)						**(464.8)**	2.5
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	36.9	(331.4)					(15.0)	**(309.5)**	(9.2)
Derecognition - Disposals	(20.3)	(169.6)	(2.1)		(0.1)			**(192.1)**	(22.0)
Derecognition - other	(2.3)			(166.1)				**(168.4)**	
Other movements in depreciation and impairment								**-**	
At 31 March 2014	**1,769.8**	**2,746.9**	**280.3**	**540.1**	**89.5**	**-**	**189.8**	**5,616.2**	**507.0**
Accumulated Depreciation and Impairment									
At 1 April 2013	**(78.7)**	**(235.4)**	**(91.6)**	**(251.7)**	**-**	**-**	**-**	**(657.4)**	**(61.8)**
Adjustment to Opening Balance			(16.3)					**(16.3)**	33.5
Restated Balance at 1 April 2013	**(78.7)**	**(235.4)**	**(107.9)**	**(251.7)**	**-**	**-**	**-**	**(673.7)**	**(28.3)**
Depreciation charge	(39.0)	(76.2)	(38.7)	(44.1)				**(198.0)**	(16.2)
Depreciation written out to the Revaluation Reserve	37.0	86.4						**123.4**	0.4
Depreciation written out to the Surplus/Deficit on the Provision of Services		31.0						**31.0**	
Impairment (losses)/reversals recognised in the Revaluation Reserve	7.9	(21.0)						**(13.1)**	
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(36.9)	41.6						**4.7**	
Derecognition - Disposals		15.5	1.3	148.9				**165.7**	1.9
Derecognition - of components		0.4						**0.4**	
Other movements in depreciation and impairment								**-**	
At 31 March 2014	**(109.7)**	**(157.7)**	**(145.3)**	**(146.9)**	**-**	**-**	**-**	**(559.6)**	**(42.2)**
Net Book Value									
At 31 March 2014	**1,660.1**	**2,589.2**	**135.0**	**393.2**	**89.5**	**-**	**189.8**	**5,056.6**	**464.8**
At 1 April 2013	**1,588.2**	**3,219.4**	**143.8**	**372.9**	**87.6**	**-**	**348.0**	**5,759.9**	**399.2**

Further details on the Council's policies for fixed asset revaluations and depreciation are provided in Note 21 to the Council entity accounts. Buildings assets held by other entities within the group have been valued at their fair value as follows:

- Innovation Birmingham Group Limited (31 March 2013)
- NEC Limited and NEC (Developments) Plc (31 March 2015)
- Birmingham Airport Holdings Limited (31 March 2015).

Note G8
Assets Held for Sale

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

	Current	
	2013/14	2014/15
	£m	£m
Balance outstanding at start of year	**14.8**	**11.8**
Assets newly classified as held for sale:		
- Property, plant and equipment	2.7	241.8
- Intangible assets	-	2.7
- Financial Instruments	-	4.5
- Other assets/(liabilities) in disposal groups	-	(9.9)
Revaluation losses	-	-
Revaluation gains	1.7	1.4
Impairments (losses)/reversals	0.2	(1.1)
Assets declassified as held for sale:		
- Property, plant and equipment	(1.4)	(5.2)
- Intangible assets	-	-
- Other assets/(liabilities) in disposal groups	-	-
Assets sold	(6.2)	(6.5)
Transfers from non-current to current	-	-
Other Movements	-	(0.1)
Balance outstanding at year end	**11.8**	**239.4**

Included within Assets Held for Sale are those assets of the National Exhibition Centre which the Council disposed of on 1 May 2015. The assets held by the Group at 31 March 2015, fair value of £234.9m, which formed part of the NEC disposal agreement were a combination of land and buildings and other assets and liabilities.

Details of the other Assets Held for Sale are set out in Note 27 of the Council's financial statements.

Note G9
Financial Instruments

Investments
The following long term investments are removed in the Group Financial Statements compared to the Council entity accounts as they relate to the Council's investment in NEC Finance plc, a subsidiary of NEC Ltd, and so have been eliminated upon group consolidation. In 2014/15, the investment has been transferred to Assets Held for Sale as part of the arrangements for the disposal of NEC Ltd.

	Long-term	
	31 March 2014	31 March 2015
	£m	£m
Investments		
Loans and receivables	227.0	-

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

	Short-term	
	31 March 2014	31 March 2015
	£m	£m
Investments		
Loans and receivables	25.8	1.5

Debtors and cash
Debtors and cash consolidated as part of the Group Financial Statements are classified as loans and receivables. Further information on Group debtors is provided in Note G10.

Creditors
Short term creditors consolidated as part of the Group Financial Statements are classified as financial liabilities at amortised cost. Further information on Group creditors is provided in Note G11.

Long term creditors consolidated as part of the Group Financial Statements relate to debt issued by NEC (Developments) plc on the London Stock Exchange. The following long term creditors are brought into the Group Financial Statements upon group consolidation.

	Long-term	
	31 March 2014	31 March 2015
	£m	£m
Creditors		
Financial liabilities at amortised cost	(73.2)	(73.2)

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

Fair Values of Assets and Liabilities

The amounts consolidated as part of the Group Financial Statements are not considered significantly different from the carrying amounts.

Nature and extent of risks arising from financial instruments

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

Note G10
Short Term Debtors

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

31 March 2014		31 March 2015
£m		£m
39.5	Central government bodies	62.4
8.3	Other local authorities	12.2
1.4	NHS bodies	9.7
11.0	Public corporations and trading funds	0.1
187.7	Other entities and individuals	213.9
247.9	**Total**	**298.3**

Note G11
Short Term Creditors

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

31 March 2014		31 March 2015
£m		£m
(23.6)	Central government bodies	(30.3)
(6.3)	Other local authorities	(5.7)
(10.6)	NHS bodies	(5.9)
(26.3)	Public corporations and trading funds	(33.6)
(283.5)	Other entities and individuals	(263.4)
(350.3)	**Total**	**(338.9)**

Note G12
Usable Reserves

The detail for the year ended has been restated to reflect the changes in the Council entity accounts as detailed in Note 5, Prior Period Adjustments.

31 March 2014 (Restated) £m		31 March 2015 £m
212.6	General Fund	332.4
27.5	Capital Receipts Reserve	16.2
348.4	Earmarked General Fund Reserves	347.6
4.4	Housing Revenue Account (HRA)	4.5
-	Earmarked HRA Reserves	-
44.6	Major Repairs Reserve	15.8
142.5	Capital Grants Unapplied	104.2
(247.0)	Profit and Loss Reserve	(261.9)
(7.7)	Designated Funds	(8.7)
(11.3)	Other Charitable Funds	(17.9)
4.8	Merger Reserve	4.8
518.8	**Total**	**537.0**

Further analysis is provided below for material usable reserves.

Movements in the General Fund are set out in the Council and Group Movement in Reserves Statements, further supported by Note 7 to the Council's entity accounts. Differences arising on group consolidation are set out in Note G21 to the Group Accounts.

Profit and Loss Reserve

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

2013/14 £m		2014/15 £m
(117.4)	**Balance at 1 April**	**(247.0)**
(129.6)	In year profit and loss result for subsidiaries, adjusted for Group accounting policies and elimination of intra-group transactions	(14.9)
(247.0)	**Balance at 31 March**	**(261.9)**

Note G13
Unusable Reserves

The following table shows the value of Group reserve balances that have come about as a result of accounting adjustments and are not therefore available to spend. The balances for the year ended 31 March 2014 have been restated to reflect the adjustments in the Council entity accounts as detailed in Note 5, Prior Period Adjustments.

31 March 2014 (Restated) £m		31 March 2015 £m
852.0	Revaluation Reserve	787.3
353.4	Capital Adjustment Account	329.1
(31.3)	Financial Instrument Adjustment Account	(29.7)
40.4	Deferred Capital Receipts	50.1
(1,848.4)	Pensions Reserve	(2,356.1)
(19.8)	Collection Fund Adjustment Account	(13.8)
(636.7)	Equal Pay Back Pay Account	(561.3)
(20.8)	Accumulated Absences Account	(21.6)
0.4	Available for Sale Financial Instruments Reserve	5.3
0.6	Called up Share Capital	0.7
4.5	Restricted Funds	4.5
8.2	Share Premium Account	8.2
(1,297.5)	**Total**	**(1,797.3)**

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

Revaluation Reserve

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

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

For amounts arising in the Council, the Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/14		2014/15
£m		**£m**
1,262.9	**Balance at 1 April**	**852.0**
	Revaluations not posted to Surplus/Defict on the Provision of Services	
316.7	Council: Upward revaluation of assets	217.7
(31.3)	Council: Downward revaluation of assets	(101.6)
(91.7)	Council: Impairment (losses)/reversals not charged to the Surplus/Deficit on the Provision of Services	(124.2)
193.7	**Council: Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(8.1)**
	Amounts written off to the Capital Adjustment Account	
(10.5)	Council: Difference between fair value depreciation and historical cost depreciation	(9.4)
(31.1)	Council: Accumulated gains on assets sold or scrapped	(25.7)
-	Council: Adjustment for transfer of land to Investment Property	(10.8)
(41.6)	**Council: Amount written off to the Capital Adjustment Account**	**(45.9)**
	Group Movements	
-	Increase in Group's share of revaluation reserve resulting from increased stake in entity	
(563.0)	Other movements in reserve in Group entities	(10.7)
(563.0)	**Total Group Movements**	**(10.7)**
852.0	**Balance at 31 March**	**787.3**

Pensions Reserve

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

The Group balance also consolidates actuarial gains and losses arising on schemes held by NEC Ltd and Acivico Limited. Further information is provided in Note G20.

2013/14 £m		2014/15 £m
(2,235.3)	**Balance at 1 April**	**(1,848.4)**
-	Pension Surplus/(Deficit) of Subsidiaries transferred to Goup on initial consolidation	
465.6	Actuarial Gains/(Losses) on pensions assets and liabilities	(441.9)
(162.0)	Reversal of items relating to retirement benefits debited/credited to the Surplus/(Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(169.4)
83.3	Employer's pensions contributions and direct payments to retirees payable in the year	103.6
(1,848.4)	**Balance at 31 March**	**(2,356.1)**

Note G14
Cash Flow Statement - Operating Activities

The cash flows from operating activities include the following items:

2013/14 £m		2014/15 £m
(14.9)	Interest Received	(16.4)
188.1	Interest Paid	201.5
(20.5)	Dividends Received	(6.2)

Note G15
Cash Flow Statement - Investing Activities

The cash flow investing balances have been restated for 2013/14 to reflect the adjustments in the Council entity accounts, detailed in Note 5, Prior Period Adjustments. The cash flows from investing activities include the following items:

2013/14 (Restated) £m		2014/15 £m
(242.7)	Purchase of property, plant and equipment, investment property and intangible assets	(348.9)
(3,545.7)	Purchase of short-term and long-term investments	(3,191.8)
(1.2)	Other payments for investing activities	
44.0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	57.9
3,567.9	Proceeds from short-term and long-term investments	3,228.1
0.3	Other receipts from investing activities	0.3
-	Net cash acquired with subsidiary	
(177.4)	**Net cash flows from investing activities**	**(254.4)**

Note G16
Cash Flow Statement - Financing Activities

The cash flows from financing activities include the following items:

2013/14		2014/15
£m		£m
93.6	Other receipts from financing activities	68.7
723.3	Cash receipts of short-term and long-term borrowing	2,069.8
(25.0)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(28.5)
(763.6)	Repayments of short-term and long-term borrowing	(2,014.3)
-	Other payments for financing activities	(3.6)
28.3	**Net cash flows from financing activities**	**92.1**

Note G17
Amounts Reported for Resource Allocation Decisions (Segmental Analysis)

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

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

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

	2013/14 (Restated)	2014/15
	£m	£m
Net expenditure	1,092.9	1,021.3
Amounts in the Group Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	284.5	75.5
Amounts in the Group Comprehensive Income and Expenditure Statement related to Group Accounts Consolidation not reported to Cabinet in the Analysis	77.6	(63.5)
Amounts included in the Analysis not included in the Group Comprehensive Income and Expenditure Statement	(220.4)	(215.5)
Cost of Services in Group Comprehensive Income and Expenditure Statement	**1,234.6**	**817.8**

Reconciliation to Subjective Analysis

2014/15	Directorate Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of Support Service Recharges	Cost of Services in CIES	Amounts reported below the Net Expenditure of Continuing Operations in the CIES	Total
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(356.4)	60.4	(242.6)		(538.6)	(64.2)	(602.8)
Support service recharges	(423.9)			423.9	-		-
Collection Fund Surplus					-	(7.0)	(7.0)
Group consolidation subsidiary adjustments		(156.0)			(156.0)	(0.8)	(156.8)
Suplus on associates and joint ventures					-	(6.2)	(6.2)
Interest and investment income	(9.6)		9.6		-	(22.3)	(22.3)
Income from Council Tax					-	(261.8)	(261.8)
Government grants and contributions	(1,705.0)		116.6		(1,588.4)	(922.8)	(2,511.2)
Total income	**(2,494.9)**	**(95.6)**	**(116.4)**	**423.9**	**(2,283.0)**	**(1,285.1)**	**(3,568.1)**
Employee expenses	1,074.2	(10.9)			1,063.3		1,063.3
Other service expenses	1,966.5	(62.7)	(99.0)		1,804.8	68.0	1,872.8
Support service recharges	311.3	1.8		(423.9)	(110.8)		(110.8)
Collection Fund Deficit					-	5.4	5.4
Group consolidation subsidiary adjustments		92.4			92.4	17.0	109.4
Deficit on associates and joint ventures					-		-
Depreciation, amortisation and impairment	164.2	86.9			251.1		251.1
Interest payments and pensions costs					-	260.5	260.5
Precepts and levies					-	54.9	54.9
Payments to Housing Capital Receipts pool					-	5.7	5.7
(Gain)/Loss on disposal of non-current assets					-	73.1	73.1
Total expenditure	**3,516.2**	**107.5**	**(99.0)**	**(423.9)**	**3,100.8**	**484.6**	**3,585.4**
Group (Surplus)/deficit	**1,021.3**	**11.9**	**(215.4)**	**-**	**817.8**	**(800.5)**	**17.3**

2013/14 (Restated)

	Directorate Analysis	Amounts not included in Analysis but within CIES	Amounts included in Analysis but not included in CIES	Allocation of Support Service Recharges	**Cost of Services in CIES**	Amounts reported below the Net Expenditure of Continuing Operations in the CIES	**Total**
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(594.9)	45.9	(137.9)		(686.9)	(56.4)	(743.3)
Support service recharges	(325.0)		1.1	311.1	(12.8)		(12.8)
Group consolidation subsidiary adjustments		(119.5)			(119.5)	(0.5)	(120.0)
Suplus on associates and joint ventures					-	(7.6)	(7.6)
Interest and investment income	(6.8)		6.8		-	(35.3)	(35.3)
Income from Council Tax					-	(255.1)	(255.1)
Government grants and contributions	(1,544.1)		68.4		(1,475.7)	(1,012.1)	(2,487.8)
Total income	**(2,470.8)**	**(73.6)**	**(61.6)**	**311.1**	**(2,294.9)**	**(1,367.0)**	**(3,661.9)**
Employee expenses	1,109.4	81.8			1,191.2		1,191.2
Other service expenses	2,089.2	(76.0)	(101.5)		1,911.7	63.1	1,974.8
Support service recharges	227.9			(311.1)	(83.2)		(83.2)
Collection Fund Deficit					-	16.9	16.9
Group consolidation subsidiary adjustments		197.3			197.3	17.6	214.9
Deficit on associates and joint ventures					-		-
Depreciation, amortisation and impairment	137.1	232.7			369.8		369.8
Interest payments and pensions costs					-	260.1	260.1
Precepts and levies			(57.3)		(57.3)	57.4	0.1
Payments to Housing Capital Receipts pool					-	5.2	5.2
(Gain)/Loss on disposal of non-current assets					-	157.8	157.8
Total expenditure	**3,563.6**	**435.8**	**(158.8)**	**(311.1)**	**3,529.5**	**578.1**	**4,107.6**
Group (Surplus)/deficit	**1,092.8**	**362.2**	**(220.4)**	**-**	**1,234.6**	**(788.9)**	**445.7**

Note G18
Related Parties

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

In addition to the related parties detailed within Note 48 to the Council entity accounts those included below are deemed to be related parties of the Group – bodies or individuals with the potential to control or significantly influence the Group entities or to be controlled or significantly influenced by the Group entities. Where in year transactions and outstanding balances between Group entities and associated related parties are £1m or greater, they are disclosed below. The Group entities and their relationships with the Council are detailed in Notes G23 and G24.

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

Note G19
Leases

Group as the lessee

Finance leases

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

Operating leases

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

Group as the lessor

Finance leases

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

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

31 March 2014 £m		31 March 2015 £m
	Finance lease debtor (net present value of minimum lease payments)	
-	- Current	-
7.7	- Non current	7.4
14.1	Unearned finance income	14.0
(0.1)	Unguaranteed residual value of property	(0.1)
21.7	**Gross investment in the lease**	**21.6**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in the lease		Minimum lease payments	
	31 March 2014 £m	31 March 2015 £m	31 March 2014 £m	31 March 2015 £m
Not later than one year	-	-	0.2	0.2
Later than one year and not later than five years	0.1	0.1	0.7	0.7
Later than five years	7.6	7.6	20.8	20.7
Total	**7.7**	**7.7**	**21.7**	**21.6**

Note G20
Defined Benefit Pension Schemes

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

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

The retirement benefit obligations in respect of the defined benefit schemes as calculated in accordance with IAS 19 (revised 2011) are disclosed below. Following completion of the sale of NEC Limited on 1 May 2015, NEC Limited was replaced as principal employer by PETPS (Birmingham) Limited, a wholly owned subsidiary of the Council, which assumed the ongoing funding obligation.

Balance Sheet

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

	2013/14 £m	2014/15 £m
Present value of funded obligations	(152.8)	(177.8)
Fair value of plan assets	128.2	140.0
Deficit for funded plans	(24.6)	(37.8)
Present value of wholly unfunded obligations	(0.3)	(0.4)
Retirement Benefit Obligation	**(24.9)**	**(38.2)**

Income Statement

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

	2013/14 £m	2014/15 £m
Operating Cost:		
Administration Expenses	30.0	13.0
Financing Costs:		
Interest cost on pension scheme liabilities	6,494.0	6,488.0
Interest income on plan assets	(5,406.0)	(5,459.0)
Net interest cost	1,088.0	1,029.0
Total income statement expense	**1,118.0**	**1,042.0**

Other Comprehensive Income

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

	2013/14 £m	2014/15 £m
Return on plan assets in excess of interest income	0.8	8.9
Actuarial loss on liabilities due to changes in financial assumptions	(1.3)	(24.9)
Actuarial gain on liabilities due to changes in demographic assumptions	2.2	0.5
Actuarial loss on liabilities due to experience	(1.9)	1.3
Remeasurement loss recognised during the period	**(0.2)**	**(14.2)**

Reconciliation of Liabilities and Assets

Movements in the retirement benefit obligations are as follows:

	2013/14 £m	2014/15 £m
Present value of obligations at 1 April	(149.5)	(153.2)
Interest cost	(6.5)	(6.4)
Actuarial loss on liabilities due to changes in financial assumptions	(1.3)	(24.9)
Actuarial gain on liabilities due to changes in demographic assumptions	2.2	0.5
Actuarial loss on liabilities due to experience	(1.9)	1.3
Benefits paid	3.8	4.5
Present value of obligation at 31 March	**(153.2)**	**(178.2)**

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

	2013/14 £m	2014/15 £m
Fair value of plan assets at 1 April	123.8	128.2
Interest income on plan assets	5.4	5.4
Return on plan assets in excess on interest income	0.8	8.9
Employer contributions	2.0	2.0
Administration expenses paid	-	-
Benefits paid	(3.8)	(4.5)
Fair value of plan assets at 31 March	**128.2**	**140.0**

Plan Assets

The major categories of plan assets are as follows:

	2013/14		2014/15	
	£m	%	£m	%
Corporate Bonds	25.4	20	28.7	20.0
Gilts	17.7	14	33.3	23.0
UK Equities	17.4	14	15.1	11.0
Regional Overseas Equities	14.5	11	14.0	10.0
Developed Market Multi Asset Fund	12.2	10	10.6	7.0
Property	12.1	9	13.0	9.0
Developed Market Diversified Asset Fund	11.4	9	14.1	10.0
Hedge Funds	-	-		
Emerging Market Multi Asset Fund	10.6	8	11.5	8.0
Cash Other	6.9	5	0.3	1.0

Assumptions

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

	2013/14	2014/15
	%	%
Discount rate	4.3	3.4
RPI Inflation rate	3.3	3.0
CPI Inflation rate	2.3	2.0
Future Pension increases		
- pension accrued prior to 5 April 2005	3.2	2.9
- pension accrued after 5 April 2005	2.1	2.1

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

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

	2013/14 Years		2014/15 Years	
	Main Fund	Executive Fund	Main Fund	Executive Fund
Male: member aged 65 (current life expectancy)	22.2	23.9	22.2	23.9
Male: member aged 45 (life expectancy at age 65)	23.9	25.5	23.9	25.5
Female: member aged 65 (current life expectancy)	24.5	25.1	24.6	24.5
Female: member aged 45 (life expectancy at age 65)	26.4	27.0	26.5	27.1

Sensitivity Analysis

An increase of 0.25% in the discount rate would decrease the retirement benefit obligations by £9.8m
An increase of 0.25% in the inflation rate would increase the retirement benefit obligations by £8.9m
An increase of one year to life expectancy would increase the retirement benefit obligations by £4.8m
The duration of the plan liabilities is approximately 22 years

Reconciliation of Deficit

	2013/14 £m	2014/15 £m
1 April	(25.7)	(24.9)
Total income/(expenses) as above	(1.1)	(1.0)
Employer contribution	2.0	2.0
Remeasurement loss recognised in the OCI	(0.1)	(14.3)
31 March	**(24.9)**	**(38.2)**

Expected Contributions for 2015/16

Under the schedule of contributions NEC Limited made a final contribution to the defined benefit scheme in April 2015 of £0.2m. On 1 May 2015, NEC Limited made a one-off contribution of £20.2m prior to completion of the sale.

Acivico Limited Group

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

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

	2013/14 £m	2014/15 £m
Present value of funded defined benefit obligations	(38.1)	(48.9)
Fair value of plan assets	40.0	46.4
Net (Liability)/Asset	**1.9**	**(2.5)**

Movements in the present value of defined benefit obligation:

	2013/14 £m	2014/15 £m
On incorporation	-	-
Balance at beginning of period	43.4	38.1
Transferred in	-	-
Current service cost	1.5	1.2
Interest cost	1.9	1.8
Actuarial (gains)/losses	(8.5)	8.2
Contributions by members	0.4	0.4
Curtailment	-	0.1
Benefits paid	(0.6)	(0.9)
31 March	**38.1**	**48.9**

Movements in the fair value of plan assets:

	2013/14 £m	2014/15 £m
Balance at beginning of period	35.8	40.0
Transferred in	-	-
Expected return on plan assets	2.2	2.5
Actuarial (gains)/losses	1.4	3.8
Contributions by employer	0.8	0.7
Contributions by members	0.4	0.4
Benefits paid	(0.6)	(0.9)
31 March	**40.0**	**46.4**

Expense recognised in the profit and loss account:

	2013/14 £m	2014/15 £m
Current service cost	1.5	1.2
Interest on defined benefit pension plan obligation	1.9	1.8
Curtailment	-	0.1
Expected return on defined benefit pension plan assets	(2.2)	(2.5)
Total	**1.2**	**0.7**

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

	2013/14 £m	2014/15 £m
Administrative expenses	1.5	1.2
Other interest receivable and similar income	(0.3)	(0.5)
	1.2	**0.7**

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

The fair value of the plan assets and the return on those assets were as follows:

	2013/14 Fair Value		2014/15 Fair Value	
	£m	%	£m	%
Equities	23.3	58	27.4	59
Government Bonds	3.3	8	3.7	8
Other Bonds	4.3	11	4.9	11
Property	3.6	9	4.0	9
Cash/Liquidity	1.1	3	1.9	4
Other	4.4	11	4.5	10
Total	**40.0**	**100**	**46.4**	**100**
Actual return on plan assets:	1.1		6.2	

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2013/14 %	2014/15 %
Discount rate	4.6	3.4
Expected rate of return on plan assets	6.0	5.4
Expected return on plan assets at beginning of period	5.9	6.1
Future salary increases	4.2	3.8
Future pension increases	2.4	2.0
Rate of CPI inflation	2.4	2.0

In valuing the liabilities of the pension fund at 31 March 2015, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2015 would have increased by £0.9m.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.9 years (male), 25.5 years (female)
- Future retiree upon reaching 65: 25.1 years (male), 27.8 years (female).

Note G21
Adjustments between Group Accounts and Council Accounts

The following adjustments are made in the Groups Movement in Reserves Statement in order to reconcile the General Fund balance back to its Council position prior to funding basis adjustments being made.

	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account (HRA) £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	**Total Usable Reserves** £m	Unusable Reserves £m	**Total Council Reserves** £m	Reserves of Subsidiaries, Associates and Joint £m	**Total Group Reserves** £m
2013/14												
Intra group loans	-							-		-	-	**-**
Intra group capital grants	(13.5)							(13.5)		(13.5)	13.5	**-**
Provision of goods and services to subsidiaries	15.6							15.6		15.6	(15.6)	**-**
Purchases of goods and services from subsidiaries	(46.6)							(46.6)		(46.6)	46.6	**-**
Intra group capital expenditure incurred by parent for subsidiary assets	-							-		-	-	**-**
Gain on intra group exchange of assets	-							-		-	-	**-**
Total adjustments between Group accounts and Council accounts	**(44.5)**	**-**	**-**	**-**	**-**	**-**	**-**	**(44.5)**	**-**	**(44.5)**	**44.5**	**-**
2014/15												
Intra group loans	-							-		-	-	**-**
Intra group capital grant	(15.7)							(15.7)		(15.7)	15.7	**-**
Provision of goods and services to subsidiaries	1.6							1.6		1.6	(1.6)	**-**
Purchases of goods and services from subsidiaries	(53.7)							(53.7)		(53.7)	53.7	**-**
Intra group capital expenditure incurred by parent for subsidiary assets	-							-		-	-	**-**
Gain on intra group exchange of assets	-							-		-	-	**-**
Total adjustments between Group accounts and Council accounts	**(67.8)**	**-**	**-**	**-**	**-**	**-**	**-**	**(67.8)**	**-**	**(67.8)**	**67.8**	**-**

Note G22
Analysis of Minority Interest Shares in Group Comprehensive Income and Expenditure Statement and Total Movement in Balance Sheet

The balances for 2013/14 have been restated to reflect the changes in the Council entity accounts as detailed in Note 5, Prior Period Adjustments. Attributable shares of income and expenditure:

2013/14 (Restated)				2014/15		
Council	Minority Interests	Total		Council	Minority interests	Total
£m	£m	£m		£m	£m	£m
453.2	-	453.2	(Surplus)/Deficit on the provision of services	23.7		23.7
(7.6)	-	(7.6)	Share of Associates	(6.1)		(6.1)
(91.2)	-	(91.2)	Other Comprehensive (Income)/Expenditure	464.1		464.1
354.4	**-**	**354.4**	**Total Comprehensive (Income)Expenditure**	**481.6**		**481.6**
354.4	-	**354.4**	**Total movement in Balance Sheet**	**481.6**		**481.6**

This analysis is not intended as an analysis of the movement in the Minority Interest balance recorded in the balance sheet and so does not include such opening balances.

Note G23
Subsidiary Companies

The Council maintains involvement with a number of subsidiary and associate companies where the assets and liabilities of these companies are not included in the Council's core financial statements. Group Financial Statements have been prepared in accordance with the Code.

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

I. The National Exhibition Centre Limited Group

The Company (The National Exhibition Centre Ltd) manages four venues within the West Midlands, namely the National Exhibition Centre, the Genting Arena, the Barclaycard Arena and the International Conference Centre (ICC). Following the signing of a new management agreement with the Council on 11th December 2009, the National Exhibition Centre Ltd manages and operates the venues itself as principal and acts as an agent in the collection and activities associated with the collection of sums payable under leases granted by the Council at the venues and the management of capital works.

The Council owned 5,000 £1 shares (50%) of the Company's ordinary share capital up to 11th December 2009. On that date the Council acquired a further 5,000 'A' shares from the Birmingham Chamber of Commerce and Industry which results in the Council owning all of the Company's 'A' shares. The Birmingham Chamber of Commerce and Industry hold 1 'B' share in the Company. From 11 December 2009 the company is consolidated as a wholly owned subsidiary, and no minority interest is attached to Birmingham Chamber of Commerce and Industry as their share holding does not allow for any distributions from the company.

The Council guarantees the group's solvency and provides grant funding. At 31 March 2015, the Council was guaranteeing loans of £192.4m (2013/14: £192.4m) to the Company. The group made a loss after tax of £0.1m during the year to 31 March 2015 (2013/14: profit of £0.8m). The group's net liabilities at 31 March 2015 amounted to £8.9m (2013/14: £11.4m).

The National Exhibition Centre Ltd and its subsidiaries NEC Finance plc, NEC Pension Trustee Company Ltd and NEC (Ireland) Ltd are controlled companies under the Local Authorities (Companies) Order 1995 (S.I 849). This means that a number of finance and property controls apply in relation to these company activities.

NEC Finance Plc was formed to raise capital through the issue of listed debenture stock to finance the construction of the ICC, the NIA and the expansion of the NEC through the construction of halls 9 to 12. The main activity of the NEC Pension Trust Company is to act as a trustee to the National Exhibition Centre Ltd Executive Pension Fund. NEC (Ireland) Ltd was formed to provide strategic and operational management consulting services to the Convention Centre Dublin.

NEC Property (Number One) Ltd was formed in December 2014 to hold certain leasehold interests following completion of the NEC Ltd sale process.

The year end of the Group is 31 March 2015. For the purposes of the consolidation these group accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

Information regarding transactions during the year and balances at the year end between the Council and the National Exhibition Centre Limited Group can be found within Note 48 of the Council's entity financial statements.

On 16 January, the Council announced that it had entered into a binding agreement to sell The National Exhibition Centre Limited (NEC Ltd) to Lloyds Development Capital, the private equity arm of Lloyds Banking Group.

The sale agreed involved a number of transaction, the key ones of which were:

- Disposal of the Council interests in NEC Ltd;
- Transfer of the on-going funding of the NEC defined benefit pension schemes to a wholly owned subsidiary of the Council;
- Termination and re-signing of existing lease agreements.

The assets held in the Group financial statements that are related to the disposal of NEC Ltd have been categorised as Assets Held for Sale.

The sale was completed on 1 May 2015.

II. The National Exhibition Centre (Developments) plc

The company was set up to provide an additional 30,000 square metres of exhibition space in four new halls. The new building has been financed by a loan stock issue of £73 million by the company which is guaranteed by the Council. The Company was originally formed between Birmingham City Council, Emap Limited (formerly Emap Business Communications Limited) and Birmingham Chamber of Commerce and Industry. In March 2010 the Council acquired the shares and outstanding loan stock previously held by Emap Limited. On 26 March 2010 the Council increased its holding to 875 of 1,000 ordinary shares of £1 each and all of the Company's 100,000 £1 preference shares. On 10 September 2010 the Council acquired the remaining ordinary shares and so now owns all the share capital.

The Council has loan notes totalling £1.1m (2013/14: £1.3m). The loan notes are repayable in instalments and repayments commended in 2014/15. The loss before and after tax for the year ended 31 March 2015, amounted to £0.02m (2013/14: £0.02m). The net liabilities at 31 March 2015 amounted to £2.3m (2013/14: 2.2m).

The National Exhibition Centre (Developments) Limited is a controlled company under the Local Authorities (Companies) Order 1995 (S.I 849). This means that a number of finance and property controls apply in relation to the company activities.

The year end of the company is 31 March 2015. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

Included in the disposal of NEC Ltd, as set out in I. above, building assets held in National Exhibition Centre (Developments) Plc (NEC (Developments)) in respect of Halls 17-20 formed part of the sale. These assets have been included as Assets Held for Sale at the year end.

The Council continues to retain ownership of NEC (Developments)

III. Innovation Birmingham Limited Group (Birmingham Technology Limited Group to 2 May 2013)

The Innovation Birmingham Group of companies aims to promote, encourage, and secure the development and management of a science park in Birmingham. BCC holds a debenture over the property of the group as security for its financial guarantees. The Council is the sole member of Innovation Birmingham Limited Group which is a company limited by guarantee. The Council is also entitled to appoint up to seven members of the company and five of the nine voting directors. Furthermore, additional control by the Council is exercised by its 71% share of directors voting rights. The Council's direct interest in Birmingham Technology (Property) Limited (a subsidiary company of BTL) is 1,250 £1 ordinary shares (12.5% interest). The Council also directly holds 500 £1 ordinary shares (9.1% interest) in Birmingham Technology (Venture Capital) Limited. The Articles of Association for Innovation Birmingham Group prohibits the distribution of profits and as such dividends. The profit for the year for the group to 31 March 2015, amounted to £0.8m (2013/14: £0.4m), with the net assets at 31 March 2015 amounting to £0.02m (2013/14:£0.8m net liabilities).

The year end of the company is 31 March 2015. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of this company.

Information regarding transactions during the year and balances held at the year end between the Council and Innovation Birmingham Limited Group can be found within Note 48 of the Council's entity financial statements.

IV. Performances Birmingham Limited

Performances Birmingham Limited is the Charity that manages and runs the Birmingham Town Hall and Symphony Hall. The company is limited by guarantee and was founded by Birmingham City Council in collaboration with The University of Aston and Lloyds Bank in 1982. The Charity is solely controlled by the Council with the financial statements prepared in accordance with the Charity Commission's Statement of Recommended Practice. This means that there are restrictions on the use of the funds which are available to the Charity. The net income for the year for the group to 31 March 2015, amounted to £0.1m (2013/14: £0.2m net expenditure), with the net assets at the 31 March 2015 amounting to £1.9m (2013/14: £1.8m).

The year end of the charity is 31 March 2015. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of this charity.

Information regarding transactions during the year and balances held at the year end between the Council and Performances Birmingham Limited Group can be found within Note 48 of the Council's entity financial statements.

V. Birmingham Museums Trust

Birmingham Museums Trust Group is a Charity that manages nine museum sites, namely, Birmingham Museum and Art Gallery, The Museum Collection Centre, Thinktank, Soho House, Aston Hall, Museum of the Jewellery Quarter, Blakesley Hall, Weoley Castle and Sarehole Mill. The Trust is a charitable company limited by guarantee, (the Council being sole member), and is controlled by the board of trustees The financial statements are prepared in accordance with the Charity Commission's Statement of Recommended Practice, which restricts the use of funds to charitable purposes, as defined in its objects. The net income for the year for the group to 31 March 2015, amounted to £0.0.03m (2013/14: £0.4m), with the net assets at the 31 March 2015 amounting to £3.8m (2013/14: £3.8m).

The year end of the charity is 31 March 2015 and for the purposes of consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the charity.

Information regarding transactions during the year and balances held at the year end between the Council and Birmingham Museums Trust Group can be found within Note 48 of the Council's entity financial statements.

VI. Acivico Limited

Acivico Limited is a registered company, which is wholly owned by Birmingham City Council. The company was launched in April 2012, with three special purpose vehicles (SPVs), one holding company and two trading companies. The two trading companies, Acivico Design Construction and Facilities Management Limited and Acivico (Building Consultancy) Limited, have been operational since April 2012 and provide a range of statutory and non-statutory services on behalf of and to Birmingham City Council and to other public and private sector clients. The Council has agreed to receive specified services from Acivico for the five years up to 31 March 2017. The Council owns 1 £1 share (100%) of the Company's ordinary share capital and with effect from the 2013 financial year, (the first year of trading), the company was consolidated as a wholly owned subsidiary.

The group made a profit after tax of £0.6m during the year to 31 March 2015 (2013/14: £1.3m loss) and the group's net liabilities at 31 March 2015 amounted to £4.0m (2013/14: net liabilities £0.1m).

The year end of the company is 31 March 2015 and for the purposes of consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the group.

Information regarding transactions during the year and balances held at the year end between the Council and Acivico Limited Group can be found within Note 48 of the Council's entity financial statements.

The subsidiaries that have not been consolidated into the Group Financial Statements are listed below

I. InReach (Birmingham) Limited

The Council set up InReach (Birmingham) Limited in 2014/15, a wholly owned subsidiary of the Council, to facilitate the development of new private rented homes for market rent at St Vincent Street, Ladywood. The company has not been consolidated into the Council's Group Financial Statements as the level of transactions and balances to date is not considered material to the Group. However, it is anticipated that the level of transactions will increase during the 2015/16 financial year such that the company would be consolidated into the Group Accounts at that time.

II. PETPS (Birmingham) Limited

On 16 January 2015, the Council announced that it had entered into a binding agreement to sell the NEC and under the terms of the sale, the NEC defined benefit pension schemes, which have been closed to accrual of future benefits since 2010, will be retained by and benefit from the continued financial support of a wholly owned subsidiary of the Council, PETPS (Birmingham) Limited.

The sale of the NEC was completed on 1 May and the Council became the sole guarantor of the pension schemes. As a result, PETPS (Birmingham) Limited will fall within the Group boundary in the 2015/16 financial year and, if material, be consolidated with the Group Financial Statements.

Note G24
Associate and Joint Venture Companies

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

I. Birmingham Airport Holdings Ltd (BAH)

The main ordinary shareholders of BAH are the seven West Midland Districts. The Seven Districts together own 49% of BAH's 324 million ordinary shares of 1p each (Birmingham City Council owns 18.7% i.e. 60,535,200 shares). 48.25% ordinary shares are held by Airport Group Investments Ltd which is owned by the Ontario Teachers Pension Plan and Victorian Funds Management Corporation and the remaining 2.75% shares are held by an Employee Share Trust. The Shareholders' Agreement provides for the Districts to cast their 49% vote in all circumstances in one consolidated block. The vote of 75% of ordinary shareholders is required for certain major decisions of the company.

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

The BAH Group Accounts incorporate Birmingham International Airport Ltd, Euro-Hub (Birmingham) Ltd, Birmingham Airport (Finance) Plc, First Castle Developments Limited, Birmingham Airport Developments Limited and BHX Fire and Rescue Limited, Birmingham Airport Services Limited, BHX (Scotland) Limited and BHX Limited partnership.

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

The year end of the company is 31 March 2015. For the purposes of the consolidation these accounts have been used. There was no qualification to the audit opinion on the last audited accounts of the company.

BAH is accounted for as an associate for the following reasons:

- The Shareholders' Agreement provides for the Districts to cast their 49% vote in all circumstances in one consolidated block. As BCC hold 18.7% within this 49% it is considered that BCC have greater power to influence the voting of block;

- 25% of the BAH Board of Directors (4 of 16) are BCC officers or councillors.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the principal of equity accounting under the Code, the summarised financial information for the associate for the year ended 31 March is detailed below:

31 March 2014 £m		31 March 2015 £m
501.4	Non-Current Assets	451.6
36.0	Current Assets	39.9
(39.9)	Current Liabilities	(48.2)
(233.1)	Non-Current Liabilities	(244.3)
264.3	Net Assets	198.9
49.4	**Council Interest in Net Assets @ 18.68%**	**37.2**
113.8	**Revenue**	**121.0**
16.7	Post-Tax Profit/(loss)	15.3
(80.1)	Other Comprehensive Income/(Expenditure)	(80.6)
(63.4)	Total Comprehensive Income/(Expenditure)	(65.3)

The carrying value of the Council interest in this entity is £37.2m (2013/14: £49.4m), which is included with the Investments in Associates and Joint Ventures balance of £38.9m (2013/14: £51.7m), shown in the Group Balance Sheet.

Birmingham Airport Holdings Ltd at 31 March 2015 have disclosed within their financial statements three existing contingent liabilities: On 13 February 2001 guarantees were provided by Birmingham Airport Holdings Limited, Birmingham Airport Limited and Euro-hub (Birmingham) Limited in support of a £105 million Corporate Bond issued by Birmingham Airport (Finance) plc. The bond is for a period of 20 years maturing on the 22 February 2021 and carries a fixed interest rate of 6.25% per annum. On 3 December 2013 the company along with other group members of Birmingham Airport Holdings Limited provided guarantees in support of £75 million private placement senior notes received by Birmingham Airport (Finance) plc. Series A senior notes of £30 million are for a period of ten years maturing on 3 December 2023 and carry fixed interest rate of 4.472% per annum. Series B senior notes of £45 million are for a period of fifteen years maturing on 3 December 2028 and carry a fixed interest rate of 4.557% per annum. On 3 December 2013 the company along with other members of Birmingham Airport Holdings Limited provided guarantees to the Royal Bank of Scotland plc in support of a £20 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 3 December 2018. At the date of these accounts the total amount outstanding under this facility was £nil.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the Code of Practice on Local Authority Accounting in the UK 2014/15, the share of the Investments in Associates and Joint Ventures of £51.7m (2013/14: £66.3m) shown in the Group Balance Sheet in respect of this entity is £49.4m (2013/14: £61.2m).

II. Service Birmingham Limited

The company was incorporated on the 22 December 2005 and operates between Capita Business Services Limited, who hold 650 Ordinary-B shares (68%), and Birmingham City Council who hold 300 Ordinary-A shares (32%). The company was formed to facilitate the strategic partnership between the two entities and operates within the ICT and Advisory

Services division of the Capita Group plc. Trading commenced on the 1 April 2006, with the principal activity being the provision of ICT and business transformation outsourcing services to the Council.

The year end of the company is 31 December 2014, in line with that of parent company Capital PLC. For the purposes of the consolidation these accounts have been used as they fall within three months of the Council's year end, with adjustments being made for the three month periods at the start and end of the reporting year. There was no qualification on the audit opinion for these audited accounts of the company.

Following adjustments to the financial information to align accounting policies with those of the Council, in accordance with the principles of equity accounting under the Code, the summarised financial information for the associate for the year ended 31 March is as follows:

31 March 2014 £m		31 March 2015 £m
9.9	Non-Current Assets	7.2
26.5	Current Assets	39.4
(29.0)	Current Liabilities	(41.1)
-	Non-Current Liabilities	-
7.3	Net Assets	5.5
2.3	**Council Interest in Net Assets @ 32%**	**1.7**
105.9	**Revenue**	**96.7**
14.3	Post-Tax Profit/(loss)	10.7
(23.0)	Other Comprehensive Income/(Expenditure)	(12.5)
(8.7)	Total Comprehensive Income/(Expenditure)	(1.8)

The Council has entered into a joint venture arrangement with BRITEL Funds Trustees Limited through Paradise Circus Limited Partnership. The partnership will facilitate the development of the area known as Paradise Circus, supporting delivery against one of the Council's strategic aims, generating economic growth and job creation through the regeneration of the area. The entity was incorporated on 11 September 2013, with operational activity commencing in January 2015. The Council and BRITEL Funds Trustees Limited share control of the joint venture on a 50/50 basis. Although the entity falls within the Group Boundary, at the 31 March 2015 the Council's share of the net equity was not considered material to the Group and, therefore, it was not included within the Group Accounts. However, it is anticipated that the level of activity will increase during the 2015/16 financial year, such that the Council's share of the net equity will be material and will be accounted for within the Group Accounts at that time.

Annual Governance Statement 2014/15

Annual Governance Statement

1. Scope of Responsibility

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

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

1.3. The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available as part of the Council's Constitution on the website. This statement explains how the Council has complied with the code and also meets the requirements of *Accounts and Audit (England) Regulations 2011*, regulation 4 (3) which requires all relevant bodies to prepare an annual governance statement (AGS).

2. **The purpose of the governance framework**

2.1. Governance is about the Council ensuring it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4. The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. **The governance framework**

3.1. The key elements of the systems and processes that comprise the Council's governance arrangements include the following:

The Council's purpose and vision for Birmingham

3.2. In a Policy Statement to Council in July 2014, the Leader set out a core mission to "work together for a fair, prosperous and democratic city".

3.3. The Council Business Plan and Summary Budget 2015+ (The Plan) sets out the Council's priorities in terms of the Council's contribution to strategic outcomes as shown below:

Primary goal	Key Themes	Outcomes we seek
A Fair City	Safety	People are safe, especially the most vulnerable – from crime, violence and abuse.
	Health and wellbeing	Health and wellbeing, housing quality and life expectancy are at national levels for all. Older people are able to stay in their own homes and communities.
	Children and young people	Children are protected and young people are able to access opportunities regardless of background or special needs.
	Tackling poverty	Poverty amongst children and families is down to national averages – Birmingham has an ethical approach as a 'Living Wage City' and no social groups or local areas are blighted by extreme levels of unemployment and low incomes.
A Prosperous City	Learning, skills and local employment	People have the qualifications they need for work, including school leavers and the working age population. Young people are exposed to the world of work and career options. Skill levels are high and all young people are in employment, education or training. Everyone has access to the digital economy.
	Enterprise City	The economy is growing, business start-ups are the highest in the core cities and good jobs are being created.
	Infrastructure, development and Smart City	There is a sufficient affordable and low energy use housing supply to meet needs, provision for employment land and high levels of investment in transport and other infrastructure, including cycling and walking, digital technologies and district energy systems.
	A Green and sustainable City	Birmingham is more environmentally sustainable, with higher levels of recycling, lower energy use and cleaner neighbourhoods. There is a thriving green economy.
	Regional capital and reputation	The city fulfils its role as the regional capital and provides a quality of life that attracts more investors, visitors and also employees.
A Democratic City	Engagement, influence and contribution	Local people from all backgrounds are engaged in local democracy and have more influence on local decisions and localised services. Communities and individuals are able to make their contribution to the life of the city and governance is based on openness and transparency.
	A New Model of City Government	The government of the city will be transformed to match modern needs.
	Modern services that serve our citizens	Services work together, make use of new technologies and modern 'hub' facilities and are focused on 'whole people' and 'whole places'. Citizens, businesses and agencies can co-create new services

3.4. The Plan is updated each year and is available on the Council's web-site.

3.5. The Council has a strong public, third sector, and business engagement role. There is an established Partnership Toolkit setting out the governance and internal control arrangements which must be in place when the Council enters into partnership working. This includes arrangements for the roles of Members and Officers, and the implementation and monitoring of objectives and key targets. A programme of review against these requirements is led by Overview and Scrutiny.

3.6. Working with partners, the Council assumes a strategic role for the Greater Birmingham area, working with the Local Enterprise Partnership (LEP) to develop collaborative solutions to common problems, and facilitating coherent programmes with regional and international partners to deliver an economic strategy for the city and region. LEP projects follow the Council's governance processes, managed and monitored through a Project Delivery Board, with regular reporting to the LEP Board by the LEP Champion.

3.7. The Plan articulates the strategic direction for the Council with a clear set of corporate priorities. These priorities have been informed by extensive consultation with the public and reflect the vision articulated in the Leader's Policy Statement 2014. Progress against these priorities is monitored through a set of Council Business Plan measures, which have been formally agreed by Cabinet following discussion with Members. Regular monitoring and quarterly reporting against these measures ensures that shortfalls in performance are identified at an early stage and effective action to bring performance in line with targets is undertaken.

3.8. The Plan also includes a summary of high level actions for each Directorate to achieve the Council's priorities. These are supported in turn by more detailed Directorate and Service Plans which are also regularly monitored and reviewed against a set of performance indicators.

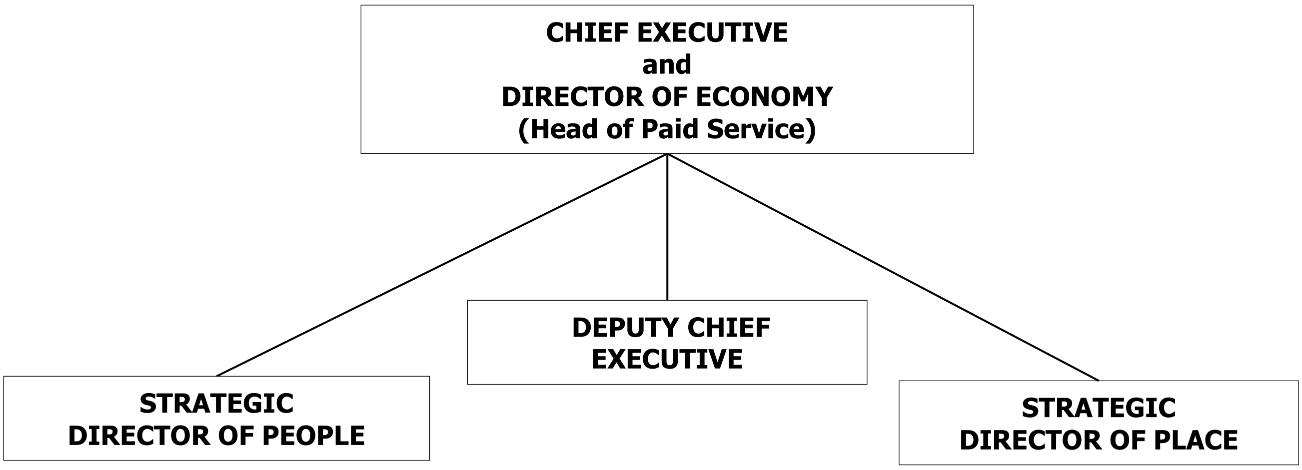
3.9. The Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. Achievement of value for money is central to the Plan and the Council's long term financial strategy.

Roles of Members and Officers

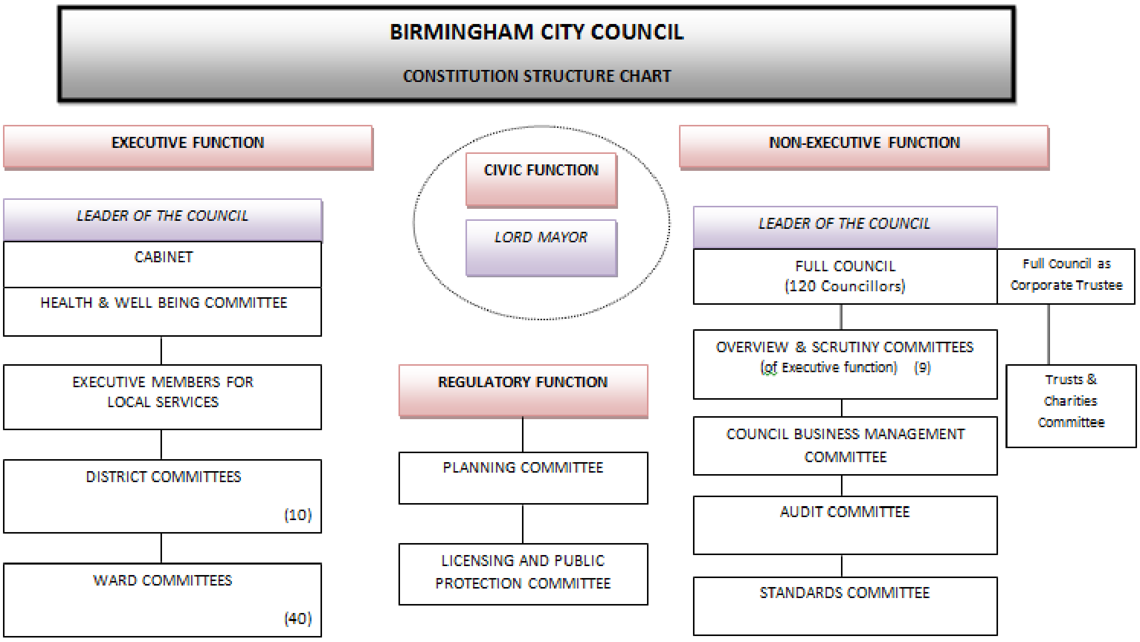
3.10. The Council's Constitution is codified into one document which is available on the intranet and the City's website. The Constitution sets out the respective roles and responsibilities of the Cabinet and other Members and Officers and how these are put into practice. The Constitution is reviewed annually by the Director of Legal and Democratic Services and any amendments are agreed at the Annual General Meeting. A revised and updated Constitution was agreed in May 2014. Further amendments were made during the year with the latest amendments made in March 2015. Any in-year changes are agreed by Cabinet and/or the Council Business Management Committee.

3.11. The Council operates within three Directorates, Economy, People and Place.

Management Structure



3.12. The Council facilitates policy and decision–making via an Executive Structure. There were nine members of Cabinet for the 2014/15 financial year: The Leader, Deputy Leader and seven specific Cabinet Member Portfolios based on a thematic structure. The Constitution Structure Chart is set out below:



3.13. Constitutional changes in May 2015 resulted in an eighth specific Cabinet Member Portfolio and revisions to the role of district committees and to the role and number of Overview and Scrutiny Committees.

3.14. The Council Business Management Committee (CBM) agrees the management of City Council meetings and provides the forum for non-executive, non-scrutiny and non-regulatory matters. The Constitution sets out the terms of reference for each of the Committees and includes a schedule of matters reserved for decision by Full Council.

3.15. CBM also oversees the Council's relationship with the Independent Remuneration Panel which is chaired by an independent person. CBM submits recommendations to the Council on the operation and membership of the Panel and amendments to the Councillors' Allowances Scheme.

3.16. The Council's Audit Committee provides independent assurance to the Council on financial management, risk management and control, and the effectiveness of the arrangements the Council has for these matters. The role of the Audit Committee includes active involvement in review of financial systems and procedures, close liaison with external audit and responsibility for the approval of the annual accounts.

3.17. The Council's Constitution sets out the responsibilities of both Members and senior managers. In particular the Council has identified four statutory posts as follows:-

Head of Paid Service - Chief Executive
Chief Finance Officer - Director of Finance
Monitoring Officer - Director of Legal & Democratic Services
Scrutiny Officer - Head of Scrutiny Services

3.18. Protocols determining the roles of these officers and their relationship with Members and other Officers are set out. The Constitution also includes a Scheme of Delegation to Officers which sets out the powers of Strategic Directors.

Financial Management Arrangements

3.19. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.
Role of the Chief Financial Officer:
The Chief Finance Officer (CFO) is a key member of the Corporate Leadership Team (CLT), helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
The CFO is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy.

The CFO leads the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
To deliver these responsibilities the Director of Finance as the Council's CFO:
- leads and directs a finance function that is resourced to be fit for purpose; and
- is professionally qualified and suitably experienced.

Values and standards of conduct and behaviour

3.20. The Council has a Code of Conduct for Members and a Code of Conduct for Officers which set out the standards of conduct and personal behaviour expected and the conduct of work between members and officers. In particular the Council has clear arrangements for declaration of interests and registering of gifts and hospitality offered and received. All Council employees participate through work groups in developing actions based on these values which assist in ensuring effective service delivery and the development of the whole organisation.

Scrutiny, Accountability and Risk Management

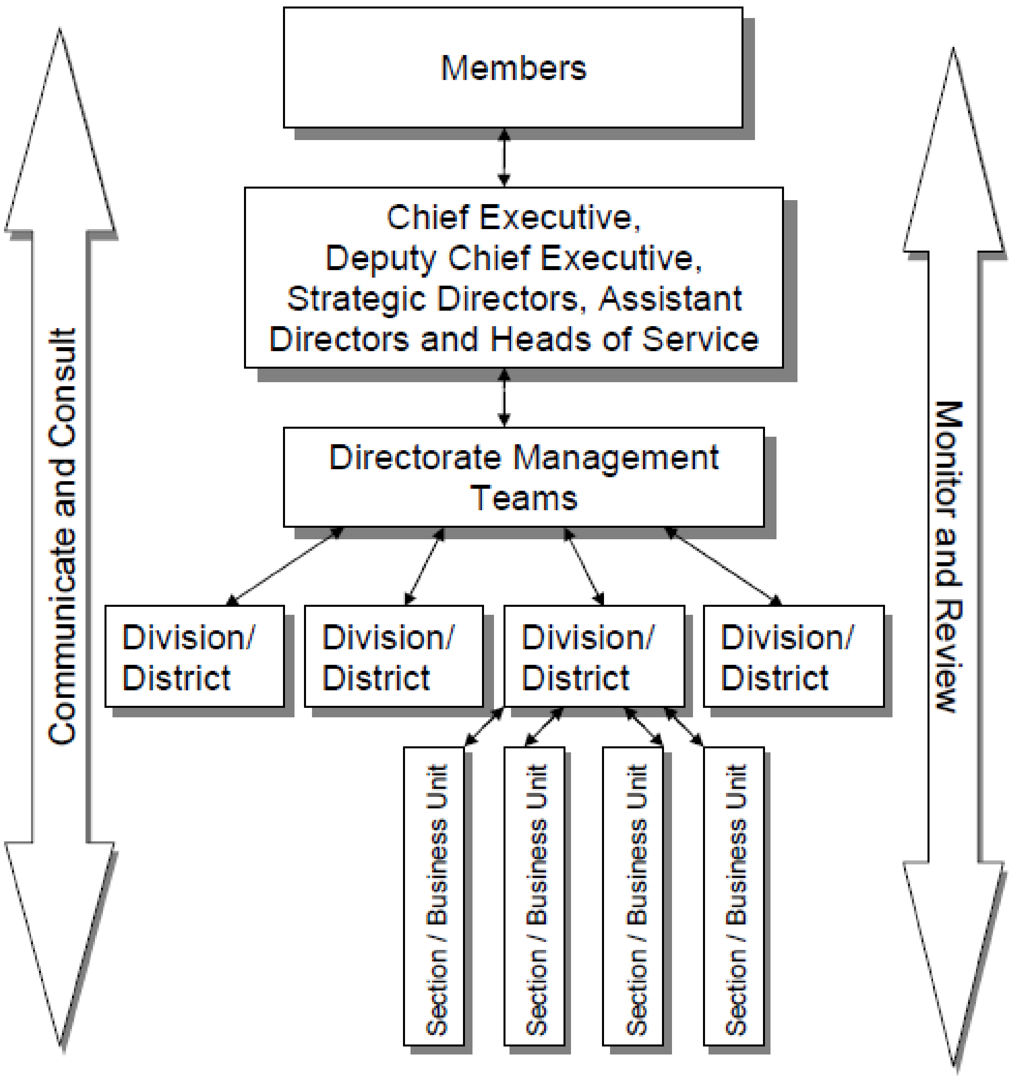
3.21. The Overview & Scrutiny Committees cover all Cabinet Member portfolios and the Districts collectively. All Executive decisions can be called in for Scrutiny to ensure that they are soundly based and consistent with Council policy.

3.22. The Council has a procedure for handling complaints, compliments, and comments that monitors formal contact with members of the public. Complaints are actively tracked through the process and independently reviewed.

3.23. The Council ensures compliance with established policies, procedures, laws, and regulations – including risk management. For transparency, all reports to Cabinet, Cabinet Members and Districts are required to include governance information relating to: Council Policy, internal and external consultation, financial and legal implications and Public Sector Equalities Duty. All reports are required to be cleared by senior finance and legal officers.

3.24. Risk management continues to be embedded within the Council. The following diagram illustrates how risk is managed:

Managing risk in Birmingham City Council



3.25. The revised Risk Management Policy, Strategy and Methodology have been placed on the Council's website, and advice and support is provided as requested - an example of this was the series of risk workshops ran in relation to the change in banking providers. The Council Business Plan 2015+ Budget Report and Resource Plan, includes a summary risk register which is supported by the Corporate Risk Register. The Corporate Risk Register is reviewed at the monthly Governance Group meetings and updated information regarding the management of the risks continues to be reported three times a year to the Audit Committee. The draft version is reviewed by the Effectively Managed Corporate Business (EMCB) Corporate Leadership Team sub-group. This provides challenge and is a forum for routine discussion of risks facing the Council. In addition business plans at directorate and divisional level include key risks.

3.26. Legal requirements and Council policy, together with guidance on their implementation, are set out in detail in the Policies, Standards, Procedures and Guidance database held on the Council's intranet for financial, Information Communications Technology and business procedures, and People Solutions for Human Resources policies and procedures. Directorates maintain detailed delegations and guidance on specific legislative requirements which affect their service delivery. The City Council has a strong Internal Audit function (Birmingham Audit) and well-established protocols for working with External Audit. The Council's external auditors have responsibilities under the Code of Audit Practice to review compliance with policies, procedures, laws and regulations within their remit.

Capacity and Capability

3.27. The financial reductions facing the Council are impacting on workforce capacity and having a flexible, skilled and mobile workforce will be critical to enable the Council to effectively respond to increasing demand and reducing resources.

3.28. The Council has in place a strategy for facilitating the implementation of the Service Reviews including managing significant workforce reductions through redundancy and potentially outsourcing. This includes an organisational design tool kit, training and online tools for managers along with a team of trained HR professionals to support the most complex projects. In addition there are number of work streams focused on immediate performance priorities which include the improvement agenda in Children's Services, improving attendance across the Council and ensuring a robust framework for terms and conditions and pay are in place to eradicate any potential for further equal pay risks.

3.29. The Future Council sub programme, Forward: The Birmingham Way will work to provide a framework that will support the workforce to be the right people doing the right things in the right way.

3.30. There is a dedicated area of the intranet for Member issues and a newsletter, City Councillor, is produced and circulated by Democratic Services, by e-mail. This gives detail of legislation, training opportunities and other issues of importance to Members. Regular monthly "market places" and briefing sessions are held to keep Councillors up-to-date with Council Services or services provided by Partner Organisations. Group Offices encourage consideration, planning and undertaking of development and learning to become an effective and efficient elected representative.

3.31. The Governance, Resources and Customer Services Overview and Scrutiny Committee carried out a review of Member training and a new approach to Member Development was agreed. The starting point for this approach was the May 2014 elections. A programme of training and development options including outlining the Council's services, the Members' Code of Conduct and Council Governance, one to one sessions, legislative training and further development opportunities has been developed.

3.32. During 2014/15, the Personal Development and Review Process for all staff ensured that individual's targets were aligned with those of the organisation and enabled a consistent means of assessing and rewarding performance. It also provided a way of developing tailored training and development programmes for staff in a changing environment and managing the Council's system of competence based pay progression. The process has been reviewed for 2015/16 and the Council has launched the 'My Appraisal' process.

Engagement with the community and other stakeholders

3.33. The Council engages in a wide range of consultation and engagement activities to inform service delivery and decision making. These are summarised in an annual statement and on-line consultation database. The Council Business Plan 2015+ consultation process included consultation via online webcast question and answer sessions with Cabinet Members, consultation via post, mail, text and through the City's website, public meetings, community workshops, consultation with business representatives, delivery partners and third sector group; via a workshop for voluntary organisations organised in partnership with the Birmingham Voluntary Services Council, meetings with staff, Trade Unions and web chat sessions with the Leader of the Council.

3.34. The Council's Scrutiny function regularly engages with key partners and other interested groups and individuals in order to assess the impact and suitability of the Council's activity. The Scrutiny Committees make an annual report to Full Council.

3.35. The Customer First programme and Communications Review ensures that clear channels of communication are in place with service users, citizens and stakeholders. The Council holds meetings in public wherever possible. Directorates have extensive programmes of consultation and engagement activity for specific services.

4. Review of effectiveness

4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Leadership Team within the Council who have responsibility for the development and maintenance of the governance environment, Birmingham

Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local code of governance. The Council's review process uses the Key Roles and Core Principles included in this guidance and this Statement sets how the Council meets these roles and principles in its control and governance arrangements.

4.3. The Council has a well-developed methodology for annual governance review which is reviewed and updated each year. This requires each Directorate and Service area to produce an Assurance Statement to the Chief Executive highlighting significant governance issues to be brought to his attention and the control procedures and mechanisms the Directorates have in place.

4.4. The Council's review of the effectiveness of the system of internal control is informed by:

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

4.5. The arrangements for the provision of internal audit are contained within the Council's Financial Regulations which are included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The internal audit provision operates in accordance with the Public Sector Internal Audit Standards.

4.6. As in previous years the Birmingham Audit plan was compiled using professional judgement and a risking model to 'score' all potential 'auditable' areas. To meet the standards required there was a need to ensure sufficient coverage of the adequacy and effectiveness of systems of internal control in relation to financial control, risk management, corporate governance and an element for proactive and reactive fraud work.

4.7. The resulting work plan is discussed and agreed with the Strategic Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Birmingham Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses and include a risk rating for the City Council and the Service Area. These are submitted to Members, Strategic Directors and service managers as appropriate.

4.8. From the work undertaken by Birmingham Audit in 2014/15 and the outcomes from applying the model for formulating the end of year opinion the following assurance was able to be given: “I am able to provide reasonable assurance.” In this context ‘reasonable assurance’ means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council’s standing or Annual Accounts. As in any large organisation, Internal Audit did identify a number of concerns that required remedial action and these were reported to the appropriate Strategic Director or Senior Manager during the year. All significant issues have also been brought to the attention of the Audit Committee, and where appropriate to EMCB. The more significant of these are set out in the section entitled ‘**Significant governance issues 2014/15’** below.

4.9. The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews management progress against issues raised in the Annual Governance Statement and in implementing recommendations made in significant, high risk audit reports.

4.10. The Council’s Governance, Resources and Customer Services Scrutiny Committee received reports on key control issues throughout 2014/15 including budgetary monitoring, risk issues including the Localisation of Council Tax Support and direct reports from The Leader and Deputy Leader.

4.11. The Council Plan is monitored through the Council Business Plan Measures on a quarterly basis both by the Executive and Overview and Scrutiny Committees. Directorate, Divisional, and Service unit business plans contain a variety of performance indicators and targets, which are regularly reviewed.

4.12. The Director of Legal and Democratic Services advises that there were 46 whistleblowing complaints in the 2014/15 financial year. On 12th January 2015, a revised whistleblowing policy was implemented and members of the public as well as staff may now use the procedure. This has resulted in a greater number of complaints. Each complaint will be reviewed and investigated where appropriate.

5. Review of 2013/14 governance issues

5.1. During 2014/15, the significant 2013/14 governance issues were considered by Audit Committee in June, with updates in November 2014 and March 2015. In addition, this Committee received reports relating to the Corporate Risk Register, Final Accounts, Financial Resilience and organisational change issues.

5.2. Children’s Safeguarding issues were considered by Cabinet and the Education and Vulnerable Children O&S Scrutiny Committee. The Educational and Vulnerable Children O&S Committee also considered issues raised within Lord Warner’s Report and governance in schools.

5.3. Monthly Revenue Budget Monitoring reports and quarterly Capital Budget Monitoring reports were considered by Cabinet.

5.4. Lord Kerslake's report reviewing governance arrangements within the Council was published on 9th December 2014. Action plans in response to the comments made were initiated between January and March 2015 and continue into 2015/16.

5.5. Ian Kershaw completed his review into the issues that related to the anonymous Trojan Horse letter in July 2014. The Council continues to act upon the recommendations made into this report and has reviewed the governance arrangements within schools and training for governors.

6. Significant governance issues 2014/15

6.1. The matters shown in this section have either been identified as having a significant or high likelihood in the Corporate Risk Register or have been highlighted as corporate issues in the annual assurance process. The Council actively addresses these matters and identifies areas where further improvements need to be made. In particular:

Issue No	Governance Issue	Mitigation Action / Proposed Action
1	Safeguarding children remains a priority. Work will include implementing action plans as a result of the review by Commissioner Lord Warner, producing a robust Business Plan for 2015/16 and future years and evaluating the strength of Senior Management arrangements. The Care Act 2014 sets out the legal requirements for adult safeguarding.	The Council has worked with the Children's Commissioner, Lord Warner, to produce a Children's Social Care Improvement Plan 2014-17 (published 7th July 2014) in order to take forward the key and fundamental changes that are urgently required to improve safeguarding and protection of children. Increased funding of £21.5m has been allocated in the 2015/16 financial year. The Care Act established the requirement to set up an independent Safeguarding Board for Adults. Arrangements are in place to work alongside the existing membership of the Birmingham Adults Safeguarding Board (BSAB) with a view to ensuring that local arrangements are compliant with the Care Act.

Issue No	Governance Issue	Mitigation Action / Proposed Action
2	The Council faces continued reducing resources. This poses challenges to the financial resilience of the Council, the potential for significant organisational upheaval as well as workforce reductions and compulsory redundancies. The Council's Business Plan sets medium term strategies for business changes, the management and development of its services and maintenance of its assets, and a specific plan over a period of up to 10 years. Given the Council is in the fifth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.	7 Member-led service reviews considered options for future service delivery in the light of corporate priorities, statutory duties, service performance standards and resources available. Recommendations from the reviews were considered as part of the Business Plan 2015+. In its future year's business planning, by focusing on the position at 2020/21 and changes required to meet the budgetary position at this time, the Council is able to ensure that sustainable plans are put in place for its services and its assets, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.
3	The risk of Equal Pay Claims remains significant and is being actively managed by a joint team from Legal Services and Human Resources. Financial resilience continues to be a focus for external auditors and increasing demands to evidence Going Concern.	The law in respect of equal pay is complex and has developed over the past 10 years. Any entitlement to compensation has to be justified in accordance with the legal position. Equal pay claims issued against the Council are subject to detailed analysis and robust legal challenge. The Council has sought to secure settlements that represented the best outcome for the taxpayer.
4	Lord Kerslake reviewed the governance arrangements of the City Council during 2014/15. Taking on board the comments made in Lord Kerslake's report, work on the Future Council Programme continues. This includes: • Clear values, purpose and vision for the future Council,	Develop the Future Council Programme to: • Define the vision for the Council. • Deliver the changes required in workforce, organisation and infrastructure to achieve a financially sustainable and

Issue No	Governance Issue	Mitigation Action / Proposed Action
	along with its future operating model; • A medium term outcomes-driven council and financial plan to take the Council to 2020/21; • Strategic alignment of outcomes, resources, policy-making, service delivery, governance and roles and responsibilities; and • Sufficient senior leadership capacity to transform the organisation and deliver sustainable change.	resilient operating model. • Create an agile and adaptive organisation. • Deliver the actions set out in the Organisation Improvement Plan, developed in response to Lord Kerslake's review.
5	The Council is increasingly using or considering alternative delivery vehicles and innovative solutions in the delivery of Council services to facilitate the Future Council agenda. This includes the Council created wholly owned company, Acivico into which services such Building Cleaning, Birmingham City Laboratories and Civic Catering have been transferred. Other options may include: • The potential transfer of Specialist Care Services to a Mutually Owned Social Enterprise (MOSE) during 2015/16. • Outsourcing of services. • Commissioning services	Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases. The business cases are being developed with the full engagement of City Finance, Corporate Procurement, clients and third parties and will seek to address and gain agreement on issues such as income targets, surpluses and cost of transfer. Services should only transfer when there is a mutual benefit to both the Council and the third party

Issue No	Governance Issue	Mitigation Action / Proposed Action
6	Sir Mike Tomlinson was appointed by the Secretary of state as Education Commissioner to oversee the Council's actions to address the fundamental criticisms in the Kershaw and Clarke reports. Sir Mike Tomlinson's review is on-going, however initial discussions and actions were brokered to ensure a strong future in Education.	Sir Mike Tomlinson's role will continue to 2016. Proposals have been brought forward on the role of the Birmingham Education Partnership (BEP) and how the Council will align with new roles for schools. Action is concentrated on completing the final shape of future partnership arrangements, and setting a commissioning plan showing how resources will be utilised to meet needs.
7	The risk of the Information Commissioners Office (ICO) imposing financial penalties for failure to comply with statutory obligations in responding to information requests under Freedom of Information (FOI) & Data Protection (DPA) legislation, or loss of significant personal or other sensitive data.	Strengthened procedures. All staff to be aware of their responsibilities to manage data effectively and be appropriately trained. Improved response rates to Subject Access Requests (SARs).

6.2. These matters are monitored through the Corporate Risk Register, Corporate Management Team and Directorate Service and operational plans as required. During the year the Audit Committee monitors progress against the issues identified in this statement.

6.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ………………………………
Councillor Sir Albert Bore
Leader of the Council

Signed …………………………..
Mark Rogers
Chief Executive
(& Head of Paid Service)

Signed ………………………………
Jon Warlow
Director of Finance
(& Chief Finance Officer)

Signed ………………………..
David Tatlow
Director of Legal and Democratic Services (& Monitoring Officer)

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Birmingham City Council this is the Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code.

The Director of Finance has also:

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

Certification of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Birmingham City Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

. . . .

Jon Warlow, Director of Finance
30 June 2015

Glossary

Academy School
A school that chooses to opt out of Local Authority control and receive its funding direct from the Education Funding Agency.

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

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

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

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

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

Capital Charge
A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

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

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

Cash Flow Statement
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as being from operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

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

Collection Fund
A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of national non-domestic rates (NNDR) collected.

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

Comprehensive Income and Expenditure Statement (CIES)
This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

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

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

Debtors
Sums of money owed to the Council for work done, goods received, services rendered or taxation due but not received by the end of the year.

Deferred Capital Receipts
These represent income that is still due following disposal of an asset.

Defined Benefit Pension Scheme
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Defined Contribution Pension Scheme
Pension schemes or other retirement benefit scheme in which the employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

Earmarked Reserve
A sum set aside for a specific purpose.

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

Emoluments
Payments received in cash and benefits for employment.

Events After the Reporting Period
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.

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

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

Fees and Charges
Income arising from the provision of services, for example, the use of leisure facilities.

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

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

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

Heritage Assets
Assets that the council intends to hold for the purpose of informing or educating the public about their heritage, and which are not held for their investment value. Examples include collections of antiques in museums.

Housing Revenue Account (HRA)
A separate account detailing the expenditure and income arising from the provision of Council housing.

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

Infrastructure Assets
These are inalienable assets, the value of which is recognised only by continued use of the asset created. Examples of such assets are highways and footpaths.

Intangible Assets
An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity.

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

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.

Lender Option Borrower Option (LOBO)
A LOBO is a type of loan instrument where borrowing is undertaken, initially at a fixed rate of interest. Periodically, at specific points, the lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty.

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

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

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

Minimum Revenue Provision (MRP)
Minimum Revenue Provision is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements. The Council is required by law to make an annual determination of MRP that it considers to be prudent.

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

National Non-Domestic Rates (NNDR)
Rates that are levied on business properties.

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

Operating Lease
A lease other than a finance lease.

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

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

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

Private Finance Initiative (PFI)
A Government initiative which enables authorities to carry out capital projects through partnership with the private sector.

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

Provisions
Contributions to provisions are amounts charged to the revenue account during the year for costs, resulting from a past event and with uncertain timing of payment and where a reliable estimate of the cost involved can be made.

Related Parties
There is a detailed definition of related parties in FRS8, *Related Party Disclosures*. For the Council's purposes, related parties are deemed to include the elected Members of the Council and their partners; the Chief Officers of the Council and the companies in which the Council has an interest.

Reserves
Reserves are reported in two categories.

Usable Reserves
Usable reserves are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

Unusable Reserves
Unusable reserves are reserves that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in

Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Expenditure incurred during the year that is treated as capital expenditure under statutory provision but does not result in an non-current asset owned by the Council. Examples of these are expenditure on items such as improvement grants.

Revenue Support Grant (RSG)
A grant from Central Government towards the cost of providing services.

Soft Loan
Loans at nil or below prevailing interest rates are often referred to as soft loans.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIRMINGHAM CITY COUNCIL

Opinion on the financial statements

Confidential /

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**AUDIT COMMITTEE**
SUBJECT:	**HOLIDAY PAY- UPDATE**

1. Purpose of report:

This report is for noting and is an update to Audit Committee in respect of:

1.1 Holiday Pay and the Law

1.2 Treatment of Holiday Pay in Birmingham City Council

2. DECISIONS RECOMMENDED

2.1 To note the contents of this Report

Lead Contact Officer(s):	
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3. BACKGROUND

This Report concerns the statutory formula used for the calculation of 'pay' when an employee is on holiday as it is this 'formula' that has been the subject of extensive judicial scrutiny, involving not just domestic courts but also the European Court of Justice (**ECJ**), so that certain employees are now entitled to receive more than basic pay whilst they are on holiday.

The Working Time Regulations were introduced in the UK in 1998 (the **Regulations**) and gave effect to the European law, the Working Time Directive 1993 (the **Directive**). These Regulations introduced in the UK, for the first time, rules of general application in respect of maximum hours worked, rest breaks and holidays including a statutory formula for calculating holiday pay.

A number of cases have been brought in employment tribunals where employers were challenged on the calculation of holiday pay.

Most recently, in November 2014, the matter was further considered by the Employment Appeal Tribunal (**EAT**) in a case known as Bear Scotland v Fulton and Others (2014) (**Bear Scotland**)

The Private Report considers further the impact of current case law, including any identified risks and the strategy adopted by the Council in dealing with Holiday Pay.

4. FINANCE

As set out in the Private Report

5. RECOMMENDATIONS

To note the contents of this Report.

6. REASONS FOR DECISION(S):

To limit any financial liability that might arise as a result of the recent case law on Holiday Pay