



2013

City of Barcelona
Annual Report



City of Barcelona
2013 Annual Report



**Ajuntament
de Barcelona**

2013

City of Barcelona
2013 Annual Report



Ajuntament
de Barcelona

City of Barcelona

Municipal Council Plenum

Mayor of Barcelona	The Hon. Mr. Xavier Trias Vidal de Llobera (CiU)
1st Deputy Mayor	The Hon. Mr. Joaquim Forn Chiariello (CiU)
2nd Deputy Mayor	The Hon. Ms. Sònia Recasens Alsina (CiU)
3rd Deputy Mayor	The Hon. Mr. Antoni Vives Tomàs (CiU)
4th Deputy Mayor	The Hon. Ms. Teresa M. Fandos Payà (CiU)
5th Deputy Mayor	The Hon. Mr. Jaume Ciurana Llevadot (CiU)
Councillors	<div><div>CiU:</div><div>The Hon. Mr. Gerard Ardanuy Mata The Hon. Mr. Raimond Blasi Navarro The Hon. Mr. Eduard Freixedes Plans The Hon. Ms. Mercè Homs Molist The Hon. Mr. Jordi Martí Galbis The Hon. Mr. Joan Puigdollers Fargas The Hon. Ms. Irma Rognoni Viader The Hon. Ms. Francina Vila Valls</div></div> <div><div>PSC:</div><div>The Hon. Ms. Carmen Andrés Añón The Hon. Mr. Gabriel Colomé García The Hon. Ms. M. Pilar Díaz López The Hon. Ms. M. Assumpta Escarp Gibert The Hon. Mr. David Escudé Rodríguez The Hon. Mr. Guillem Espriu Avendaño The Hon. Ms. Sara Jaurrieta Guarner The Hon. Mr. Jordi Martí Grau The Hon. Ms. Immaculada Moraleda Pérez The Hon. Ms. Montserrat Sánchez Yuste The Hon. Mr. Joan Trullén Thomás</div></div> <div><div>PP:</div><div>The Hon. Mr. Eduardo Bolaños Rodríguez The Hon. Ms. Miriam Casanova Doménech The Hon. Ms. Ángeles Esteller Ruedas The Hon. Mr. Alberto Fernández Díaz The Hon. Ms. Gloria Martín Vivas The Hon. Mr. Xavier Mulleras Vinzia The Hon. Ms. Maria Belén Pajares Ribas The Hon. Mr. Óscar Ramírez Lara The Hon. Mr. Alberto Villagrasa Gil</div></div> <div><div>ICV-EUiA:</div><div>The Hon. Ms. Elsa Blasco Riera The Hon. Mr. Ricard Gomà Carmona The Hon. Mr. Joaquim Mestre Garrido The Hon. Ms. Isabel Ribas Seix The Hon. Ms. Janet Sanz Cid</div></div> <div><div>UpB:</div><div>The Hon. Mr. Joan Laporta Estruch The Hon. Mr. Jordi Portabella Calvete</div></div>

Government Commission

President

The Hon. Mr. Xavier Trias Vidal de Llobatera

Members

**The Hon. Mr. Gerard Ardanuy Mata
The Hon. Mr. Raimond Blasi Navarro
The Hon. Mr. Jaume Ciurana Llevadot
The Hon. Mr. Joaquim Forn Chiariello
The Hon. Ms. Teresa M. Fandos Payà
The Hon. Mr. Eduard Freixedes Plans
The Hon. Ms. Mercè Homs Molist
The Hon. Mr. Jordi Martí Galbis
The Hon. Mr. Joan Puigdollers Fargas
The Hon. Ms. Sònia Recasens Alsina
The Hon. Ms. Irma Rognoni Viader
The Hon. Ms. Francina Vila Valls
The Hon. Mr. Antoni Vives Tomàs**

Executive Committee

President	The Hon. Mr. Joaquim Forn Chiariello 1st Deputy Mayor
Vicepresident	Mr. Constantí Serrallonga Tintoré City Manager
Members	Mr. Juan Carlos Altamirano Delgado Manager of Nou Barris District
	Mr. Joan Angulo Arrese Manager of Resources
	Ms. Gemma Arau Ceballos Manager of Sant Martí District
	Mr. Carles Arias Casal Manager of Human Resources and Organization
	Mr. Albert Civit Fons Deputy Manager of Urban Planning
	Ms. Marta Clari Padrós Manager of Culture, Knowledge, Creativity and Innovation
	Mr. Salvador Coll Artés Manager of Sant Andreu District
	Mr. Joan Delort Menal Manager of Prevention, Safety and Mobility
	Mr. Carles Esquerra Corominas Manager of Sarrià-Sant Gervasi District
	Ms. Montserrat Filomeno Martí Manager of Gràcia District
	Mr. Josep Garcia Puga Manager of Les Corts District
	Mr. Vicent Guallart Furió Chief Architect
	Mr. Miquel Guiot Rocamora Deputy Manager for Territorial Coordination
	Mr. Francesc Jiménez Gusi Manager of Sants-Montjuïc District
	Mr. Jordi Joly Lena Manager of Economy, Business and Employment

Mr. Màximo Lòpez Manresa
Manager of Eixample District

Mr. Carles Mas Lloveras
Manager of Horta-Guinardó District

Ms. Mercè Massa Rincón
Manager of Ciutat Vella District

Mr. Ramon Massaguer Meléndez
Deputy Manager for the Coordination of Municipal Companies
and Entities

Mr. Àngel Miret Serra
Manager of Quality of Life, Equality and Sports

Ms. Pilar Soldevila García
Deputy Manager of Strategic Projects

Mr. Albert Vilalta Cambra
Manager of Urban Habitat

2013

Contents

11	Mayor's Presentation
13	2nd Deputy Mayor's Presentation
15	Political and executive organisation of the City Council
23	Politics and public management deal model
31	The Economy of Barcelona
41	Results in terms of capacity/need for financing in accordance with the European System of National and Regional Accounts (ESA-95)
49	Management Report
69	2013 Annual accounts (along with the auditors' report)
105	2013 Consolidated annual accounts (along with the auditors' report)
141	Five-year Data

Presentation

Xavier Trias
Mayor of Barcelona

We worked throughout 2013 to fulfil the municipal government's priorities. Care for individuals (especially for the most vulnerable), reviving the economy and creating jobs, and making Barcelona operate through quality services are the goals that have guided our actions over the last few years.

We are witnessing an extraordinary transformation in our city. Despite the economic and social crisis, Barcelona boasts a unique potential and some very important strengths that put us in a very good position for competing on an international level.

The main economic indicators confirm the city's role as an environment that generates confidence and favours economic and business activity. Barcelona, and the whole of the Metropolitan Area, ended 2013 showing some positive signs that enable us to confirm the tide is turning. You can see this in the development of tourism and industry, and the growth in exports and foreign investment. Last year saw 7,067 new businesses start up in Barcelona, up 5% on the previous year.

Economic growth is a decisive factor in creating jobs. In 2013, 7,000 jobs were created and registered unemployment fell 4% but, despite this, the level of unemployment is still unacceptable. Unemployment causes social problems and makes it difficult to meet basic social needs, such as food, housing, homecare and telecare, and to fight against energy poverty. So, our main priority in what remains of this term of office will be to work on creating jobs. Because you can't have social progress without economic progress.

In that context, the city's sound financial situation is more important than ever. Being a solvent city that has a zero deficit, is reducing its indebtedness and is capable of paying its suppliers in under thirty days, is key to being able to increase resources for social policies. The budgets approved for 2014 also allow us to allocate over 500 million euros towards making investments capable of generating direct benefits wherever they are made, that are productive and create jobs. Public works that improve the urban quality of our neighbourhoods and define a new city model that is appropriate for the 21st century.

A new model where the work of the services provided by the city is very important. Services such as public safety, street cleaning, lighting and maintenance, that are supplied under maximum levels of efficiency and smart-city criteria. The launching of the New Bus Network and our commitment to making neighbourhoods work at a human pace, where pedestrians are the main players, by promoting urban green spaces, energy self-sufficiency and social cohesion, are a good example of what we want the city of the future to be like.

As Mayor, I am keen to make Barcelona a benchmark city on an international scale for its quality of life, a socially just city and a city that offers equal opportunities for everyone. And that is why I now wish to take the opportunity to thank all the municipal workers once again, for their work and involvement in this task of building our city.

Presentation

Sònia Recasens

2nd Deputy Mayor for Economy,
Enterprise and Employment

I am pleased to present the Barcelona City Council Annual Report for 2013, which we are now making available to you.

The various chapters include the Council's political and executive structure; the politics and management agreement which provides the basis for the City Map, that is, the strategic map which is the cornerstone for the entire planning and management model designed to achieve the Council's goals; the development of Barcelona's economy and that of its surrounding area; the results in terms of capacity/funding needs in line with ESA 95, and the management report for 2013, following the closure and audits of the individual and consolidated annual accounts.

The city government is firmly committed to financial solvency and budgetary discipline, to ensure we can maintain the policies that allow us to serve the public better, have efficient, high quality public services and lead the city's economic growth.

The financial goals for 2013 have been achieved. A high level of liquidity has been maintained, which makes it possible to pay the Council's suppliers in 30 days. Gross savings exceeded the target of 15% in relation to current revenue, thus ensuring the Council's investment capacity and enabling a 5.5% reduction in the city's debt. This has consolidated the target of reducing it to below 60% of current revenue.

Meeting these goals and targets means Barcelona can respond to all the obligations demanded of it, and all our resources and efforts are being applied to achieve that end. The final accounts for 2013 show an expenditure budget implementation level of more than 97.5%. Social expenditure went up by 16 million to 241 million euros, while investment exceeded 350 million euros. All told, 2013 shows a surplus of over 139 million euros in ESA terms.

These results are the fruit of a management model that is geared towards ensuring sound Council finances from a medium and long-term perspective. At the same time, they maintain the city's decision-making independence. For example, they will allow us to press forward with affordable rented public housing in 2014, a vital element in maintaining social cohesion.

It is absolutely necessary to guarantee the sustainability of the City Council's finances, through tight control and transparent management of public resources, to be able to carry out the city government's strategic priorities and, at the same time, generate the confidence required for the city's economic growth and creating jobs.

Each and every member of the Council's staff shows that commitment in their work every day, and I would like to thank them for the effort and dedication they show in delivering a high quality service to everyone who lives, works and visits Barcelona.

1

Political and executive organisation of the City Council

The Municipal Charter of Barcelona, created by Law 22/1998, of 30 December, approved by the Parliament of Catalonia, and Law 1/2006, of 13 March, approved by the Spanish Parliament, is the special legal framework that reinforces the city's autonomy in the interests of effective administrative management that is accessible to the public, extends decentralisation, enhances municipal authority within the framework of partnership with institutions and strengthens mechanisms for citizen participation. It therefore regulates the organisation of the Municipal Government, the districts, municipal regulatory power, citizen participation and municipal authority.

According to the Municipal Charter of Barcelona, one of the essential criteria for the city's organisation is that the deliberative functions of organisation, programming and control must be clearly differentiated from the executive functions of government and administration. As a result, there are **two distinct levels of organisation within Barcelona City Council: the political level and the executive level**. The former comprises elected members or councillors whose duties may involve decision-making, providing information and/or consultation. The latter comprises different sectors or branches of direct

intervention and is responsible for managing programmes and implementing the resolutions approved at the political level.

1.1. The political sphere

This comprises the different governmental, city and territorial bodies:

The **Municipal Council** is the highest body of political representation of citizens within the city government. Comprising all 41 of the councillors and presided over by the mayor, it establishes the courses of municipal action and resolves the most important issues. Its duties include constituting, planning, regulating and supervising executive duties and approving the Municipal Action Plan (PAM), the budget, annual accounts, bylaws and urban development plans.

Municipal elections are held every four years under a system of proportional representation. As a result of the last election held on 22 May 2011, the city government is headed by CiU with a total of 14 councillors of the 41 that make up the Municipal Council.

The Municipal Council acts in plenary sessions and commissions. It is responsible for the duties conferred upon it in the Municipal Charter, which can be broadly specified as:

Table



Number of councillors at the last two elections

	May 2007 to 2011	From May 2011
CiU (Convergència i Unió)	12	14
PSC (Partit dels Socialistes de Catalunya)	14	11
PP (Partit Popular)	7	9
ICV-EUiA (Iniciativa per Catalunya – Esquerra Unida i Alternativa)	4	5
UxB (Unitat per Barcelona) (*)	4	2
Total	41	41

(*) Coalition made up of ERC (Esquerra Republicana de Catalunya), Reagrupament i Democràcia Catalana Councillors in the previous term were ERC.

- Promoting and controlling the operation of the other governmental bodies.
- Liaising with, delegating and/or transferring authority or duties to other administrations.
- Deciding upon the defining characteristics of the municipality, such as the municipal boundaries, its coat of arms, seal and flag.
- Approving and modifying the organic law and bylaws.
- Approving the general plans and programmes for municipal action.
- Approving urban development plans and regulations.
- Approving the budgets and accounts of the Council and large contracts.

The **Municipal Council Committees** are responsible for decision-making, overseeing and dealing with information. With regards to matters within their sphere of authority, they exercise the decision-making powers conferred by the Municipal Charter and the Organic Act

and those delegated by the plenary assembly of the Municipal Council. They make decisions on issues that are to be submitted to the plenary assembly of the Municipal Council, although their resolutions are non-binding. They promote, control and supervise the activity of the bodies of the executive municipal government and periodically monitor the implementation of the action plan with regard to the areas under their authority.

Their decision-making powers include the authorisation and awarding of certain public and private contracts as well as the initial approval of bylaws and regulations related to their respective areas.

The vote of each political group on the committees is proportional to the number of councillors they have on the Council.

The six permanent commissions of the Municipal Council, approved by the plenary assembly of the Municipal Council on 14 July 2011, are:

Table



Comissions permanents del Consell Municipal

Commission	Sphere of authority
Commission for Presidency and Internal Affairs	Municipal organisation. Institutional and citizen relations. General services and territorial coordination.
Commission for the Economy, Business and Employment	Financial, tax and budget policy. Property. The city's economic development, driving business and employment initiatives. Tourism and trade.
Commission for Urban Habitat and Environment	Policies for urban territorial balance. Infrastructure. Housing development. City and urban services maintenance. Green areas and beaches. Environmental policy.
Commission for Quality of Life, Equality, Youth and Sports	Social services, primary healthcare and social care. Civil rights and social participation. Policy for seniors. Youth policy and immigration policy. Sports.
Commission for Culture, Knowledge, Creativity and Innovation	Culture, education, knowledge and innovation.
Commission for Safety and Mobility	Public safety, civil defence, public transport and traffic regulation.

The **Spokespersons Board** consists of those councillors who are the spokespersons for the Municipal Groups and its meetings are chaired by the mayor or the delegated deputy mayor. Each group may also appoint a deputy spokesperson.

The **Mayor** is the head of the Council and exercises the roles conferred by the Municipal Charter of Barcelona, general legislation on local affairs, sector laws and the Municipal Organic Regulation. Their powers encompass the Council's ordinary operations, representing the city and chairing the Municipal Council and the Council Executive.

The **Council Executive** is the collegiate body of the executive municipal

government. It consists of the mayor, the deputy mayors and those councillors nominated by the mayor, informing the Municipal Council of these appointments. It performs those duties with which it is expressly entrusted by the Municipal Charter and those that are delegated by the mayor.

The **Government Committee**, which is formed by the deputy mayors responsible for the different political areas of government, is chaired by the mayor and is the political coordination and management body.

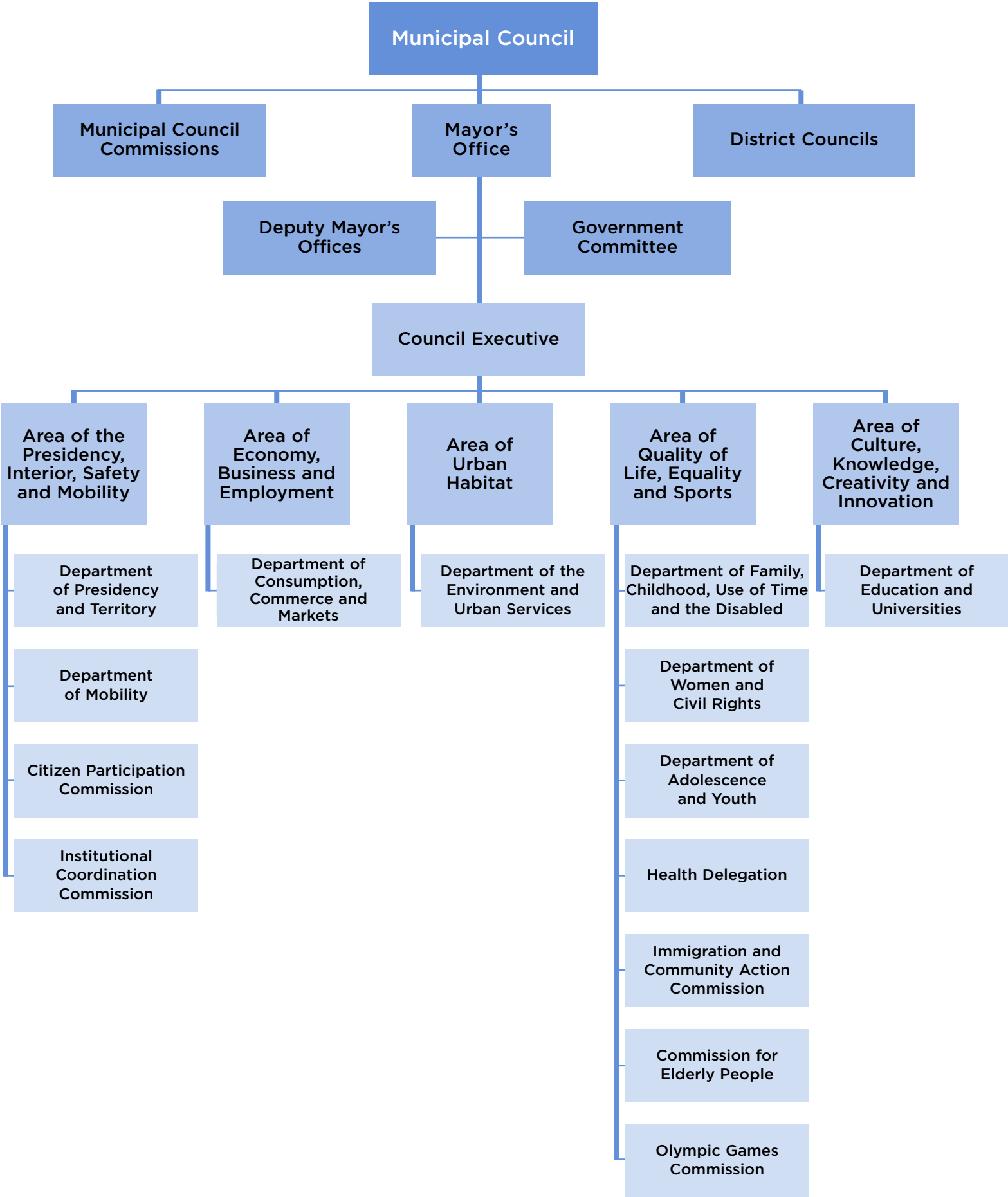
Political management is divided into the following **areas of government**:

Table	
13	Area of the Presidency, Interior, Safety and Mobility
	Area of Economy, Business and Employment
	Area of Urban Habitat
	Area of Quality of Life, Equality and Sports
	Area of Culture, Knowledge, Creativity and Innovation
	Area of Safety and Mobility

The structure of Barcelona City Council is decentralised in accordance with the ten **districts** into which the city is divided: Ciutat Vella, Eixample, Sants-Montjuïc, Les Corts, Sarrià-Sant Gervasi, Gràcia, Horta-Guinardó, Nou Barris, Sant Andreu and Sant Martí. The districts are territorial bodies for the de-concentration of management and the decentralisation of citizen participation.

The highest governance body of each district is the **District Council**, chaired by a councillor appointed by the mayor and consisting of a number of councillors

based on the number of residents in the district using a scale and which should be between a minimum of 15 and a maximum of 23. In addition the mayor delegates their powers to a councillor, appointed on the proposal of the municipal groups, so that they can exercise them in the district. District councils have the authority to report on and propose plans, programmes, budgets and urban development measures that affect the district and the distribution of its expenditure.



1.2. The executive sphere

The executive organisation of Barcelona City Council, which is headed and coordinated by the **Chief Executive**, consists of:

- Divisions and bodies integrated within the single legal entity of Barcelona City Council: **sectors and districts**, directed by executives appointed by the mayor.
- Bodies that have a separate legal personality: **local autonomous bodies, public business entities and companies**.

This management structure ensures that the services provided to citizens by Barcelona City Council are effective and efficient and respond to the city's values and needs, while also ensuring the planning, organisation and provision of public services, in order to guarantee that the objectives set out in the City Map are met.

The **Chief Executive** is the highest authority in the executive structure. He is tasked with the executive management of planning, organising and delivering public services so as to ensure the objectives set out by the Municipal Government are met and also with assessing and monitoring the implementation of municipal plans, the development of the resources invested and the measures designed to achieve the municipality's objectives. He is in charge of implementing and supervising the municipal group's budget and investment and steering and assessing the municipal group's executive office objectives. He attends the sessions of the Council Executive and the Government Committee.

Executive municipal administration consists of **six functional sectors**:

- **Culture, Knowledge, Creativity and Innovation**: education, knowledge and innovation, cultural facilities, libraries.
- **Quality of Life, Equality and Sports**: social services, primary healthcare and social care, family, children, social development, social participation, civil rights, sports and public health.
- **Prevention, Safety and Mobility**: public safety, fire prevention and civil defence services, mobility, travel and public transport, road safety and discipline and car parks.

- **Urban Habitat**: spatial and town planning, urban landscape, infrastructure, housing, environment and urban services (street cleaning, urban solid waste and sewerage; maintenance, paving, street lighting and water; maintenance of parks, gardens and beaches; energy saving and renewable energy; education and environmental participation and pollution monitoring and reduction).

- **Economy, Business and Employment**: financial, tax, accounting and budget management and investment monitoring: the city's economic development, employment and innovation, trade, municipal markets, consumers and tourism.

- **Resources**: general administration, citizen participation and service, property, information and telecommunication systems, human resources and organisation.

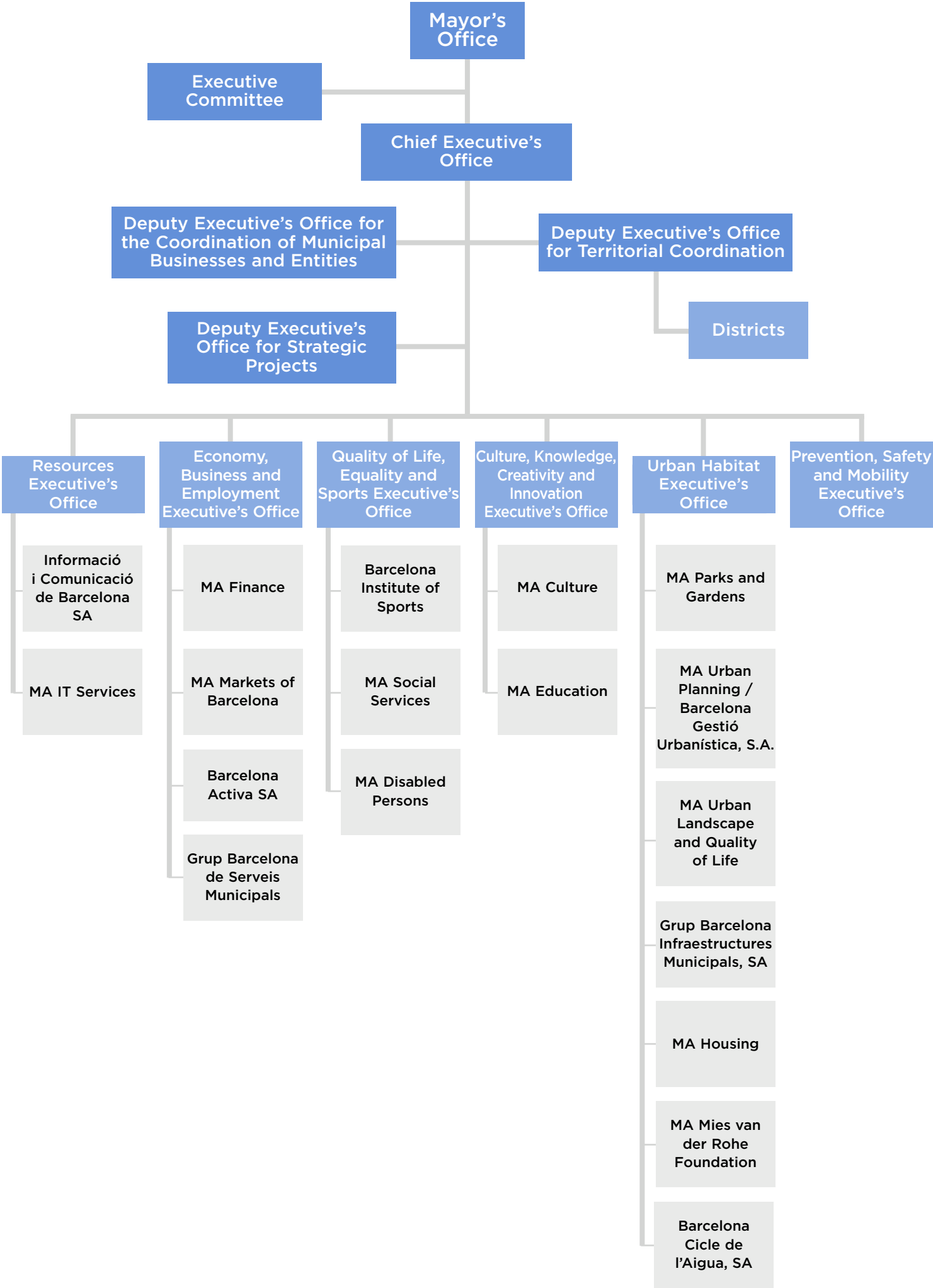
The first four sectors, along with economic development, cover operational services or action areas. The resources and economic functions sectors encompass the executive structure's corporate services.

There are also **three Deputy Executive's Offices** reporting to the Chief Executive's Office: one for the Territorial Coordination of the ten district executive's offices, one for the Coordination of Municipal Businesses and Entities and one for Strategic Projects.

In addition, the territorial foundations of executive municipal administration consist of the **ten district executive's offices**, tasked with the day-to-day municipal management of the city's 73 neighbourhoods:

- Ciutat Vella
- Eixample
- Sants-Montjuïc
- Les Corts
- Sarrià-Sant Gervasi
- Gràcia
- Horta-Guinardó
- Nou Barris
- Sant Andreu
- Sant Martí

The **Executive Committee**, chaired by the mayor or deputy mayor, and the chief executive as Vice-Chair, brings together all of the sector, deputy and district



executive's offices. Its main functions are to coordinate the activities of the various sectors, establish general management criteria, prepare and report on the issues that are to be submitted to the various joint government bodies and inform executives about the policy guidelines and priorities of the municipal government.

Executive municipal administration is organised through the **Management Council**, coordinated by the Chief Executive.

Public bodies (local autonomous bodies and public business entities) and companies in which the City Council has a majority holding are functionally integrated in one of the sectors of activity based on the services they provide and coordinate with the executive for the sector concerned.

1.3. Citizen participation

Barcelona City Council ensures citizen participation, especially in matters that most directly affect the quality of life of its residents, through a number of bodies and mechanisms for participation.

Citizen participation bodies are the City Board, the District Citizens' Boards and the Sector Boards which can cover the entire city or a district.

The City Board, composed of members of the most representative economic, social, cultural, professional and residents' organisations, is a discussion body for the Municipal Action Programme, municipal budgets, major city projects and municipal management results indicators. It meets twice a year in ordinary session and supports the District Citizens' Boards and Sector Boards.

The District Citizens' Board is the highest consultative and citizen participation body in each district in all matters within its remit. It comprises representatives of district and local organisations, associations and the public.

The Sector Boards are made up of councillors from the various political groups, representatives of organisations and leading figures in the relevant sector. Some examples are the Social Welfare Board, the School Board, the Immigration Board and the Mobility Agreement. They produce opinions about municipal activities related to their sector, sponsor participatory processes and report their activities to the City Board.

There are a number of citizen participation mechanisms. For instance, at public hearings members of the public can propose the adoption of resolutions to the municipal government and receive information. Public hearings may be at both the city and district level. Public hearings about the state of the district are held at least every two months. Each year there is a public hearing exclusively about the budget and tax bylaws. There are also citizen initiatives which are the mechanism through which the public may ask the City Council to carry out an activity of public interest and under municipal jurisdiction for which they provide economic resources, goods, rights or personal work. Thirdly, non-profit institutions, organisations and civic associations may exercise municipal powers in cases of activities and services that can be indirectly managed through public tender. Finally, the City Council and the districts may ask the public for their views on issues in their remit through public consultation.

2

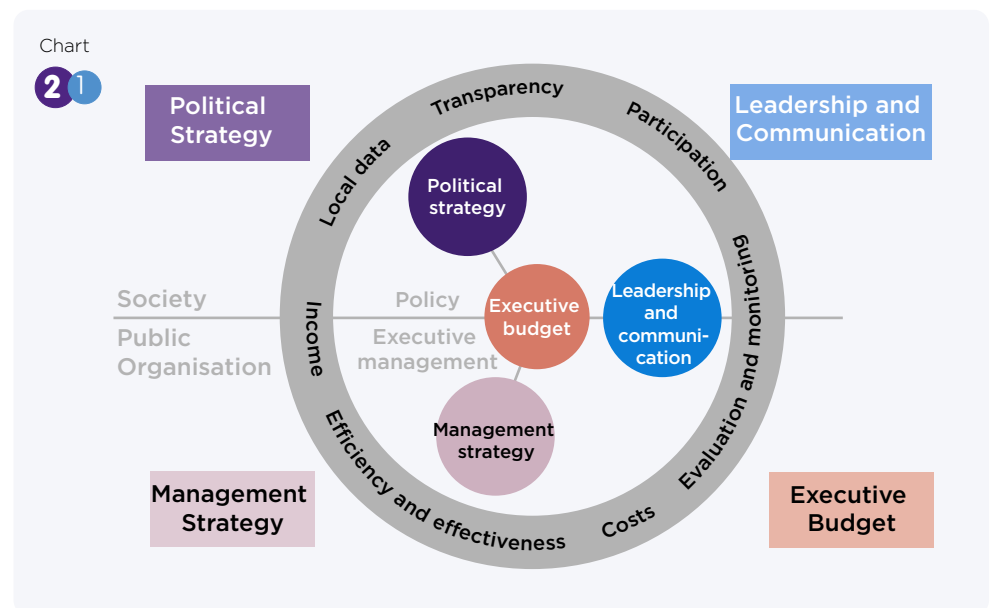
Politics and public management deal model

Politics and public management agreement model

The current socioeconomic climate, with declining levels of economic activity and very high unemployment and the social problems this entails, makes it more necessary than ever for government to reconsider its role, which was established during a long period of economic prosperity, and put on the public agenda those issues that will be of most help in achieving economic recovery and protecting those hardest hit by the crisis. Declining economic activity has a negative effect on public finances as it leads to both lower income and also greater pressure for earmarked

expenditure, in particular with respect to services delivering care for people. Hence it is crucial to streamline resources and allocate them to where they can achieve the best results. The challenge is to tackle the immediate needs of today while also mapping out a sustainable and encouraging future for the city.

Against this background Barcelona City Council has set up an administrative model to bring together its political objectives and management through executive budgets and strategy maps to align the organisation and assist with implementation. Ultimately the goal is to improve services to the public through the design and implementation of strategy.



The model covers the following areas:

- *Political strategy*. The objective is to define the global strategy linked to the political programme in line with the organisation's economic and financial framework.
- *Leadership and communication*. The Council Executive is initiating and leading the cultural change involved in the new management model.
- *Management strategy*. This consists of setting out management strategy in line

with political strategy and aligning the entire organisation.

- *Executive budget*. This facilitates political and executive dialogue and is a tool for providing the strategy with resources and monitoring it.

Three levels of planning are required in order to build the executive budget:

A. Setting priorities:

1. Government Plan: city objectives (City Map).

- 2. Management Plans: strategic objectives of the sector executive's offices.

B. Implementation of the strategy:

- 3. Functional Plans: functional objectives. Specifying current measures and investment. Scheduling, allocation of managers and human, material and economic resources as part of the annual budget. They connect strategy with day-to-day implementation.

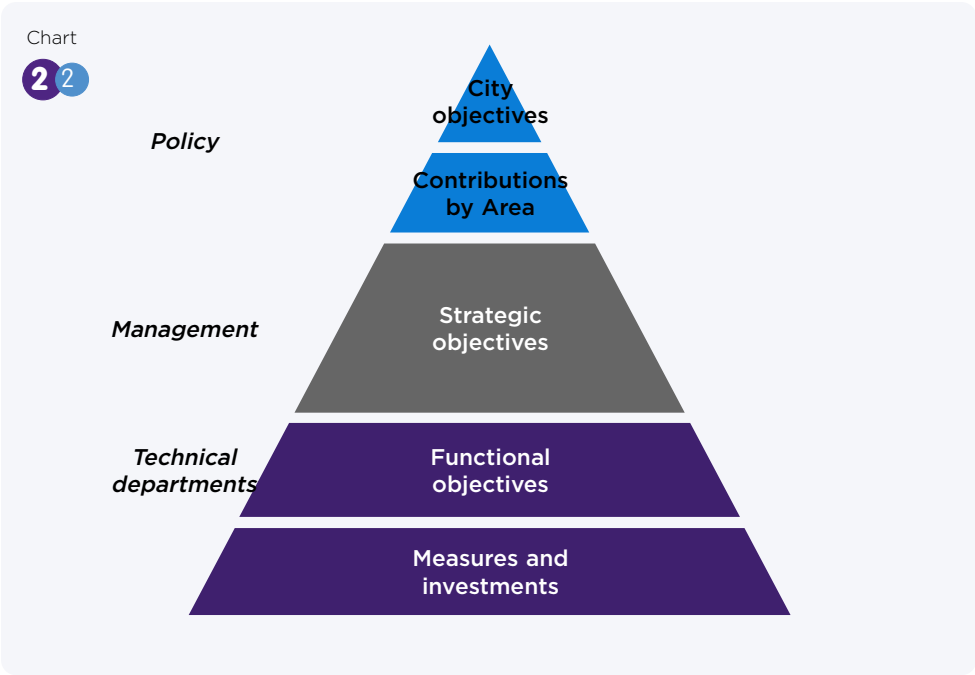
These three levels of planning correspond to a structure that is also based on three levels: the political, the managerial and the executive and technical management levels.

The executive budget is the instrument used by these managers and the

organisation as a whole to link resources with objectives and results and facilitate the allocation of these resources and monitoring of their management in lockstep with verification of legality and financial performance.

The instruments used in the model include drawing up strategy maps and balanced scorecards to set out the strategy, establish interrelated objectives from a number of standpoints and choose indicators to monitor the degree to which these objectives are attained.

The objectives, which are the core of this model, have been drawn up in three stages which correspond to the three main decision-making and implementation organisational spheres at the City Council, as shown in the following diagram:



a. Establishment of the city objectives by the Council Executive

The Council Executive, led by the Mayor and consisting of the Deputy Mayors and the Councillors and Delegates, has set out its high-level vision for the city, the values that will guide its action and the strategic approach for achieving it.

From this starting point, the Council Executive has drawn up the city

objectives (shown in the *City Map*) which will guide municipal action throughout its term of office. The city objectives form the basis of this model and specify the final results to be achieved.

b. Setting the strategic objectives of the executive's offices

The Mayor tasks the Chief Executive, and the latter their sector executive's offices,

with drawing up strategies to achieve the results set out in the city objectives. This clearly conveys the idea of the politics and management *agreement* from a standpoint of mutual benefit in response to shared strategy and implementation.

Each sector executive's office looks at the specific set of city objectives that it may have an impact upon before drawing up its own strategic objectives in response. For the purposes of implementation, these strategic objectives must then be translated into even more specific and operational terms by the technical departments.

c. Establishing the functional objectives and measures of the technical departments

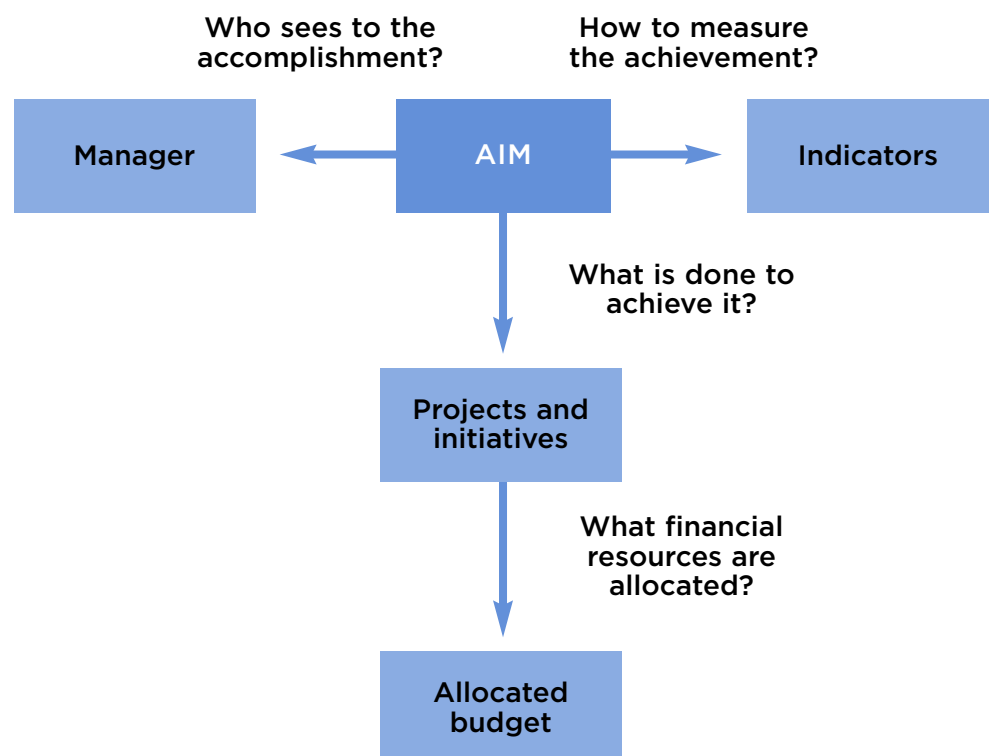
The strategy drawn up and planned by the executive's offices must be implemented through the departments. The departments, which have highly specialised fields of operation, are responsible for the City Council's day-to-day operations. This is why it is important to bring their more technical activities into line with the strategic objectives established by the executive's offices.

A distinction can be made between two

types of functional objectives and measures: those that make a special contribution towards achieving the strategic objectives and those that are part of normal operations. When drawing up strategy and then making budgetary provision for it, it must be ensured that resources are allocated to those measures that are strategic and will have the greatest impact on the city.

All of the objectives have the following:

- *Manager.* This is the model's key component as it means promoting accountability and enforceability at all levels. A manager is assigned to each of the strategic and functional objectives to ensure they are met.
- *Indicators.* It is not possible to manage something that cannot be measured. Based on this premise, one or more measurement indicators are established for each of the objectives at the model's three levels which enable their evolution to be quantitatively evaluated.
- *Projects and measures.* The objectives have associated measures and projects. The measures have a specific timeframe with a start and finish date and are geared towards achieving a specific objective. As noted above, the measures



are identified by the technical departments as it is they who are most involved in carrying out tasks and delivering services.

- *Budget allocation.* Measures are the budget unit in this model. Financial resources for current expenditure and investment are allocated to those measures designed to achieve the technical departments' functional objectives.

This focus on obtaining evaluable results is a necessity as well as a requirement in the current situation.

However, the proposed planning model is not meant to be rigid or closed. In a constantly changing world, the strategic framework for the period 2012-2015 does not seek to provide a detailed statement of everything that is to be done during these years. Instead it is an instrument that provides a focus, sets out a vision and establishes a set of values that will guide the daily work of politicians, managers and employees and enable us to move towards our objectives.

Precise specification will be conducted when drawing up the annual budget. Subsequently it will be necessary to explain what has been done and what it has not been possible to do, assess the impact and propose measures for improvement so as to ensure due accountability.

City Map

At the City Council the strategy map which is the cornerstone of the entire planning and management by objectives model is called the *City Map*. It contains the political strategy and main objectives of the Mayor and the Council Executive for their term of office. It sets out the final outcomes to be achieved by municipal action.

Thus the strategy map and balanced scorecard support Barcelona City Council's planning and management by objectives model. Broadly speaking a balanced scorecard is a management tool that helps organisations to translate strategy into specific objectives and courses of action with measurement indicators.

The City Map is used to summarise very briefly (on one page) what an organisation wants to achieve in the medium to long term. It contains a set of organisational goals that are classified and balanced from a number of perspectives. The perspectives, which may be specific to each organisation, are the value creation stages and there is a cause-and-effect relationship between them.

It consists of a number of features:

- *The organisation's vision* is the slogan that heads the City Map. It captures the essence of what it is ultimately sought to achieve in the long term. The organisation's values are another essential component. The Mayor and the Council Executive have established a set of values that are to guide and inspire the organisation's action.

The slogan is "The city that puts people first".

- *The strategic areas* make it possible to achieve the vision. Each of the City Map objectives contributes on a priority basis to one or more of these strategic areas. The strategic areas are structured around three main milestones:

- *Reactivating the economy.* Barcelona, Catalonia's driving force, a generator of jobs, the export capital of southern Europe and a model of economic rigour. The driving force behind an economy that generates opportunities for all, where creativity, innovation, knowledge and economic activity can flourish.

- *Caring for people.* Barcelona, a leader in caring for people, delivering services and ensuring quality of life. A city for people and families who value fairness, quality of life and safe surroundings, where education and culture are crucial.

- *Urban renewal.* Barcelona, a sustainable, smart urban model which serves its residents. Metropolitan Barcelona, a sustainable economic, regional and urban strategy.

- *The perspectives* are the value creation stages from resources to end beneficiaries:

1. *Beneficiaries.* The Council's objectives in terms of impact on the various

groups of beneficiaries of municipal policies. Answers the question “What results do we need to provide to beneficiaries to achieve the vision?” The City Map distinguishes between three groups of beneficiaries of municipal policies:

- People and families.
- Entities, associations and sports, social and cultural stakeholders.
- Economic stakeholders and knowledge centres.

2. *Structure*. The objectives in the City Map for facilities, the urban environment, communications and other infrastructures needed to meet the Council’s commitments to the various beneficiary groups. Answers the question “What structure does the city need to achieve the objectives set out in the beneficiary perspective?” Usually it will be objectives concerning investment and maintenance of the city. In the City Map structural objectives come under Urban Habitat.

3. *Resources*. Objectives related to budgeting and human, technological and other less tangible resources (e.g. knowledge) that the City Council uses to deliver its services. Answers the question “Which key resources do we need and how should they be managed to achieve the objectives in the previous perspectives?” City Map resources are divided into three groups:

- The budget.
- Government, managers and human resources.
- Knowledge, technology, innovation and cooperation.

- *The city objectives* are the 40 priorities which will be the focus of municipal action over the term of office, established and agreed by the Mayor, the Deputy Mayors, Councillors, Delegates and Commissions. The Council Executive has established priorities when drawing up

the City Map. This is because the latter does not seek to set out everything that the City Council is to do but instead specifies the focus of municipal action during this term of office.

Finally, the City Map is built largely from the top down, that is to say, from the strategic vision and goals to beneficiaries followed by structure and ending with resources. However, it is essentially implemented the other way round, i.e. from the bottom up, since the key resources provide the necessary structure and the achievement of the beneficiaries’ objectives translates into the achievement of the vision.

Contribution to the achievement of City Map objectives. Contributions matrix

Under the politics and management agreement model, each sector executive’s office, supervised and coordinated by the Chief Executive, has to set out its strategic objectives that will help to achieve the city objectives.

A number of executive’s offices can contribute towards the same city objective based on different standpoints and remits. Thus for example direct contributions to objective 1.5 “Barcelona health: promoting a healthy city” are made by the executive’s office for Quality of Life, Equality and Sports (by means of objectives and measures specifically in the field of health but also through Sports) and more indirectly by other executive’s offices such as Urban Habitat and Prevention, Safety and Mobility (since measures for re-greening the city, keeping it clean, improving mobility and cutting emissions, for instance, also help to make the city healthier).

Consequently the sector executive’s office contributions matrix for the achievement of city objectives contains both main contributions and also secondary contributions.

The city that p		
Beneficiaries	1. People and Families	2. Entities, associat cultural
	The city of choice for those who value safety, fairness and quality of life	A City Council which coop
	<ul style="list-style-type: none"> 1.1. Guarantee accessibility, quality and fairness in services 1.2. Prioritise care for the most vulnerable sectors of society and dependent persons 1.3. Drive measures to support and protect families and children 1.4. Make education and culture key factors for wellbeing and success 1.5. Barcelona health: promoting a healthy city 1.6. Promote the social function of sport 1.7. Guarantee people's safety 1.8. Guarantee neighbourly living and preserve social cohesion so that nobody is discriminated against or sees their fundamental rights undermined 1.9. Promote equality between men and women based on respect and equity 1.10. Promote stable, quality employment for all 1.11. Create channels for all citizens to communicate with the Council, listening carefully to what they say and providing an effective response 	<ul style="list-style-type: none"> 2.1. Strengthen and regulate th between the City Council a social and cultural stakeho 2.2. Develop a model for the c shared responsibility betw 2.3. Strengthen the city's assoc identifying and tackling cit
Structure	4. Un	
	A new model for a healthy city where the environment, urban planning, infrastructures and ICT are fully integrated	
	<ul style="list-style-type: none"> 4.1. Promote the re-greening of the city and the development of green corridors 4.2. Ensure excellence in urban and building design by promoting quality architecture 4.3. Drive a responsible environmental policy, ensuring air quality and the sustainability of water and materials cycles and energy efficiency 4.4. Lead the reinformation of public space: smart cities as driving forces behind a new urban services economy 	
Resources	5. The budget	6. Government, man
	From a spending culture to a cost culture that prioritises results	A competitive, motivate and orient
	<ul style="list-style-type: none"> 5.1. Manage according to an executive budget designed to ensure the city objectives are achieved 5.2. Guarantee investment capacity 5.3. Improve efficiency, avoid duplication and free up resources for other priority programmes 5.4. Encourage a culture of results-driven spending austerity 	<ul style="list-style-type: none"> 6.1. Guarantee quality of servi ethics in public managem 6.2. Develop the skills, expertis employees and foster the 6.3. Make certain that all levels towards the same goals

puts people first

ions and sports, social and al stakeholders	3. Economic stakeholders and knowledge centres
erates with and participates in society	An economy that generates opportunities for everybody
<p>he channels for real and effective interaction and the various entities, associations and sports, lders</p> <p>ity based on cooperation, involvement and een the City Council and social stakeholders</p> <p>ciative network to ensure it fulfils its purpose of izens' problems and needs.</p>	<p>3.1. Make metropolitan Barcelona into the logistics capital of southern Europe</p> <p>3.2. Promote emerging sectors with high added value, strengthen already developed economic sectors and establish Barcelona as a benchmark for quality</p> <p>3.3. Generate the conditions for attracting capital to invest in the city</p> <p>3.4. Drive international contributions to Barcelona's economy</p> <p>3.5. Support SMEs and the self-employed and encourage entrepreneurship</p> <p>3.6. Make Barcelona into a business-friendly city</p> <p>3.7. Make Barcelona into a city of culture, knowledge, creativity and science by generating a favourable environment to attract and retain talent</p>

Urban Habitat

	Productive neighbourhoods at a human pace in a hyperconnected and zero-emissions city
	<p>4.5. Promote access to quality housing and ensure it is properly used</p> <p>4.6. Foster self-sufficient city blocks and urban energy infrastructure refurbishment</p> <p>4.7. Promote productive neighbourhoods where people can live and work</p> <p>4.8. Improve urban mobility sustainably while guaranteeing the same opportunities for access throughout the city</p> <p>4.9. Promote new urban attractions which give each district a focal point and bring tourists to all parts of the city</p> <p>4.10. Drive the metropolitan area and integration of the port, airport and Zona Franca industrial district and develop opportunity areas</p>

agers and human resources	7. Knowledge, technology, innovation and cooperation
d institution with pride of belonging ed towards its citizens	Barcelona, open innovation in public management
<p>ce to citizens while preserving transparency and ent.</p> <p>se and capacity to innovate of the organisation's</p> <p>ir motivation and commitment</p> <p>s of the organisation are productive and work</p>	<p>7.1. Work proactively with other levels of government to achieve the best results</p> <p>7.2. Improve ICT to make the Council more accessible and effective</p>

3

The Economy of Barcelona

The international economy is at a turning point

The growth of the world economy was much weaker in 2013 — by half a percent — than forecast at the start of the year. According to the IMF, the first results point to a 3% rise, a mere decimal point below the growth seen in 2012. This corresponds to a more dynamic second half of the year and it seems to point to a change of trend from the slowdown in the world's economic growth since the five per cent of 2010.

This overall result is the sum of a wide range of variations corresponding to the main economic areas. While economies have achieved an overall growth of 1.3% — quite close to the forecasts —, emerging and developing economies have remained below their initial forecasts, despite a growth of 4.7%. The dynamism of this group of economies, with the Asians at the forefront offsetting the loss of momentum seen in part of the economies of the American continent and Russia, has become a determining factor once again in maintaining the expansion of the world economy.

The Chinese economy, boasting a roughly 7.5% increase in its GDP, may have once again taken the lead in growth among the emerging and developing countries, but the Eurozone has continued to hold back the growth in the world economy. Following its moderately positive development in 2010 and 2011, the EU's economic activity over the next two years, especially in the Eurozone, showed a slight downturn or slowdown, as a result of the tax-restraint policies aimed at recovering the expansive dynamics of public debt and the confidence of capital markets in the European financial system.

Of the five major European economies, only Germany and the UK ended 2013 with an unequivocally positive balance. France also ended the year on a positive

note, but with many doubts about the short-term development, while Italy and Spain had to postpone until 2014 their intended return to a rising trend in GDP. A scenario that is based on notably positive short-term forecasts, which will very probably have to be revised down, depending on the outcome of the problems that began to appear in some emerging economies — including the Chinese — in addition to the political tension over Ukraine. The North American economy emerges as a benchmark for consolidating the world economy's trend of expansion.

The Spanish economy is at the threshold of recovery

Spanish Quarterly National Accounts provisionally value the GDP for 2013 at 1.023 billion euros, down 1.2% on the previous year at constant prices. Taking the reference at the end of the year — after accumulating nine consecutive quarters with reductions — the year-on-year drop fell to only two tenths of a point. A significant difference which is basically explained by the pace of the fall, which remained relatively stable during the first half but slowed down during the second half of the year. This last development given rise to with the first quarter-to-quarter growth recorded for Spain's GDP since the beginning of 2011.

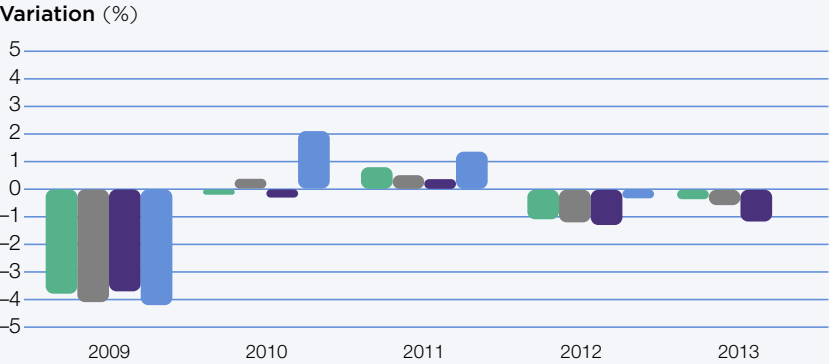
A first analysis shows that in 2013 the duality between internal and external demand experienced in 2012 was corrected. As a result, internal demand has started to recover, although it is still below the volume of the previous year, since the contribution of external demand to the growth of the economy has been considerably reduced due to the change in import trends. As a result, the moderation in the fall of the GDP has started to consolidate itself in business investment, capital goods and exports.

Chart

31

Development of the GDP (yearly average)

Barcelona and metropolitan area Catalonia Spain European Union



Source: Eurostat, INE, Idescat and Barcelona City Council

Table

32

Unemployment rate according to the EPA

Period	Barcelona	Catalonia	Spain	EU
31/12/09	15.2	17.0	18.8	9.4
31/12/10	16.0	18.0	20.3	9.6
31/12/11	16.9	20.5	22.8	9.9
31/12/12	18.7	23.9	26.0	10.8
31/12/13	17.5	22.3	26.0	12.0

Source: Barcelona City Council, NSI and Eurostat

Table

33

Consumer price index (annual average variation, expressed in %)

Year	Barcelona ¹	Catalonia	Spain	EU
2009	0.5	0.2	-0.3	1.0
2010	2.0	2.0	1.8	2.2
2011	3.2	3.3	3.2	3.1
2012	2.9	2.9	2.4	2.5
2013	1.9	1.7	1.4	1.4

(1) Barcelona Province
Source: NSI and Eurostat

All internal-demand components saw a slight rise in 2013, to the point where, with the exception of public spending and building investments, the rest ended the year with positive year-to-year variations. However, this did not prevent the annual averages from continuing to be negative, although less than in the previous year. The high level of debt faced by families as well as businesses and the public sector limited the economic players' capacity for manoeuvre and hampered a return to growth.

According to the National Accounts macroeconomic aggregates, 2013 was a good year for exports of goods and services. The trend enabled external demand to continue to make a positive contribution to the GDP for the sixth consecutive year. However, 2013 was also a year when imports started to show signs of recovery. They were moderate variations compared to the cumulative figures during the crisis years, but they helped to consolidate the change in trend announced by internal demand.

This new scenario was accompanied by a labour market that remained very weak. While it is true that the pace of job losses slowed down during the year, the yearly average continued to show a loss of 3.4%, one percentage point less than in the previous year. In all cases, according to the EPA (Active Population Survey), the unemployment rate for the last quarter of 2013 remained stable in relation to the figure for the previous year, showing a change in trend.

As for supply, the most important features in the development of Spain's GDP in 2013 were that the building industry continued to lead in productive-capacity and production losses, the manufacturing industry considerably eased the downward trend of 2012 and the overwhelming majority of services maintained a slightly negative trend. The most important impact in relative terms corresponded to financial and insurance activity whereas the positive exception —

slowdown in constant terms— lay in the professional services sector. The primary sector, which according to the National Accounts was responsible for only 2.5% of the annual GDP, was the only sector with the capacity to grow.

As for the primary distribution of income, employees' salaries fell by an annual rate of 3.5% — a combined effect from reductions in staff numbers and average salaries — and the labour cost per unit fell by 1.7%. It was this combination of variables that was responsible for the apparent continued rise in worker productivity and the 1.3% increase in the gross operating surplus. The increase in VAT rates and the recovery of imports explained the similar change in direction of the relative weight of net taxes on total production.

Another aspect to be highlighted refers to the development of consumer prices. After an inflationist 2012 due to the above-mentioned increase in tax pressure, the consumer price index saw a downward trend. It started 2013 with a year-to-year change of almost 3% and closed the year with an increase of 0.3% after standing at -0.1% at the beginning of autumn. A situation of low inflation that is expected to continue over most of 2014 and explained by the weak internal consumer demand, raw material price contention in international markets and the high euro quotes in relation to the major currencies. A price stability that makes it easier for the population to bear their loss of purchasing power.

2013 will go down in the country's economic history as yet another year in the process of correcting the strong imbalances accumulated over a long period i.e. two centuries of expansion and in particular after Spain joined the European Economic and Monetary Union. But it may also be the year that finally ends an especially negative five-year period of growth for the Spanish economy, if its GDP growth forecasts are confirmed.

The economy of Barcelona, a step forward

The lasting depression of the European economy and, in particular, the period of recession that both the Catalan and the Spanish economies seem to have started recovering from have had negative effects on the city's economic activity. However, unlike the rest of the territory, a significant part of the production and consumer indicators reached rock bottom during the first four months and started to recover during the second half of the year. The result was the closing of a more positive year than the one recorded in the rest of Catalonia and Spain: Barcelona took a step forward. This can be explained by the fact that the city's productive structure, with the increasing support of the flexibility of the tertiary sector to the detriment of building and industrial activity, allowed productive activity and the labour market to record more moderate falls in Barcelona than in the rest of the country. As a result the availability of a firmer productive base enabled more immediate responses to the weak signs of a change in trend.

Sectorial structure of the productive system

Following the trend of the last few years, the city of Barcelona has benefited to a great extent from its capacity to attract tourists and the metropolitan industry's buoyant export sector. The darker side continues to be the building industry, although it appears that signs of reflation are visible as a result of the restoration of the residential housing stock and the construction of new properties for productive uses, basically hotels. Despite the efforts of local government, the course of public investment has not yet been corrected, subject as it is to the goal of reducing the deficit of the public sector. Even so, the city closed the year with an increase of approximately two thousand jobs according to the Social Security registers, almost 0.2% more than at the end of 2012. A minimal change that becomes even more important when compared to the fall of approximately half a percentage point for the whole of Catalonia and Spain.

Table

34

Actively employed people registered in Social Security

	Dec. 2009	Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013
Absolute values					
General system	880,584	874,976	853,132	824,745	825,858
Self-employed workers	115,972	114,151	112,678	110,485	110,251
Other systems	24,517	24,982	25,546	33,013	33,912
Total	1,021,073	1,014,109	991,356	968,243	970,021
As a percentage					
General system	86.2	86.3	86.1	85.2	85.1
Self-employed workers	11.4	11.2	11.4	11.4	11.4
Other systems	2.4	2.5	2.5	3.4	3.5
Total	100.0	100.0	100.0	100.0	100.0

Source: <http://barcelonaeconomia.bcn.cat>

Table

3 **5**

Sectorial distribution of actively employed people registered in Social Security

	Dec. 2009	Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013
Absolute values					
Agriculture, livestock and fisheries	3,230	3,036	3,128	2,558	2,333
Industry	91,220	85,582	81,690	76,700	75,263
Construction	52,544	46,177	38,595	32,401	29,476
Services	874,079	879,314	867,943	856,584	862,952
Total	1,021,073	1,014,109	991,356	968,243	970,021
As a percentage					
Agriculture, livestock and fisheries	0.3	0.3	0.3	0.3	0.2
Industry	8.9	8.4	8.2	7.9	7.8
Construction	5.1	4.6	3.9	3.3	3.0
Services	85.6	86.7	87.6	88.5	89.0
Total	100.0	100.0	100.0	100.0	100.0

Source: <http://barcelonaeconomia.bcn.cat>

Services

At the end of 2013, 89% of jobs in Barcelona were concentrated in the tertiary sector. Breaking with the trend of previous years, the tertiary sector saw an increased number of employees and a relative influence on the city's productive network. A considerable growth pace, somewhat surprising given its omnipresent nature but explained by both the decrease in other activities, especially construction, and the expansion of the tertiary sector. On examining the estimated GDP it is clear that the contribution of this sector is equally dominant, but without exceeding 85% of the total. A difference of four percentage points, which shows the quality of the employment generated in the sector and the increasing importance of part-time employment contracts.

The Social Security records show that at the end of 2013 there were almost 864 thousand affiliates working in the tertiary sector of the city, seven thousand more than one year ago, an increase of 0.8% which contrasts with the reduction that

continues in other activities, but insufficient to offset the loss of jobs in the sector during the previous year. A more detailed analysis shows that the change in trend of tertiary employment is supported basically by the expansive dynamic of the hotel and restaurants sector, services and information technologies, professional activities, scientific and technical activities, government services and most services outside the market.

The other sectors, including the commercial, transport, storage, financial, publishing and telecommunications sectors, in addition to the personal, cultural and sports sectors, have continued to lose jobs. These changes correspond first to the weak consumer demand and the conversion of the financial sector and second to the increase in the number of tourists, the development of new technologies, the growing demand for business services and a slight correction in cumulative personnel cut-backs in public administrations and services, such as social and educational services.

Table

36

Services sector in Barcelona

Actively employed workers registered in Social Security

December 2013	Number	%
Commercial services	149,572	17.3
Administrative and support services	96,831	11.2
Healthcare and social services	86,472	10.0
Professional, scientific and technical activities	84,165	9.8
Public authority and extraterritorial institutions	76,929	8.9
Hotels and restaurants	71,774	8.3
Education	62,936	7.3
Personal, cultural and sports services	57,758	6.7
Information and communication services	47,147	5.5
Transport and logistics	44,720	5.2
Finance and insurance	40,280	4.7
Household services	31,960	3.7
Real-estate activities	12,408	1.4
Total	862,952	100.0

Source: <http://barcelonaeconomia.bcn.cat>.**Industry**

The relative influence of industrial activity on the city's economy continued to fall — less than in previous years — both for cyclical reasons — the development of the manufacturing industry was worse than that of the total — and for the incessant tertiarisation of the city's productive base. In fact, continuing to differentiate between industrial activity and tertiary activity is becoming increasingly difficult and to a certain extent, anachronistic and hardly illustrative. Nonetheless, we will maintain this “classic” division, while insisting that it makes little sense to apply it in such a small territorial unit as the city of Barcelona.

The industrial system of the city at the end of 2013 was directly responsible for generating 7.8% of all existing jobs, one tenth of a percentage point less than in the previous year. This percentage increases if we extend the field of analysis to the whole metropolitan region. The persistent contraction in internal consumer demand, partly offset by exports, explains why the industry of Barcelona, as with the metropolitan

industry, continued to adjust its productive capacity in 2013 for the umpteenth year in a row. At the end of the year there were just over 75,000 workers registered in the Social Security system, a decrease of 1.8% compared to one year ago. This decrease is much more moderate than the 5.1% recorded in the metropolitan area.

An analysis by branches of industry shows a significant continuity compared to the development of the previous year. A reduction in productive capacity — with a wide range of intensities — was the prevailing theme. Positive changes were limited to three branches: chemical and pharmaceutical, which overcame this second stage in the recession with hardly any effect on its employment figures; manufacturers of vehicles and other transport materials, which grew for the second year running, and, a new feature in 2013, the tiny increase in employment in the computer and electronics manufacturing sector. Stock replacement and the moderate increase in exports, partly offset by the rise in imports, proved to be insufficient for reflating industrial production and generating new jobs.

Table

37

Industry in Barcelona

Actively employed workers registered in Social Security

December 2013	Number	%
Vehicles and other means of transport	17,084	22.7
Chemical and pharmaceutical industry	13,598	18.1
Energy, water and waste management	11,747	15.6
Food, beverages and tobacco	5,602	7.4
Paper and printing	4,974	6.6
Electric, electronic and computer equipment	4,291	5.7
Textile, manufacturing of garments, leather and footwear	3,391	4.5
Mechanical machinery and equipment	2,767	3.7
Installation and maintenance of machinery	2,583	3.4
Metal products (except machinery)	2,534	3.4
Other industrial activities	2,605	3.5
Non-metal mineral products	2,172	2.9
Rubber and plastics	955	1.3
Furniture making	618	0.8
Metallurgy	342	0.5
Total	75,263	100.0

Source: <http://barcelonaeconomia.bcn.cat>

Construction

The construction sector continued to bear the cost of the excesses committed between 2003-2007, when the availability of finance was abundant and affordable. These excesses, which are quite general, were unevenly distributed throughout the territory. Barcelona was relatively less affected as the percentage of new land currently available was irrelevant in relative terms and clearly insufficient in some areas and market segments.

In this sector — and even more so than in others due to the high probability of the activity not being carried out in the same municipality as the headquarters of companies and in particular because this sector concentrates a great deal of black market activity — the employment data based on Social Security affiliates underestimated the relative importance of this activity in the city's economy as a whole. The fact that only 3% of jobs currently gained by Barcelona corresponded to building firms — three tenths of a percentage point less than one

year ago — must not be confused with the real weight of the sector's production with respect to the city's GNP. In this regard, five per cent of the relative weight of the whole metropolitan region is perhaps a more accurate reference.

A detailed look at the economic situation of Barcelona and its metropolitan area

Economic activity in the city and in the metropolitan area started 2013 at a rate of almost 2% and ended the year in a situation of practical stability and with optimistic expectations in the short and mid term. A change in trend necessarily adjusted to the development of the Spanish and European economies, basically supported by the activities with most exposure to foreign markets, such as exportable manufacturing and services, the development of what is called the

knowledge economy and tourist services, business opportunities which Barcelona was able to take advantage of.

As for metropolitan industrial activity, the development in 2013 can be termed moderately positive. The GDP of the sector followed a positive trend throughout the year. In aggregate terms, the trajectory was clearly positive in terms of production volumes. On the contrary, both the growth of exports and of exfactory prices saw a slowdown, which was to be expected after three years of considerable expansion. Unfortunately, this start in the recovery of manufacturing activity had not yet led to a change in trend in sectorial employment, which continued to lose jobs. This is perhaps due, as evidenced by the industrial setting indicator at the beginning of 2014, to the fact that the positive short-term prospects tailed off. In any case, exports could not be the only driving force behind growth for metropolitan industry. It needed internal demand and, despite signs of improving, this continued to be very weak.

The development with respect to movements of goods in the port of Barcelona would confirm a positive trend in exports — goods shipped off continued to grow this year — and the stagnation of total trade as a consequence of the contraction of internal demand and the contention in the use of energy. In the case of the fall in container traffic, cyclical reasons were of a secondary nature, as seen from the fact that the main part of the decrease corresponded to containers in transit. The 41.4 million tons which passed through the city's port in 2013 were equal to the volume of last year, but still below the record figures existing before the crisis. However, the port reinforced its role as a shipping platform by giving support to the exporting dynamics of Catalan businesses and its area of influence.

Passenger sea traffic is possibly the indicator that showed the most radical change in cycle. After the ups and downs suffered by this segment of port activity in 2012 —following the sinking of a cruiser on the Italian coast as the most relevant, but not the only cause —, 2013 has

brought a recovery of an important part of what had been lost that year. In all, the year ended with just over 3.6 million passengers and cruisers in transit were those with the highest growth. The rest of the cruise industry also experienced an upward trend, reaching a new record high. The contrast can be found in the ferry sector, which showed extremely limited growth. In this case the reasons for this development include the complex economic situation of Spain and Italy, which were the main countries of origin of ferry service passengers.

2013 was a year of stabilisation and this continued with an upward trend in number of airport passengers. The sustained boom in international traffic more than made up for the important reduction recorded in other routes, including the shuttle to Madrid, which shared a slowdown in demand with a fierce competitor, the AVE high-speed train. The figure of 35.2 million people entering or leaving Catalonia from the facilities of El Prat Airport was much the same as the previous year's. This volume was sufficient to establish a new annual record in airport traffic and increase its market share in transporting passengers to Spain by air. International traffic with the European Union and the rest of the world continued to show strong growth, now accounting for more than 70% of the total.

The recovery in the number of cruise passengers, added to an increase in international air traffic, gave a positive tourist balance in number of visitors and overnight stays in hotel establishments. The hardships facing the Spanish economy were the mains reasons for the fall in number of visitors from the rest of the country. The proportion of visitors from the EU and America also failed to reach the figures of 2012. The 1.8% increase in the number of visitors with overnight stays in hotels in Barcelona during 2013 was due exclusively to European citizens from outside the Eurozone, Asians and Africans, an aggregate, which had not stopped growing and accounted for 21% of the 7.6 million visitors generated 16.5 million overnight stays in the city's hotels.

This clearly expansive development of activities relating to tourist services — hotels, restaurants and international transport — served to offset, at least partially, the lack of tone shown by sectors such as construction, non-export industry, financial services, personal services and other services strongly dependent on the expenditure capacity of households.

As a summary of the development of the economy of Barcelona in 2013, it

should be noted that after six years of decline, the labour market in Barcelona had finally entered a new stage where registered unemployment gradually fell, and the number of people finding jobs started to increase; two trends which appear to be firmly established but which coexist under more precarious labour conditions than before the crisis, with the challenge of reversing the declining trend of the potentially active population.

Table

38

Economic activity (Barcelona and its metropolitan region)

	Period	Absolute value	2013/2012 (%)	2012/2011 (%)	2011/2010 (%)
Absolute values					
Port. Goods and passenger traffic					
Total goods (thousands of tonnes)	2013	41,391	-0.3	-3.6	0.2
Embarked goods (thousands of tons)	2013	20,469	7.0	4.7	7.1
Disembarked goods (thousands of tons)	2013	20,922	-6.5	-9.8	-4.3
Containers (thousands of TEU)	2013	1,720	-2.2	-13.7	4.4
Total passenger traffic (thousands)	2013	3,628	6.0	-10.6	10.7
Cruise passengers (thousands)	2013	2,599	7.9	-9.4	13.1
Airport. Passenger traffic					
Total (thousands)	2013	35,211	0.2	2.2	178
Barcelona-Madrid shuttle (thousands)	2013	2,206	-13.9	-18.9	3.0
International (thousands)	2013	25,003	5.8	9.1	23.5
Consumption and tourism					
Vehicle registrations	2013	29,368	3.2	-12.2	-230
Overnight stays in hotels (thousands)	2013	16,485	3.5	2.6	10.5
Visitors spending the night in hotels (thousands)	2013	7,572	1.8	0.7	3.6
Construction and property market prices					
New surface area provided for with respect to permits (m ²)	2013	291,199	28.5	-48.0	-21.7
Surface area to be reformed or extended (m ²)	2013	255,885	-14.1	-3.6	53.8
Housing started	2013	697	41.4	-54.1	-43.9
Average selling price of new housing (€/m ²)	2nd half 2013	4,066	-6.8	-10.1	-7.4
Average rental price of housing (€/m ² /month)	2013	10.3	-2.9	-5.6	-1.4
Employment and unemployment					
Total registered unemployment	dec. 2013	107,677	-4.0	3.3	7.7
Youth unemployment	dec. 2013	5,132	-9.5	-16.1	6.8
Employment contracts signed	2013	785,624	0.8	0.8	-0.6
Actively employed workers registered in Social Security	dec. 2013	970,021	0.2	-2.3	-2.2

Source: <http://barcelonaeconomia.bcn.cat>

4

Results in terms of capacity/need for financing in accordance with the European System of National and Regional Accounts (ESA-95)

4.1 The Organic Law on budgetary stability and financial sustainability

Organic Law 2/2012, of 27 April, on budgetary stability and financial sustainability (henceforth, OLBSFS), defines the principle of budgetary stability that should regulate public sector actions, and distinguishes between the bodies subjected to the budget — which make up the public administration — and the organisations which are mostly financed by commercial revenue (50% rule).

For local organisations that are provincial or autonomic community capitals, or which have a de jure population equal to or greater than 75,000 inhabitants, with the corresponding dependent bodies that are not most mostly financed by commercial revenue, budgetary stability is defined as a situation of balance or surplus in terms of financing capacity, in accordance with the European System of National and Regional Accounts (ESA-95).

Modifications to the OLBSFS have been introduced throughout 2013. In order to reinforce the principle of financial sustainability, the concept of debt sustainability has been introduced, understood as the capacity to maintain an average payment period to suppliers that does not exceed the maximum terms set out in the regulations concerning debt.

Article 32 “Destination of budgetary surplus” has been modified, in order to clarify the concept of surplus and debt. Surplus is understood to be the capacity for financing in accordance with the European System of Accounts, while debt is understood to be public debt in terms of the process of excessive debt as it is defined in European regulations.

The sixth additional provision has been introduced, which governs the special regulations for the use of budgetary surplus, and which is applied to local corporations that comply with or do not surpass the limits set by local tax office regulatory legislation in terms of

authorising liability operations, and which in the previous financial year simultaneously present surplus and a positive remaining balance for general expenses. These special regulations, in force for the 2014 financial year, allow local corporations that comply with the defined requirements to use the surplus to finance investments, provided that the investment is financially sustainable throughout its useful life. Furthermore, it establishes that this investment is not considered as a computable expenditure in terms of application to the expenditure regulation.

4.2 The objective of budgetary stability and financial sustainability for local bodies

In accordance with Article 15 of the OLBSFS, in the first semester of each year, it is the National Government’s responsibility, through the Council of Ministers agreement, to set out the objectives for budgetary stability and public debt referring to the three following financial years for all public administrations. The proposal for setting these objectives must be accompanied by an evaluation report on the foreseen economic situation, which must include, among other things, the anticipated reference rate for the Spanish economy in order to determining the expenditure regulation. Once these objectives have been approved, the development of public administration budgetary projects have to take these objectives into account.

In accordance with the Council of Ministers agreement of 28 June 2013, ratified by Parliament, the objectives related to local corporations were set for the 2014-2016 period. These objectives involve the revision of those set by the Council of Ministers agreement of 12 July 2012 for the 2013-2015 period and extend the time frame to 2016.

Table

4 **1**

	2013	2014	2015	2016
Budgetary stability objective [capacity (+) financing needs (-), ESA-95, in % GDP]	0.0	0.0	0.0	0.0
Public Debt objective, in % GDP (*)	3.8	4.0	4.0	3.9
Expenditure regulation, in %	1.7	1.5	1.7	1.9

(*) However, the applicable liability limits for each local body are those that are determined by the TRLRHL and which are set at 75% of settled current income.

In accordance with the data published on 28 March 2014 by the Ministry of Finance and Administrations, the local bodies closed the 2013 financial year with a surplus of 0.41% of GDP, nearly double that of the previous year, and adequately complying with the objective of 0%.

4.3 Barcelona City Council's consolidated budget in accordance with the OLBSFS. Area of Public Administration

4.3.1 Scope of consolidation

The scope of consolidation is the same as that established by the Barcelona Municipal Charter, excluding the Barcelona Municipal Services group and the Municipal Housing Trust, and including:

Consortiums

- The Institute of Childhood and the Urban World
- Diagonal Besòs Interuniversity Campus Consortium
- Barcelona Urban Ecology Agency
- Barcelona Local Energy Agency
- The Besòs Consortium
- Barcelona Libraries Consortium
- Mercat de les Flors Consortium / Movement Arts Centre
- El Far Consortium, Marine Research Centre
- Localret Consortium
- Natural Sciences Museum Consortium

Foundations and other organisations

- Barcelona Private Foundation for Ocean Sailing
- Barcelona Culture Foundation
- International Network of Educating Cities Association
- Network of Spanish Jewish Sites- Sephardic Paths

The annual accounts of the organisations that depend on Barcelona City Council, except those of the Network of Spanish Jewish Sites, are audited by UTE Pricewaterhouse Coopers, SL, and Gabinete Técnico de Auditoría y Consultoría, SA.

The National State Administration (IGAE) is responsible for carrying out the classification of the bodies forming part of the public sector. The current scope of consolidation is due to their classification as bodies that are dependent on the City Council and part of public administration, in accordance with the definition and delimitation of the European System of National and Regional Accounts.

4.3.2 Financial objectives of Barcelona City Council

The municipal government's strategic objective is to make Barcelona a city for people, based on three fundamental pillars: economic recovery, caring for people and urban regeneration.

The achievement of these objectives has to be reconciled with the objectives stemming from the OLBSFS and the municipal government's commitment to

maintaining solvency and liquidity in order to ensure the achievement of the objectives established in the Strategic Framework and the Route Map.

Based on these premises, the established financial objectives are as follows:

a) Compliance with the OLBSFS objectives.

b) Maintaining a level of gross savings from current revenue of above 15% in terms of national accounting, i.e., applying the criteria of the European System of National and Regional Accounts (ESA-95),

which allow the financing of planned investments.

c) Establishing a liability level for public administration (in accordance with the Excessive Debt Procedure [EDP]) of under 60% of current revenue.

4.3.3 Barcelona City Council results in terms of SEC

This section shows the evolution of Barcelona City Council's consolidated profit and loss accounts over the last four financial years, in terms of the European System of Accounts.

Table

4.2

Evolution of results 2010-2013

Barcelona City Council's Area of Public Administration (in accordance with the OLBSFS)(in thousands of euros)

	2010	2011	2012	2013
Current result (ordinary)				
(+) Current revenue	2,195,605	2,011,701	2,301,371	2,444,175
(-) Current expenditure	1,899,186	1,886,366	1,867,947	1,965,540
(=) Gross savings	296,419	125,335	433,423	478,635
% gross savings with respect to current revenue	13.5%	6.2%	18.8%	19.6%
Capital results (investments)				
(+) Capital revenue	203,539	143,885	32,778	31,502
(-) Capital expenditure	797,265	661,814	399,095	370,320
(=) Capital surplus (deficit)	(593,726)	(517,929)	(366,317)	(338,818)
Total non-financial revenue	2,399,144	2,155,586	2,334,149	2,475,677
Total non-financial expenditure	2,696,451	2,548,180	2,267,043	2,335,860
(=) CNF (Funding capacity [need])	(297,306)	(392,594)	67,106	139,817
% CNF with respect to non-financial revenue	-12.4%	-18.2%	2.9%	5.6%
CNF financing sources				
(-) Financial revenue (1)	551,816	36,094	167,251	52,187
(+) Financial expenditure (1)	101,518	112,085	91,345	104,996
(+) Net financial transactions	450,298	(75,991)	75,906	(52,808)
(=) Annual financing excess (deficit)	152,992	(468,585)	143,012	87,008
Debt				
Debt on 31/12 (EDP)(2)	1,200,101	1,090,101	1,165,101	1,101,376
% debt with respect to current revenues	54.7%	54.2%	50.6%	45.1%

(1) Includes revenues and expenditures respectively for urbanistic and driveway sureties.

(2) EDP. Debt in accordance with the excessive debt procedure. Includes debt of Barcelona City Council and that of bodies dependent on OLBSFS.

In order to obtain the financing capacity (need) (CNF) for the financial year in terms of national accounting, i.e., applying the ESA-95 criteria, it is necessary to carry out a series of adjustments to the resulting non-financial budgetary surplus (deficit). The adjustments applicable to bodies that are subject to budgetary accounting have been calculated in accordance with the *Manual for Calculating Deficit in National Accounting Adapted to Local Corporations*, from the Ministry of Finance and Public

Administrations. However, for those bodies included in the scope of consolidation and not subject to budgetary accounting, the *Manual for Calculating National Accounting Deficit of Business Units that Apply the General Plan of Private Accounting or One of its Sectorial Adaptations* from the Ministry of Finance and Public Administrations has been applied. The following table gives details of the adjustments carried out in each financial year:

Table

4 3

ESA-95 Adjustments (in millions of euros)

	Liquidity 2010	Liquidity 2011	Liquidity 2012	Liquidity 2013
Cash approach for local taxation	-91.3	-84.0	-112.3	-89.9
Tax refunds	—	—	—	-0.1
Complementary financing funds and payment of taxes	-93.5	-285.6	53.0	22.8
Criteria of paying body. Current and capital transfers	-25.1	8.9	-31.9	-7.2
Dividends	—	-34.2	—	—
Personnel expenditure (provision 1%)	—	—	—	-52.6
Merit approach for financial expenditures	-1.5	1.6	0.3	1.3
Investments. Purchases with deferred price and gross fixed capital formation	—	-29.2	19.4	-14.1
Investments carried out by City Council	—	-24.9	24.9	—
Capital increase	-8.0	-21.3	-10.9	-7.7
Total adjustments	-219.4	-468.7	-57.5	-147.6

4.3.4 2013 compliance with OLBSFS objectives

In 2013, Barcelona City Council complied with all the OLBSFS objectives applicable to local corporations and fixed by the Council of Ministers agreement of July 2012.

The objective of budgetary stability was complied with, in that the 2013 financial year was closed with a budgetary surplus, understood as the capacity for financing in accordance with the European System of Accounting.

In terms of the public debt objective, although this is a global objective for local administrations as a whole, it is

understood that each body has complied with the objective when debt does not exceed 75% of settled current revenue. Barcelona City Council's debt in terms of the OLBSFS on 31 December, which is under 50% of the financial year's current revenue, complies with this objective.

And with regard to the expenditure regulation objective, Article 12 of the OLBSFS establishes that the variation in the computable expenditure of local corporations may not exceed the reference rate for medium-term GDP growth for the Spanish economy. In order to evaluate compliance with the expenditure regulation, it is necessary to

have obtained the amount of settled computable expenditure for the previous financial year. In terms of the expenditure regulation, computable expenditure is understood to be non-financial expenditure, excluding debt interest and the part of the expenditure financed by closing funds. In this sense, and in accordance with the objective set by the state, Barcelona City Council's computable expenditure for the 2013 financial year may not exceed the previous year's computable expenditure by more than 1.7%. For all the City Council bodies in the Public Administration sector as a whole, the settled computable expenditure for 2013 was 2,126.5 million euros. This amount is less than the limit of 2,135.6 million euros reached by calculating the maximum 1.7% increase on the settled computable expenditure for 2012, which was 2,099.9 million euros.

4.4 Budgetary situation 2013-2016

Barcelona City Council's strategic framework for 2012-2015 contains the vision and objectives that establish the

route map for the current council mandate. The municipal government's strategic framework for 2012-2015 is to make Barcelona a city for people, based on three fundamental pillars: economic recovery, caring for people and urban regeneration.

Achieving these objectives has to be reconciled with the OLBSFS objectives and with the municipal government's commitment to maintaining the institution's solvency and liquidity in order to ensure the achievement of the objectives set out in the strategic framework and the route map.

In line with the defined financial objectives, the strategic framework includes the economic and budgetary framework for the period, which in its turn includes the expected revenue and expenditure forecast for the coming years. These situations are reviewed annually, and real data for the closed financial years and improved forecasts for the following years are included. The following table shows the last update for the 2013-2016 budgetary situation, included in the municipal budget approved for the 2014 financial year, adding the real closing data for the 2013 financial year.

Table

4 4

2013-2016 budgetary situation

Barcelona City Council Area of Public Administration (in accordance with the OLBSFS)(in thousands of euros)

	2013 (real)	2014 (forecast)	2015 (forecast)	2016 (forecast)
Current result (ordinary)				
(+) Current revenue	2,444,175	2,426,904	2,422,069	2,469,928
(-) Current expenditure (*)	1,965,540	1,999,438	2,051,666	2,092,346
(=) Gross savings	478,635	427,466	370,404	377,582
% gross savings with respect to current revenue	19.6%	17.6%	15.3%	15.3%
Capital results (investments)				
(+) Capital revenue	31,502	27,062	20,000	20,000
(-) Capital expenditure	370,320	441,167	376,867	388,903
(=) Total non-financial revenues	2,475,677	2,453,966	2,442,069	2,489,928
Total non-financial expenditure	2,335,860	2,440,605	2,428,533	2,481,249
(=) CNF (Funding capacity [need])	139,817	13,361	13,537	8,679
% CNF with respect to non-financial revenue	5.6%	0.5%	0.6%	0.3%
CNF financing sources				
(-) Financial revenue (1)	52,187	238,476	156,850	170,850
(+) Financial expenditure (1)	104,996	238,848	157,434	171,184
(+) Net financial transactions	(52,808)	(372)	(584)	(334)
(=) Annual financing excess (deficit)	87,008	12,989	12,953	8,345
Debt				
Debt on 31/12 (EDP)(2)	1,101,376	1,100,680	1,100,046	1,099,663
% debt with respect to current revenues	45.1%	45.3%	45.4%	44.5%

(*) For 2014-2016, it includes the contingency fund.

(1) Includes revenue and expenditure respectively for urban and access sureties.

(2) EDP. Debt in accordance with the excessive debt procedure. Includes Barcelona City Council debt and that of bodies dependent on the OLBSFS.

5

Management report

The management report shows the consolidated data of the group formed by Barcelona City Council and its dependent bodies: in other words, its municipal agencies and the firms in which it has a majority stake, irrespective of their sources of financing.

The bodies that are consolidated with Barcelona City Council, in accordance with its Municipal Charter, are:

Autonomous Agencies

- Municipal Institute for Persons with Disabilities
- Municipal Institute of Urban Landscape and Quality of Life
- Barcelona Municipal Institute of Education
- Barcelona Municipal Institute of Information Technology
- Municipal Institute of Urban Planning
- Barcelona Municipal Tax Office
- Municipal Institute of Barcelona Markets
- Barcelona Sports Institute
- Municipal Institute of Social Services

Public Commercial Entities

- Barcelona Institute of Culture
- Municipal Institute of Parks and Gardens
- Municipal Institute of the Mies van der Röhe Foundation

- Municipal Housing Agency (commercial entity)

Municipal Firms

- Barcelona d'Infraestructures Municipals, SA
- Informació i Comunicació de Barcelona, SA
- Barcelona Activa, SA, SPM
- S.M. Barcelona Gestió Urbanística, SA
- Barcelona Cicle de l'Aigua, SA
- Grup Barcelona de Serveis Municipals (commercial entity)

Structure of Current Revenue

The current revenue of Barcelona City Council and its dependent bodies is made up of taxes, both local and those allocated by Central Government; other fiscal revenue, principally charges for services and for the use of the public domain; revenue from the sale of goods and the provision of services, including public prices; other operating revenue, which includes mainly fines, rents, concessions and special uses, late payment surcharges, other surcharges and profit-sharing; current transfers; and financial revenue.

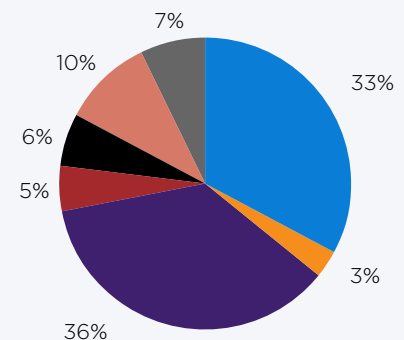
The breakdown of current revenue is as follows:

Chart

51

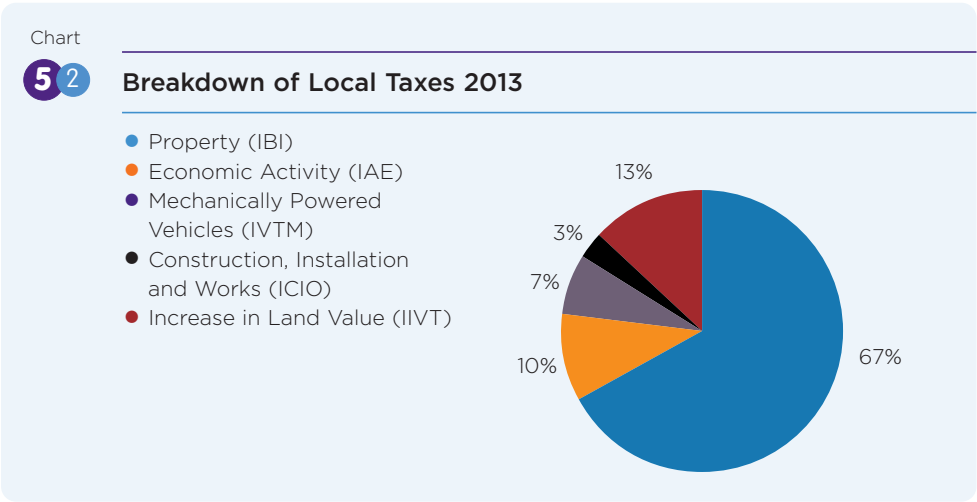
Breakdown of Current Revenue 2013

- Local Taxes
- Shared Taxes
- Supplementary Finance Fund
- Other Current Transfers
- Taxes
- Sales of Goods
- Other Operating Revenue



Just over two thirds (67.3%) of local taxes come from property tax (IBI). The remaining local taxes are the tax on economic activities (IAE), the tax on

increases in land value (IIVT), the tax on motor vehicles (IVTM), and the tax on construction, installations and works (ICIO).



The Central Government transfers part of the revenue it obtains from the different state-wide taxes once the amount payable to autonomous communities has been discounted. These shared taxes are currently 2.1336% of personal income tax; 2.3266% of VAT and 2.9220% of special taxes levied on beer, wine and fermented beverages, intermediate products, alcohol and derived beverages, hydrocarbons and tobacco. In addition, the Supplementary Finance Fund is a non-earmarked transfer that increases every year in line with revenue collected by Central Government from the taxes that are shared with town and city councils, and which includes compensation for the loss of revenue due to the reform of the tax on economic activities.

The non-earmarked resources provided by the Central Government represent 39.5% of current revenue.

The sale of goods and services, financed through charges or non-fiscal revenue, and other operating revenue represent 22.1% of current revenue.

The remaining current transfers are basically earmarked resources from other

public administrations — mainly the Generalitat of Catalonia and local bodies — as well as private companies and not-for-profit organisations, and they represent 5.4% of current revenue.

Activities of the City of Barcelona

Barcelona City Council exercises the powers laid down in the Municipal Charter and in current legislation on local government. The services it provides cover areas as diverse as maintenance of public highways, social services, municipal markets and public transport, to mention just a few examples. These services are provided through the organisational structure managed by the chief executive officer. Barcelona City Council's executive administration is divided into six sectors, and geographically into ten districts, and from the point of view of operational specialisation, in legally standing entities: local municipal agencies, public business entities and firms. Both the sectors and the districts are run by managers nominated by the mayor. The

organisational structure is summarised below.

The six operational sectors are:

a) Culture, Knowledge and Innovation: education, knowledge and innovation, cultural centres and libraries.

b) Quality of Life, Equality and Sport: social services, primary care and social assistance, family, children, social development, social participation, civil rights, sport and public health.

c) Prevention, Safety and Mobility: public safety and security, fire prevention services and civil protection, mobility, traffic and public transport, discipline and road safety, and car parks.

d) Urban Habitat: urban planning and regional and town planning, urban landscape, infrastructure, housing, the environment and urban services (street cleaning, refuse collection and sanitation; maintenance paving, lighting and water; maintenance of parks, green spaces and beaches; energy saving measures and renewable energy; environmental education and participation, monitoring and reduction of pollution).

e) Economy, Enterprise and Employment: financial management, tax, accounting, budget and investment control, the city's economic promotion, employment and innovation, commerce and trade, the network of local markets, trading standards and tourism.

f) Human Resources: central administration, citizen participation and

citizen advice and information; heritage; information and telecommunications systems, human resources and organisation.

The first four sectors include, along with business and employment functions, operational services or programme areas. The resources sectors and the economic functions bring together the executive structure's corporate services.

The chief executive, in addition to coordinating the municipal government's executive, also coordinates the council's districts, businesses and municipal entities.

Municipal firms that provide trading activities are grouped under the Barcelona de Serveis Municipals Group. The group's responsibilities include municipal car parks, management of entertainment and leisure areas (like the zoo, Tibidabo, Montjuïc and the Fòrum area), as well as cemeteries, refuse collection and recycling, and wholesale markets.

Human Resources

In 2013, the staff of the Barcelona City Council Group numbered 12,534 people on average, 296 less than the previous year. The distribution of the staff of Barcelona City Council, the public agencies and municipal firms was as follows:

Table

5 **3**

Personnel (on average)

	2009	2010	2011	2012	2013
City Council	7,087	6,715	6,710	6,638	6,464
Public Agencies and Municipal Firms	5,610	6,319	6,117	6,192	6,070
Total	12,697	13,034	12,827	12,830	12,534

The City Council's average number of staff fell by 174. This was basically a result of employee retirement not being compensated by new recruitment due to the regulatory limits, which only allow a 10% replacement rate.

The municipal agencies' average number of staff figures for 2013 was 2,328, which is 34 less than the previous year and was likewise conditioned by the non-replacement of retiring staff. The same reasons explain the reduction of 77 employees in the public business entities, their average number of staff totalled 1,460 in 2013.

With regard to the public firms their average number of staff was 2,283, which

is 10 less than 2012. In this latter case, despite the fall, the change in employee figures has not been the same for each of the firms. The increase of 64 employees for the average number of staff for Barcelona Activa was compensated by the reduction of the staff of the Barcelona de Serveis Municipals and Barcelona d'Infraestructures Municipals by 57 and 34 employees, respectively. However, a significant number of the reductions made to Barcelona d'Infraestructures Municipals were due to staff transfers to Barcelona Gestió Urbanística, which increased its average number of staff by 18 employees.



In 2013, 1.81% of the total gross payroll was allocated to staff training. A subsidy awarded within the framework of the Acuerdo para la Formación para el Empleo en las Administraciones Públicas (AFEDAP, Agreement on Employment Training for Public Administrations) made

it possible to finance 59 training initiatives in which 1,408 people took part.

In total, the City Council conducted 1,169 training activities, attended by 22,659 trainees and amounting to 126,183 teaching hours. A total of 8,121 people benefited from this training activity.

Economic and Financial Evolution of Barcelona City Council 2009-2013

The following table details the resources generated by Barcelona City Council, its municipal agencies and firms, and their applications. The difference shows any net requirements for external financing (cash deficit or surplus).

Table

5

Resources generated (Thousands of euros)

	2009	2010	2011	2012	2013
(1) Current revenue before financial revenue	2,513,337	2,510,565	2,498,986	2,597,487	2,681,836
(2) Current expenses before financial expenses	2,001,179	2,029,488	2,046,098	2,115,215	2,087,144
(3) Primary Saving	512,158	481,077	452,888	482,272	594,692
Financial income	4,128	1,640	5,536	5,234	8,816
Financial expenditure	34,082	33,930	41,787	42,219	40,794
(4) Gross savings	482,204	448,787	416,637	445,287	562,714
(5) Net Investment	628,141	632,189	419,066	408,418	336,137
(6) Surplus (deficit)	(145,937)	(183,402)	(2,429)	36,869	226,577
Cash Variation	98,207	(312,155)	115,553	(101,801)	(157,985)
(7) Cash Surplus (deficit)	(47,730)	(495,557)	113,124	(64,932)	68,592
Debt Assumption	1,145	5,510	4,498	10,682	6,390
(8) Net Debt Variation	(46,585)	(490,047)	117,622	(54,249)	74,982
(9) Total Debt at Year End	974,358	1,464,405	1,346,783	1,401,032	1,326,050

Lines (1) to (4) of the table indicate how gross saving is generated. These are equity accounting figures and as such the revenue and expenses are allocated according to the accrual principle, including provisions for doubtful debts.

The fiscal year's surplus or deficit is the difference between gross saving and net investment. The cash surplus or deficit for the fiscal year is then arrived at by adding the cash variations, which include the adjustments needed to pass current revenue and expenses by the accrual

principle to current revenue and expenses by the cash principle.

Finally, to reconcile net debt variation with the cash surplus or deficit, we have to add, when necessary, credits given by third parties to Barcelona City Council, which pays the interest and the principal of the loan. And the opposite is also true, since mortgage loans are given by the Municipal Housing Agency to buyers of the homes that it sells or which it cedes through land rights.

Evolution of Current Revenue

Barcelona City Council's current revenue has risen over the last five years at an accumulative annual rate of 1.1%. The increase in revenue is essentially due to the implementation of new cadastral values and the rise in current transfers received. This evolution is conditioned by

the fact that Serveis Funeraris de Barcelona no longer forms part of the consolidation perimeter, and this has had an impact on the evolution of the sales of goods and services, and other operational incomes, which show an accumulated annual rate of -2.0% and -4.2% respectively.

In 2013, current revenue totalled 2,691 million euros, 3.4% more than in 2012.

Table

56

Current revenue (Thousands of euros)

	2009	2010	2011	2012	2013
Tax on Property	451,198	502,613	539,213	576,049	596,837
Tax on Economic Activities	99,357	97,871	98,556	95,640	91,686
Tax on Vehicles	72,241	71,288	69,243	64,355	63,154
Tax on Construction	24,273	26,058	23,799	31,910	21,573
Tax on Increased Land Value	93,623	101,678	83,447	94,148	113,647
Subtotal of Council-levied Taxes	740,692	799,508	814,258	862,102	886,897
Share of Income Tax, VAT and Special Taxes	101,179	84,798	86,061	74,644	85,880
Total Local Taxes	841,871	884,306	900,319	936,746	972,777
Other Fiscal Revenue: charges	165,056	173,748	165,131	153,382	146,633
Sale of Goods and Provision of Services	290,164	306,260	253,015	260,945	262,476
Other Operating Revenue	194,634	185,710	180,590	181,144	178,180
Total Local Revenue	1,491,725	1,550,024	1,499,055	1,532,217	1,560,066
Supplementary Finance Fund	814,057	741,998	831,642	924,394	975,364
Other Current Transfers	207,555	218,543	168,289	140,876	146,406
Total Current Transfers	1,021,612	960,541	999,931	1,065,270	1,121,770
Financial Income	4,128	1,640	5,536	5,234	8,816
Total Current Revenue	2,517,465	2,512,205	2,504,522	2,602,721	2,690,652

In 2013, taxes collected by the City Council rose by 2.9%. The main tax, property tax, rose by 3.6%. The rates applied — 0.825% of the cadastral value in general terms and 1.1% for those 10% of non-residential properties with the highest cadastral value — did not vary with regard to the previous year. The collection increase — of 21 million euros in absolute value — is explained in two ways. On the one hand, it is due to the 2013 increase of the figure for the total tax due minus tax credits, which was an outcome of the deferral effect created by the application of limits to the total tax due from previous tax years. The limit effect — between 4% and 6% per household and between 10% and 20% for other uses — gives rise to an annual deferred increase of the current figure for the total tax due minus tax credits and this coincides with the figure for total tax due as a result of the cadastral revision that was implemented in 2001. On the other hand, the taxable items from the 2013 census that are subject to property tax have increased by approximately 9,000 units in relation to the previous year.

With regard to the properties with special characteristics, the general rate applied has been 0.638%, and the specific rates for the regasification plant and the commercial port, of 0.618% and 0.682% respectively, remained unchanged with regard to the previous year.

The marked elasticity of the tax on economic activities, which was linked to the number of taxpayers businesses, partly explains its 3.5% decrease. However, a factor effecting the development of the taxes collected in 2013 was that the figure for the national tax levy applied to mobile telephone companies was reduced by approximately 2.5 million euros due to an appeal presented by the companies.

The current economic situation also explains the 2.2% decrease in the tax on motor vehicles. This was due to the fact that vehicles taken out of service were not replaced.

With regard to the tax on construction, installations and works, the amounts of taxes during 2013 fell by 29.8% in comparison to 2012. However, it is important to bear in mind the fact that

during the previous fiscal year the revenue rose by 34.1% due to two cases of tax inspection revenue each worth a significant amount. On the other hand, self-assessed tax returns increased by 26.6% in comparison to previous years. This increase, which is worth 2.7 million euros in absolute value, is the result of both the increase in the number of self-assessed tax returns (by 19.7%) and the increase of their average value (by 5.8%).

In terms of the tax on the increase in urban land value, the increase of 20.7% is a response to the number and average value of the conveyances presented during the 2013 fiscal year, for which a tax rate of 30% was applied, as was the case for the previous year. The explanation for this increase, besides confirming a degree of reactivation in the property market both in terms of financial entities and investment funds, is that the changes to taxation that came into force on 1 January 2013 led to the suppression of the discount for the purchase of a principal residence. The concentration of conveyances in the last few months of 2012 explains the results for the early months of 2013, especially to the tax revenue for January.

Taxes transferred by Central Government rose by 15.1% in comparison with 2012, which was in accordance with the amounts paid on account by the Ministry of Finance and the Public Administration. The total figure of 85.1 million euros corresponds with the advance payments made for the revenue from the 2013 fiscal year, which included a 25.2% increase in comparison with the previous year, and 0.9 million euros from the final settlement made for the 2012 tax year.

In 2013 charges fell, overall, by 4.4%. This variation was, to a significant degree, a result of the fall in gross income and the charge on special uses. The explanation of this reduction is that in spite of the increased billing made by companies granted concessions to supply general interest services during the 2012 fiscal year — the core amount for the 2013 fiscal year assessment —, the impact has been felt of the 12 July 2012 ruling of the Europe Union Court of Justice, which ruled in favour of the mobile telephone

services with regard to the charge for the private or special profiteering use of the municipal public domain, and thereby against the EC regulations regarding non-owners of the network. This decision rendered the collecting for this concept unenforceable for the 3rd and 4th quarters of 2012, and meant that throughout 2013 no further collections were made for this concept. On the other hand, it is important to note the positive evolution of other charges for the use of public thoroughfares, such as restaurant terraces or the charges for the concession of urban planning licences and other activities, which have shown percentage variations of 10.4% and 42.7%, respectively and are symptomatic of an improvement in the city's activity. These increases in revenue collecting have enabled the impact of mobile telephony to be reduced.

The sale of goods and the provision of services reached around 262 million euros,

with a 0.6% variation. This variation is the outcome of a very wide range of causes arising from the diversity of services provided by Barcelona City Council, either directly or through its groups of companies. Despite the positive evolution of the majority of concepts that make up this section, its comparison with the previous fiscal year has been affected by the evolution of house sales by the Municipal Housing Agency: sales fell in absolute terms by around 11.5 million euros.

The remaining operating revenue, including fines, rents and concessions, fell by 1.6%. This variation of around 3 million euros in absolute value was due to the 4 million euro reduction of the revenue received for the rent of urban property, which was compensated in part by a 1.6 million revenue from the lease of urban properties. All together in 2013 the local revenue, excluding taxes, fell by 1.4%.

Table

57

Current revenue (In percentages)

	2009	2010	2011	2012	2013
Tax on Property	17.9	20.0	21.5	22.1	22.2
Tax on Economic Activities	4.0	3.9	3.9	3.7	3.4
Tax on Vehicles	2.9	2.8	2.8	2.5	2.3
Tax on Construction	1.0	1.0	1.0	1.2	0.8
Tax on Increased Land Value	3.7	4.1	3.3	3.6	4.2
Subtotal of Council-levied Taxes	29.5	31.8	32.5	33.1	33.0
Share of Income Tax, VAT and Special Taxes	4.0	3.4	3.4	2.9	3.2
Total Local Taxes	33.5	35.2	35.9	36.0	36.2
Other Fiscal Revenue: charges	6.6	6.9	6.6	5.9	5.4
Sale of Goods and Provision of Services	11.5	12.2	10.1	10.0	9.8
Other Operating Revenue	7.7	7.4	7.2	7.0	6.6
Total Local Revenue	59.3	61.7	59.9	58.9	58.0
Supplementary Finance Fund	32.3	29.5	33.2	35.5	36.3
Other Current Transfers	8.2	8.7	6.7	5.4	5.4
Total Current transfers	40.5	38.2	39.9	40.9	41.7
Financial income	0.2	0.1	0.2	0.2	0.3
Total Current Revenue	100.0	100.0	100.0	100.0	100.0

With regard to current transfers, overall, they were 5.3% higher. Revenue from the Central Government's Supplementary Finance Fund rose by 5.5% in relation to 2012 thanks to the 19.6% increase in the advance payments made for the revenue from the 2013 fiscal year, which came to a total of 974.2 million euros. On the other hand the final settlement for the 2011 fiscal year was 1.1 million euros, which was

well below the 110 million euros paid in 2012 as the final settlement for the 2010 fiscal year.

The other current transfers rose by 3.9%. Assignments from Central Government, without counting the Supplementary Finance Fund, basically correspond to the payment for local taxes. The 2.5 million revenue shows no variation in comparison to the previous year.

Table

5 8

Current revenue (Variation rate)

	2009	2010	2011	2012	2013
Tax on Property	5.6	11.4	7.3	6.8	3.6
Tax on Economic Activities	0.2	(1.5)	0.7	(3.0)	(4.1)
Tax on Vehicles	(2.4)	(1.3)	(2.9)	(7.1)	(1.9)
Tax on Construction	(35.1)	7.4	(8.7)	34.1	(32.4)
Tax on Increased Land Value	(3.7)	8.6	(17.9)	12.8	20.7
Subtotal of Council-levied Taxes	0.7	7.9	1.8	5.9	2.9
Share of Income Tax, VAT and Special Taxes	9.3	(16.2)	1.5	(13.3)	15.1
Total Local Taxes	1.7	5.0	1.8	4.0	3.8
Other Fiscal Revenue: charges	(0.6)	5.3	(5.0)	(7.1)	(4.4)
Sale of Goods and Provision of Services	(0.3)	5.5	(17.4)	3.1	0.6
Other Operating Revenue	(11.8)	(4.6)	(2.8)	0.3	(1.6)
Total Local Revenue	(0.9)	3.9	(3.3)	2.2	1.8
Supplementary Finance Fund	(3.4)	(8.9)	12.1	11.2	5.5
Other Current Transfers	10.7	5.3	(23.0)	(16.3)	3.9
Total Current transfers	(0.8)	(6.0)	4.1	6.5	5.3
Financial income	(76.5)	(60.3)	237.6	(5.5)	68.4
Total Current Revenue	(1.4)	(0.2)	(0.3)	3.9	3.4

In terms of the current transfers received from the Generalitat of Catalunya, these rose by 3.9%, reaching a total of 75.8 million euros, which was basically due to earmarked assignments for nurseries. In turn the non-earmarked transfer corresponding to the local cooperation fund was reduced by around 90% in relation to 2012.

The rest of current transfers include earmarked funds from the Metropolitan Hydraulic Services and Waste Treatment Agency for waste management and earmarked funds from the European Union. The contributions from other local entities grew by 3.3%, and the contributions from the European Union rose by 24.7% to a total of 2.3 million euros.

Evolution of Current Expenses

Over the last five years, consolidated current expenditure has risen by an annual rate of 1.9%. The areas of current expenditure that have required greater resources are, in general terms, people oriented, including: social care, education, culture, sport and public health; maintenance of public spaces, in other words, the maintenance of public highways, parks and gardens in the city, street cleaning and waste collection and treatment ; and safety and mobility:

The current expenses for 2013 fell by 1.4%, which is an absolute value of around 30 million euros. All the expenditure components have contributed to this variation, which enabled the gross saving

obtained in the previous year to be improved on by 26.4%.

Personnel expenses, in line with the group's average staff evolution, fell by 2.5%, which is basically due to the regulatory limit that establishes a 10% maximum replacement limit following retirements. If the evolution is compared with the previous year an issue that has to be taken into consideration is that the expenditure registered for 2012 included 28.8 million euros, which corresponded to the December extra salary payment. This should have been paid to the group's staff before the end of the fiscal year, but it was cancelled in accordance by article 2.1 of the Royal Decree Law 20/2012, 13 July, as part of the measures to guarantee budgetary stability and foster competitiveness. This sum is reflected in the section «Provisions for contingencies and expenses» in the liabilities for the consolidated balance sheet.

Works, supplies and external services fell by 0.1%. This reduction is higher in homogenous terms, given that the impact of the rise in VAT, which came into force in September 2012, was noted throughout 2013. For these concepts rental expenditure fell, and thanks to the new contracts important savings were made in areas including telephone and postal communications, building and office cleaning services and city maintenance. These savings have compensated the largest expenses, which were the outcome of the rise in energy prices, and they have meant that greater resources could be devoted to other contracts, such as social promotion, street cleaning and waste management.

Table

5 **9**

Current expenses (Thousands of euros)

	2009	2010	2011	2012	2013
Staff expenditure	616,522	636,432	624,011	628,604	613,147
Works, supplies and external services	860,279	908,563	875,434	868,858	868,079
Current transfers	477,886	419,888	452,607	502,595	498,359
Provisions	46,492	64,605	94,046	115,158	107,559
Financial expenditure	34,082	33,930	41,787	42,219	40,794
Total current expenses	2,035,261	2,063,418	2,087,885	2,157,434	2,127,938

Table

5 **10**

Current expenses (In percentages)

	2009	2010	2011	2012	2013
Staff expenditure	30.3	30.8	29.9	29.1	28.8
Works, supplies and external services	42.3	44.0	41.9	40.3	40.8
Current transfers	23.5	20.3	21.7	23.3	23.4
Provisions	2.3	3.1	4.5	5.3	5.1
Financial expenditure	1.6	1.6	2.0	2.0	1.9
Total current expenses	100.0	100.0	100.0	100.0	100.0

Table

5 **11**

Current expenses (Variation rate)

	2009	2010	2011	2012	2013
Staff expenditure	(2.7)	3.2	(2.0)	0.7	(2.5)
Works, supplies and external services	6.9	5.6	(3.6)	(0.8)	(0.1)
Current transfers	19.5	(12.1)	7.8	11.0	(0.8)
Provisions	(20.4)	39.0	45.6	22.4	(6.6)
Financial expenditure	(20.7)	(0.4)	23.2	1.0	(3.4)
Total current expenses	4.9	1.4	1.2	3.3	(1.4)

Current transfers fell by 0.8%, and came to a total of 498.4 million euros. With regard to the recipients of these transfers the following are worthy of note: the contribution of 151.5 million euros to the Barcelona Metropolitan Area, which includes 59.4 million that correspond to the Taxa Metropolitana de Tractament de Residus (TMTR, Metropolitan Waste Treatment Charge), 74.1 million euros at 7.6% for the sharing of State incomes received by the City Council, 17 million euros derived from the 2012-2015 agreement with Barcelona Metropolitan Area and 0.9 million to compensate the transport passes granted to individuals aged over 60. The 4.6% increase of the total contributions to the AMB is basically due to the increase of the City Council's assignment of Central Government taxes. Furthermore, 80.2 million euros were invested in the Metropolitan Transport Authority to cover transport system operating expenses, which remained the same as 2012; 62.1 million euros for the Barcelona Education Consortium; 51.7 million euros for cultural sector entities; 17.9 million euros for the Barcelona Health Consortium, basically provided by the Barcelona Public Health Agency; and 5 million euros to the Barcelona Mobile World Capital Foundation, an entity created in 2012, the same year Barcelona was selected as the Mobile World Congress venue until 2018, amongst other entities. The contributions to the Autonomous Community have fallen by 74% in relation to 2012.

The allocation to the provision for doubtful debt was determined by applying the collection coefficients

estimated by Barcelona City Council to outstanding debts owed by tax payers in the prompt-payment period and for fines in both the voluntary and prompt payment periods based on past historical data. This was done for each of the tax figures in an individual way and for each specific fiscal year. In addition, provisions were made for non-fiscal debt regarded as doubtful. The allocation of the provisions for 2013 fell by 6.6% in relation to the previous year, whereby with this allocation the degree of cover for the generic provision of tax and fine insolvency reached 69.2% of the total remaining to be received for this concept on 31 December 2013.

Consolidated financial expenses came to 40.8 million euros, which is 3.4% less than the previous year. The downward evolution of the debt's average cost, which stood at 2.68% instead of the previous year's 2.84% — although the fiscal year closed with a lower financial debt of 5.4% compared to the previous year —, allowed the 2013 1.3% average salary increase to be compensated for.

With regard to its intended purpose, the current expenditure for 2013 complements the aims established when the budgets were drawn up. These aims were to strengthen Barcelona as a people's city by prioritising social expenditure for the most vulnerable individuals and the economic revival of the city, as well as fostering civic ties in a quality public space. The following table compares the range of current expenditure for the years 2011, 2012 and 2013 according to areas of expenditure.

Table



Current expenses (In percentages)

	2011	2012	2013
Public debt	1.4	1.3	1.4
Basic public services	42.4	41.7	41.1
Protection and social promotion actions	10.6	12.2	12.6
Public goods of a preferential nature.	19.4	19.7	20.0
Actions of an economic nature	10.4	9.3	8.6
Actions of a general nature	15.7	15.7	16.3
Total current expenses	100.0	100.0	100.0

Finally, the area of expenditure on public debt comprises the expenditure on debt-incurred interest payments and other related financial services.

The area related to basic public services includes the expenditure for public safety and mobility; housing and urban development; civic welfare, which includes the collection, disposal and treatment of waste, street cleaning, cemeteries and public lighting, amongst other areas; and expenditure on environmental projects, which principally relates to the expenditure on parks and gardens.

The area of activities for social protection and promotion includes the expenditure for social services and promotion and employment creation.

In terms of the production of public goods of a preferential nature, all the expenses related with teaching, culture, sport and health-related public activities have been recorded.

The area of activities of an economic nature includes the expenditure linked to commerce and trade, tourism and

business development, wholesale and retail markets and finally public transport.

Finally, with regard to the area that includes the actions of a general nature, the expenses for the following government bodies are recorded: the General Public Administration, Citizen Participation and Citizen Advice and Information, Financial and Tax Administration, and the transfers to other Public Administrations (essentially contributions to the Metropolitan Area of Barcelona).

Investments

The consolidated capital expenditure has risen by above 3,256 million euros over the last five years. Of these 3,066 million euros has been allocated to direct investments and the rest to capital transfers, principally to cultural amenities, and to capital increases mainly to Fira 2000, SA.

Table

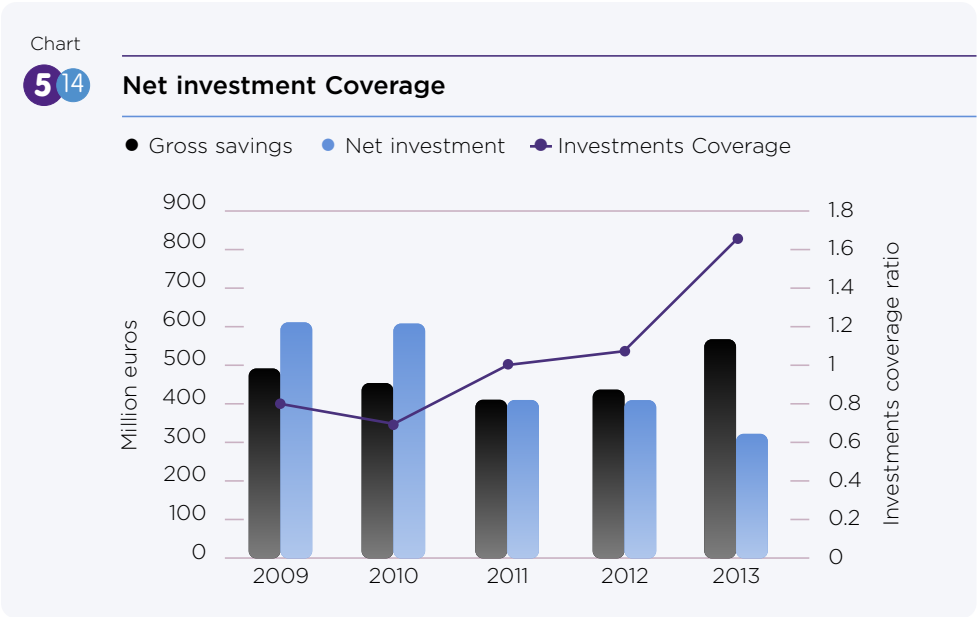


Capital revenue and expenditure (Thousands of euros)

	2009	2010	2011	2012	2013
Direct investments	889,994	814,036	569,980	434,742	357,530
ATM	28,591	0	0	0	0
Non-municipal entities	20,469	29,835	29,427	28,060	13,148
Capital transfers	49,060	29,835	29,427	28,060	13,148
Financial investments	9,557	7,999	4,163	10,875	7,800
Capital expenses	948,611	851,870	603,570	473,677	378,478
Capital transfers	307,130	189,353	101,305	32,184	22,180
Assets management	13,340	30,328	83,199	33,076	20,161
Capital revenue	320,470	219,681	184,504	65,259	42,341
Net investment	628,141	632,189	419,066	408,418	336,137

Capital revenue from capital transfers and asset management amounted to 832 million euros, allowing for the financing of 25.6% of capital expenditure. Notable among the capital transfers received are those from the Central Government, which derived from the 2009 State Local Investment Fund and the 2010 State Fund for Employment and Local Sustainability. Both funds enabled 480 projects to be financed with a value of 381 million euros. With regard to capital revenue for the 2013 fiscal year, 67% corresponded to the sale of assets and capital transfers received by Barcelona City Council. With regard to asset management, of the 20.1 million euros received, 58% corresponded to the sales undertaken by the Municipal

Housing Agency; 30% of the year on figures for 2013 were for the transmission to the Generalitat de Catalunya, which was made on the basis of a census constitution for the property located at Carrer de Girona, 16; and the remaining 12% corresponds to a variety of concepts, such as the sale of car parking places and the cession of usage rights by Barcelona de Serveis Municipals, SA, or the sale of property by Barcelona City Council itself. Investment coverage for the entire period, measured as gross saving over net investments, stood at 0.97 times. In 2013 gross savings covered almost all of the net investments, which has allowed the debt to be reduced.



Barcelona City Council's investment programme is undertaken through a combined range of actions covering a variety of typologies. In terms of investment three principal types are worthy of note: actions within the public space (roads, water and sewerage, parks, car parks, infrastructures, etc.), actions related with municipals facilities (sport, culture, social, educational, commercial, administrative etc.) and, finally, actions associated with land (purchasing,

demolition, expropriation and re-plotting) and housing. With regard to the year on figures for 2013, and in relation to the provisions established in the aforementioned investments programme, a 94.5% level of completion was achieved, which contrasts with the average of 83.5% achieved over the period 2008-2012. With regard to public spaces the most representative urban planning projects undertaken during the fiscal year were:

the completion of road works on Avinguda de l'Estatut de Catalunya and Carrer de Jerez, as well as development work on the new Parc de les Rieres d'Horta created between these two streets; the completion of road works on Carrer de Palamós between Carrer de la Llosa and Carrer de Sa Tuna within the regeneration project for the Trinitat Nova neighbourhood; the completion of work on the streets surrounding the new Centre Cultural del Born; the start of work on Carrer d'Antoni de Capmany; the start of work on the new drainage system on Avinguda del Paral·lel, which is part of the Plan for the Improvement and Regeneration of Paral·lel, as well as building work linked to the renovation of Plaça de les Glòries Catalanes, which includes modifications to the gradient of the bridge on the corner of Carrer de la Marina and Carrer d'Alí Bei.

Within the area of public space and in relation to mobility, the implementation of a new bus network was one of the most important activities undertaken in 2013. This required changes to traffic lights, signposting and traffic circulation, as well as changes to the bus stops. With regard to road safety, mention should also be made of the investment in traffic light renewal, improvements to traffic control systems, the introduction of 30 km speed limit zones and the improvement of management systems for the urban ring roads.

With regard to mobility, Barcelona de Serveis Municipals' investment in building car parks stands out. In 2013 the following car parks were completed and opened: Carrer de Marquès de Mulhacén (265 places), Rambla del Poblenou (261 places), Plaça de la Gardunya (428 places) and Plaça de Salvador Allende (217 places), which was for residents only. Building work is continuing on Carrer de Badajoz. Improvements have also been made to existing car park facilities, such as the introduction of a free place detection system, new video security systems, interphones, remote-controlled automatic doors and electric charge points.

With regard to the municipal facilities in the cultural sector, one of the city's most emblematic projects was completed in

2013, namely, the new Centre Cultural del Born. In addition to this, mention should also be made of the opening of the new Biblioteca del Clot (El Clot Library), within the new building housing the Centre del Disseny (Design Centre), DHUB Barcelona, and the new Biblioteca Joan Maragall (Joan Maragall Library), which is currently being built in the Sant Gervasi - la Bonanova neighbourhood.

With regard to investment in social facilities the principal activities were: the start of building work on the new casualty and social emergency centre in Poblenou and the conclusion of the Casal de Barri Fabra i Coats.

With regard to the building work undertaken for the city's commercial establishments, the following are worthy of note: the completion of the new Encants Market, the continuation of the renovation of the Sant Antoni Market, which involved the construction of the underground infrastructure; the completion of the third and final phase of the renovation of the Sants Market, and the continuation of the third and final phase of the renovation of the Ninot Market, which involved the building of two underground levels to provide service access to the market, in addition to the building's overall integration.

In terms of the principal investments in educational facilities, and with regard to the maintenance and improvement work undertaken in a range of the city's educational centres, worthy of note is the completion and operation of the new Escola Mediterrània (Mediterranean School) in the Barceloneta neighbourhood.

With regard to sports facilities, besides the improvement and general maintenance work undertaken in the range of municipal sports facilities, the completion of the work undertaken on the Palau Sant Jordi to host the world swimming championships is worthy of special note. It should also be noted that the World Swimming Championships led to improvements in other sports facilities, such as the renovation of Montjuïc's Municipal Diving Pool and the renovation of the changing rooms of the Montjuïc Swimming Club.

With regard to land management, the principal activities undertaken during 2013 were as follows: in terms of the purchase of properties intended for services or social housing, the following are worthy of note: the purchase of 41 flats in the former Sant Andreu barracks to add to the municipal provision of social housing and also the purchase of a property for the future introduction of the social services centre in the Camp d'en Grassot and Gràcia Nova neighbourhood; with regard to the acquisition of land to create more public spaces of, special note should be made of the purchase of the plot at Carrer de la Riera de Tena, 45-51, between Carrer de Burgos and Carrer de la Riera de Tena, which will be used to build a southern access ramp for the future avenue over the tracks at Sants, as well as the purchase of the property at Plaça dels Eucaliptus above the new car park, which was built in the Torre Baró area and will create a new public space; modifications to the General Metropolitan Plan such as the re-plotting of the pavements on Via Augusta — which has enabled the regeneration of this area and the transformation of the land to enable the subsequent building of housing and services —, and the continuation of the building work in the area of Avinguda de Vallcarca and in the neighbourhood of the Torre Baró; and, to conclude, the remodelling and transformation of neighbourhoods such as that underway in Trinitat Nova, and which implies the demolition of housing with structural issues, the payment of indemnity payments and the rehousing of the effected residents.

With regard to the housing policy in 2013, the Patronat Municipal de l'Habitatge de Barcelona (PMH, Municipal Housing Agency), one of the principal promoters of protected housing, completed the construction of 160 homes and a further 354 additional homes were being built at the end of the fiscal year. The promotion activity undertaken led to the signing of contracts and deeds, which resulted in the payment for 570 homes, the allocation of 349 car parking places and 16 retail outlets. Furthermore, at the end of the fiscal year, the PMH had 426 homes either at the study or project drafting phase.

With regard to the activities undertaken by the Grup Barcelona de Serveis Municipals the following in relation to mobility are worthy of note: the activities undertaken for the improvement of the Zoo in Ciutadella Park and the Tibidabo Amusements Park, the investment in Mercabarna, abattoir management and central markets, as well as the activities undertaken by Tersa in relation to its waste treatment and selection activity.

Funding

The Barcelona City Council's consolidated debts at 31 December 2013 stood at 1,326 million euros, with a reduction of 75 million in comparison with the previous year. Of this total, 1,101 million corresponds to the City Council and 225 million to its commercial entities, meaning, the Municipal Housing Agency and the Barcelona de Serveis Municipals Group. The consolidated debt represents 2.4 times the gross savings made.

Table



Consolidated financial indebtedness (Thousands of euros)

	2009	2010	2011	2012	2013
Public Administration	750,101	1,200,101	1,090,101	1,165,101	1,101,376
Commercial Entities	224,257	264,304	256,681	235,931	224,674
Total Debt	974,358	1,464,405	1,346,783	1,401,032	1,326,050

Public Administration

Barcelona City Council's debt fell from 1,165 million euros at the end 2012 to 1,101 million euros as of 31 December 2013, which is a reduction of 5.5%. All the debt is long-term.

The variation of 63.7 million euros in the debt volume is due, on the one hand, to the new bilateral loans taken out for a total sum of 40 million euros, and on the other, the contractual amortisation of the 103.7 million corresponding to the payments due for this fiscal year. With regard to the contracting of new debt, this has been formalised with financial entities for an average combined period of 5.4 years.

On 31 December 2013, the public entities and dependent municipal firms that are part of the public administration had no debt.

Commercial Entities

Commercial entities' debt as at 31 December 2013 amounted to 224.7 million euros, of which 98% were long-term operations.

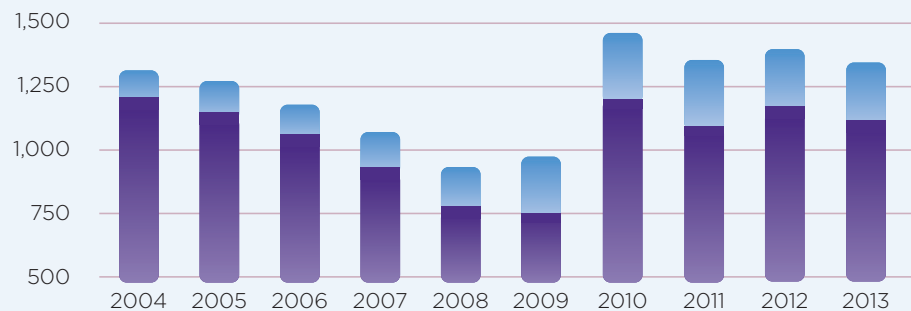
Compare with 2012, the commercial entities debt was reduced by 4.8%. The Municipal Housing Agency's debt fell by 3 million, and now stands at 184 million euros; and the Barcelona de Serveis Municipals Group's debt fell by 8 million euros to a total of 41 million euros.

Chart

5 16

Financial Debt (in millions of euros)

● Public sector ● Commercial Entities



Table

5 17

Consolidated financial indebtedness (Thousands of euros)

	31/12/09	31/12/10	31/12/11	31/12/12	31/12/13
Banking system	584,358	1,074,405	1,050,058	1,201,032	1,121,635
Private Placements	290,000	290,000	290,000	200,000	200,000
Public Bond Issues	100,000	100,000	0	0	0
Total Debt	974,358	1,464,405	1,346,783	1,401,032	1,326,050
Long-term Debt	962,099	1,455,914	1,340,058	1,392,688	1,321,635
Short-term Debt	12,259	8,491	6,725	8,344	4,415

Table

518

Consolidated financial indebtedness (In percentages)

	31.12.09	31.12.10	31.12.11	31.12.12	31.12.13
Banking system	60.0	73.4	78.5	85.7	84.9
Private Placements	29.8	19.8	21.5	14.3	15.1
Public Bond Issues	10.2	6.8	0.0	0.0	0.0
Total Debt	100.0	100.0	100.0	100.0	100.0
Long-term Debt	98.7	99.4	99.5	99.4	99.7
Short-term Debt	1.3	0.6	0.5	0.6	0.3

The financial aims of Barcelona City Council are: stability, measured by the non-creation of deficit; sustainability, measured by debt levels lower than 60% of current income; investment capacity, measured by obtaining a high gross saving of at least 15% of current income; and liquidity, measured according to compliance with an average payment period to suppliers of under 30 days. Therefore, the financial strategy is based on facilitating access to capital markets by offering timely financial advice;

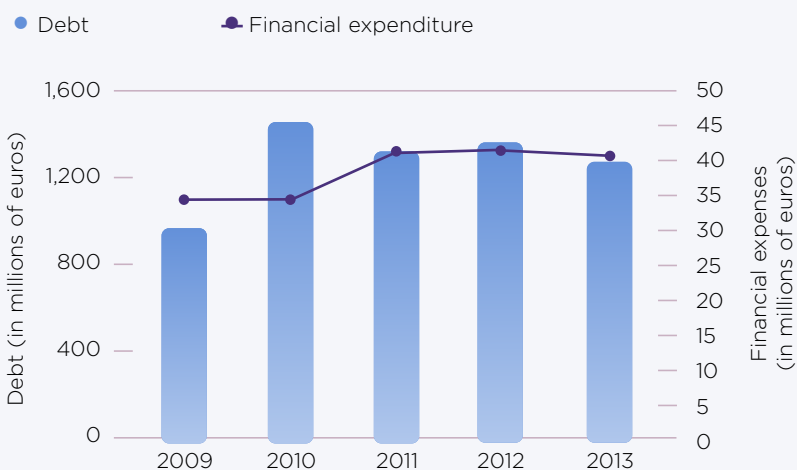
controlling the growth of financial expense, while assuming a reasonable level of risk; using short-term debt only to cover temporary cash-flow needs; improving the profile of debt by maturities, while maintaining annual contractual amortisations of debt below the gross savings generated; and diversifying risk through interest rates.

Barcelona City Council's debt is sourced in the euro zone. On 31 December 2013, 44.2% of the debt was referenced at a fixed rate and 55.8% at a variable rate.

Chart

519

Debt and Financial Expenses



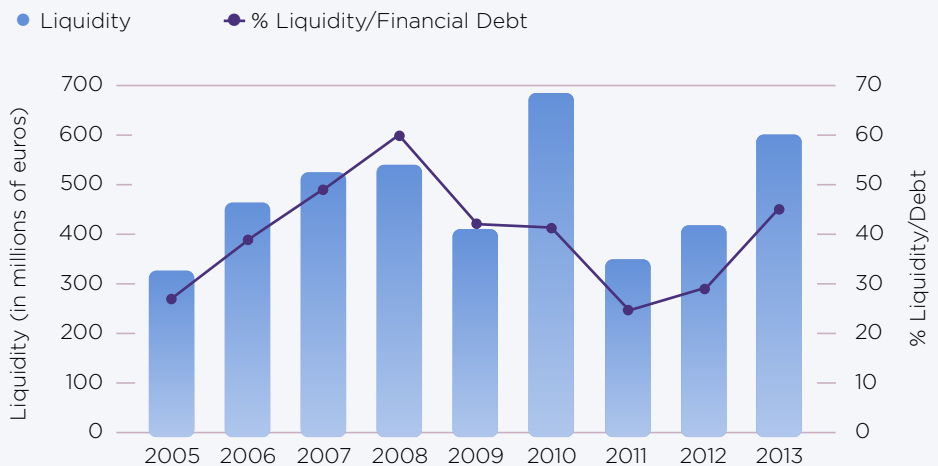
Given that liquidity is one of the City Council's financial aims, the following table shows the evolution, on 31

December of each fiscal year, of the cash balances and their percentage in terms of the volume of financial debt.

Chart

520

Liquidity and percentage in relation to financial debt



The fact that resources from Central Government, from the Supplementary Finance Fund and shared taxes, account for 39.4% of consolidated current revenue means that the State's credit rating represents, in accordance with the credit agencies criteria, the upper limit for Barcelona's credit rating. In 2013 the

improvement in the credit rating for the Central Government's debt has enabled an automatic positive revision of Barcelona City Council's credit rating, which is now supported by the positive evolution of its ratios. In May 2014, this rating was as follows:

Table

521

Credit rating

Rating Agency	Barcelona City Council	Central Government	Perspective (City Council/Central Government)
Fitch	BBB+	BBB+	Stable/Stable
Moody's Investor Service	Baa2	Baa2	Positive/Positive
Standard & Poor's	BBB (*)	BBB	Stable/Stable

(*) ICL (Indicative Credit Level) 'aa'. Note: The ICL, according to the methods used by S&P for rating local and regional governments (LRGs), is not a rating, but a means for assessing the intrinsic solvency of an LRG on the premise that there is no ceiling to the sovereign rating. The ICL shows the results of the combination of the assessment of the LRG's individual credit-profile with the institutional framework it operates under.

6

2013 Annual accounts

(along with the auditors' report)



Av. Diagonal, 640
08017 Barcelona



**Gabinete Técnico
de Auditoría y Consultoría, s.a.**

Balmes, 89-91
08008 Barcelona

This version of our report on the annual accounts is a free translation of the original, which was issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AUDITOR'S REPORT ON ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council,

We have audited the annual accounts of the Barcelona City Council, consisting of the balance sheet as of December 31, 2013, the statement revenues and expenses, the budget reconciliation statement and the related notes to the annual accounts for the year then ended. The Corporation's Directors are responsible for the preparation of these annual accounts in accordance with the financial reporting framework applicable to the Entity (as identified in Note 1.1.a to the accompanying annual accounts), and in particular, with the accounting principles and criteria included therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying annual accounts for 2013 present fairly, in all material respects, the net worth and financial position of the Barcelona City Council as of December 31, 2013 and the results of its operations as reflected in the statement of revenues and expenses and budget reconciliation statement referred to above, and its source and application of funds for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

PricewaterhouseCoopers Auditores, S.L.

Sandra Deltell
Partner

April 30, 2014

Gabinete Técnico
de Auditoría y Consultoría, S.A.

Jordi Vila López
Partner

City of Barcelona
Balance sheet as of December 31, 2013 and 2012
(thousands of euros)

Table

61

Assets

		As of December 31, 2013	As of December 31, 2012
<hr/>			
	Note		
Fixed Assets		7,592,897	7,710,560
Intangible fixed assets	3	31,507	25,044
Tangible fixed assets	3	7,876,656	7,378,805
Public land assets	3	517,732	488,647
Tangible fixed assets assigned to municipal agencies and third parties	3 & 9	(616,221)	(590,359)
Fixed assets pending classification and in progress	3	630,237	1,146,744
Investments in infrastructures and assets for public use	3	7,489,008	7,169,286
Investments assigned for public use	3 & 9	(7,489,008)	(7,169,286)
Accumulated depreciation	3	(1,043,427)	(949,593)
Long-term financial investment	4	186,577	202,239
Long-term off-budget receivables	5	9,836	9,033
Deferred expenses	6	637	709
Current assets		952,322	812,876
On budget receivables	7.1	880,689	833,549
Allowance for bad debt	7.1	(507,638)	(451,116)
		<u>373,051</u>	<u>382,433</u>
Other off-budget receivables	7.2	58,789	46,355
Public administrations receivables	15	1,343	2,691
Short-term financial investment	8	50,000	15,200
Cash	8	469,139	366,197
Total assets		8,545,856	8,524,145

Notes 1 to 21 of the attached report form an integral part of the balance sheet as of December 31, 2013.

City of Barcelona
Balance sheet as of December 31, 2013 and 2012
(thousands of euros)

Table

**Liabilities**

		As of December 31, 2013	As of December 31, 2012
Equity	Note 9	5,821,195	5,726,736
City of Barcelona equity		7,780,415	7,740,096
Property assigned to municipal agencies and third parties		(616,221)	(590,359)
Property delivered for public use		(7,489,008)	(7,169,286)
Property assigned by municipal agencies and third parties		35,728	35,728
Results of previous fiscal years		5,710,557	5,416,115
Results of fiscal year		399,724	294,442
Deferred income		657,624	695,771
Capital transfers and other capital income	10	556,046	594,366
Other deferred income	11	101,578	101,405
Provisions for contingencies and expenses	12	107,034	76,188
Long-term liabilities		1,269,975	1,393,058
Long-term loans and debentures	13	971,680	1,061,376
Long-term guarantees and deposits		28,335	28,423
Other long-term payables	14	269,960	303,259
Short-term liabilities		690,028	632,392
Short-term payables for loans and debentures	13	129,696	103,725
On-budget payables		398,715	389,409
Public administration payables	15	28,418	26,781
Other off-budget payables	16	121,455	100,012
Accrued expenses	17	9,104	10,318
Amounts pending application		2,640	2,147
Total liabilities		8,545,856	8,524,145

Notes 1 to 21 of the attached report form an integral part of the balance sheet as of December 31, 2013.

City of Barcelona

Statements of revenues and expenses for the fiscal years ended as of December 31, 2013 and 2012 (see Note 18) (thousands of euros)

Table

63

Expenses	2013	2012	Revenues	2013	2012
Personnel expenses	342,676	348,789	Sale of goods and services	42,058	42,739
Wages and salaries	262,672	252,735	Sale of goods	396	420
Compensation for services	2,615	2,527	Charges on services	9,339	8,609
Social security expenses	76,193	75,975	Public prices for sale of services	32,323	33,710
Other welfare expenses	1,196	17,552			
Welfare benefits	783	853	Other operating revenues	182,486	167,172
			Interest	6,840	2,678
			Profit sharing	10,939	–
			Surcharge on collection proceedings	10,623	10,460
Financial expenses	32,056	31,906	Late payment surcharge	8,622	7,322
			Fines	96,804	96,865
Taxes	700	389	Rents, concessions and special uses	34,482	37,189
			Other	14,176	12,658
Works, supplies and subcontracted services	530,958	525,417	Taxes	977,515	941,401
Rent	22,017	22,593	Property tax (IBI)	601,194	580,182
Maintenance and repairs	14,857	13,306	Tax on economic activity (IAE)	91,839	95,640
Supplies	33,542	34,174	Tax on motor vehicles (IVTM)	63,188	64,386
Communications	4,632	6,274	Tax on construction, installations and works (ICIO)	21,573	31,910
Subcontracted work	409,507	407,255	Tax on the increase in land values (IIVT)	113,841	94,639
Miscellaneous expenses	46,403	41,815	Assignment of Central Government taxes	85,880	74,644
Current transfers	927,096	932,046	Other tax revenues	146,644	153,724
To municipal agencies and firms	522,684	516,799	Charges on services	52,206	56,345
To autonomous communities, metropolitan areas and consortia	336,912	344,052	Charges on use of public domain	94,441	97,384
Other current transfers	67,500	71,195	Replaced taxes	(3)	(5)
Provision to allowance for bad debt	93,129	109,196	Current transfers	1,106,185	1,057,767
			Supplementary Finance Fund	975,364	924,394
			Other Central Government agencies	2,401	2,521
			From the Generalitat of Catalonia	64,066	65,878
			From local entities	62,295	62,846
			From foreign transfers	1,781	1,829
			Other	278	299
Total operating expenses	1,927,398	1,948,596	Total operating revenues	2,454,888	2,362,803
Operating result (before capital transfers)	527,490	414,207			
Capital transfers	24,207	36,770			
Operating result (after capital transfers)	503,283	377,437			
Negative extraordinary expenses	115,365	121,459	Positive extraordinary revenue	112,657	133,655
Provision for depreciation	94,817	90,267			
Financial investment provisions	6,034	4,924			
Result for the year	399,724	294,442			
Total	2,567,545	2,496,458	Total	2,567,545	2,496,458

Notes 1 to 21 of the attached report form an integral part of the statement of revenues and expenses as of December 31, 2013.

Integral report of the annual accounts corresponding to the fiscal year ending December 31, 2013

Note 1 – Basis of presentation

1.1. Accounting policies

1.1.a) These annual accounts have been drawn up from the City's accounting records corresponding to the fiscal year 2013 and have been prepared in accordance with the generally accepted accounting principles for public administrations, as laid down in the Instruction on Local Government Accounting Standards, order of November 23, 2004, which took effect on January 1, 2006, and in Law 1/2006, which governs Barcelona's special regime, for the purpose of presenting a faithful rendering of the equity, of the financial position, of the results of its operations reflected in the statement of revenues and expenses and in the budget account settlement, and of the resources obtained and applied during the fiscal year.

1.1.b) The following prevailing legislation was also taken into account:

- Law 7/1985, of April 2, governing the basis of law for local legislation.
- Royal Decree Law 781/1986, of April 18, approving the Amended Text of the current provisions concerning the local regime.
- Legislative Decree 2/2003 of April 28, approving the Amended Text of the Municipal Law of the Local Government Regime System of Catalonia.
- Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).
- Royal Decree 500/1990, of April 20, developing Chapter I of Title VI of Law 39/1988, of December 28, on the regulation of local taxation in the area of budgeting.
- Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by the Resolution of the Secretary of State for Treasury on December 28, 1990.
- Order of April 27, 2007, on the deployment of Decree 94/1995, of February 21, modified by resolutions ECF/2901/2008, ECF/1769/2009,

ECF/3210/2010, ECO/1406/2011 and ECO/2829/2012 on the financial monitoring of local entities.

- Law 15/2010, of July 5, of the modification of Law 3/2004, of December 29, which established measures against arrears in commercial operations.

- Organic Law 2/2012, of April 27, of Budget Stability and Financial Sustainability, with the amendments added in Organic Law 9/2013, of December 20, of control of commercial debt in the public sector.

- Organic Law 9/2013, of December 20, of control of commercial debt in the public sector.

- Law 27/2013, of December 27, of rationalisation and sustainability of the Local Administration.

1.2. Accounting system, annual accounts and general account

In accordance with the Law 1/2006, governing Barcelona's special regime, the accounting information system of the City of Barcelona consists mainly of the subsystems of financial accounting, consolidation of accounts and budget accountancy.

Financial accounting is undertaken in accordance with generally accepted accounting principles in order to offer a faithful rendering of the equity and financial position of the City of Barcelona, and the results of its operations during the fiscal year. This is composed of:

- Balance sheet.
- Statement of revenues and expenses.
- Report.

The balance sheet has basically been drawn up according to the models established by the Instruction on Local Government Accounting Standards (ICAL), applicable from January 1, 2006.

The statement of revenues and expenses has been published in more detail than required by the aforementioned standards in order to provide more thorough information on revenues and expenses.

The report is basically presented in accordance with the models established by the aforementioned ICAL.

The figures contained in the documents that go to make up these annual accounts are expressed in thousands of euros.

The consolidated accounts integrate the City of Barcelona's accounts and its autonomous local agencies, public business entities and dependent trading companies.

The budget account is composed of the state of the budget results statements:

- Summary of the status of the revenues account budget.
- Summary of the status of the expenses account budget.
- Budget results.
- Budget treasury reserves.

The budget results statement was approved by Decree, issued by the Mayor's Office on February 21, 2014. Regarding the legal terms established, General Accounts will be submitted to the Municipal Council Plenary Session for approval within the established statutory period.

1.3. Comparability of the information

The annual accounts for the fiscal years 2013 and 2012 have been drawn up in accordance with ICAL provisions, with their preparation following uniform criteria regarding valuation, grouping, classification and monetary units, and as such information presented is therefore uniform and comparable.

1.4. Organisation

The Municipal Charter of Barcelona regulates, inter alia, municipal authority, the organisation of the Municipal Government, the districts, the municipal executive organisation and citizen participation.

1.5. Public services management

Municipal public services are managed directly, except for cleaning and waste-collection services and some municipal facilities linked to social services (housing services, homes and day care centres for the elderly, emergency accommodation, etc.).

Note 2 - Valuation criteria

The most significant accounting criteria applied in drawing up the annual accounts are the following:

2.1. Tangible fixed assets

These include the City's assets and those in the public domain that are directly assigned to the provision of public services, which constitute the local entity's long-term investments.

The valuation criteria for fixed assets are the following:

a) Land and buildings. Additions made prior to January 1, 1992 are valued according to an expert estimate of their current market value carried out by an independent valuation firm. For properties officially listed as of historic-artistic interest, this value is equivalent to the cost of replacement. To this end, with regard to non-financial assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as "the sum of all the expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings officially listed as of historic-artistic interest, this value will be that of reconstruction". Posterior additions are valued at their purchasing price or, in the case of assets received free of charge, at their appraised value, reduced by accumulated depreciation.

b) Historical, artistic and cultural heritage assets. These are valued at acquisition price and not subject to amortisation.

c) Machinery, installations, furniture, data processing equipment and vehicles. These are valued at their purchasing price, reduced by accumulated depreciation.

d) Fixed assets in progress and pending classification. Additions are valued at their purchasing price or construction cost and these are transferred to the corresponding fixed assets account or to the "Property delivered for public use" account upon full completion, and they are fully operational.

Repairs not contributing to an extension of useful life and maintenance costs are charged directly to the statement of revenues and expenses. The costs of any additions or improvements that extend an asset's useful life span are capitalized as an increase in its value.

The annual provision for asset depreciation is calculated by applying the straight-line method based on each asset's estimated useful lifespan, which, in the case of property, begins one month after its incorporation into the City's Asset inventory.

The process of economic depreciation started in the fiscal year 1992. The estimated years of useful life corresponding to the "Buildings" and "Property assigned by municipal agencies and third parties" accounts are determined according to the criteria of the aforementioned independent appraisal.

In the case of properties with historic-artistic value, depreciation is calculated on the cost of an asset that would be needed to reproduce its capacity and usefulness. As such, the part of the registered book value corresponding to the building's historic-artistic component, which amounts to 221,573 thousand euros as of 31 December 2013, is excluded from the depreciation calculation, with this based on the aforementioned independent appraisal. This treatment is justified by the fact that the aforementioned historic-artistic component is subject to maintenance to guarantee its long-term value.

Property assigned by municipal agencies or third parties shows the value of the property assigned to the City of Barcelona to be managed and used, coming from other entities.

The "Tangible fixed assets assigned by municipal agencies and third parties" account shows the book value of those assets assigned free of charge by the City of Barcelona to its public agencies, firms or to third parties for their operation or use.

When an asset is assigned, its retirement is recorded through a charge to the

"Property assigned to municipal agencies and third parties" account on the balance sheet (see note 9) and thus it is no longer depreciated.

2.2. Public land assets

The Public Land Assets (PMS) refers to the group of assets that, in accordance with Legislative Decree 1/2005, of July 26, approving the Amended Text of the Town Planning Law of Catalonia, and in accordance with the Barcelona Municipal Charter, are affected for the purposes of social interest established by law.

Municipal-owned properties included in this account are as follows:

- Properties for social housing, managed by the City of Barcelona itself or municipal operators.
- Properties that have been awarded surface rights in favor of third parties status, to build social housing, homes for the elderly, care centers and other investments with a social aspect.
- Properties sited under investment projects which, when finished, will be given over for usage as social housing and other socially-oriented programs.

The valuation and depreciation criteria are as described in note 2.1.

2.3. Investments in infrastructures and assets assigned to public use

Assets delivered for public use includes thoroughfare infrastructure (roads, pavements, public lighting, and signs), large installations for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for public use by citizens.

Additions made prior to January 1, 1992 are valued in accordance to the criteria described in note 2.1. Subsequent additions are valued at their purchasing price.

Table



Estimated years of useful life

Buildings	65
Property assigned by municipal agencies or third parties	65
Technical installations and machinery	8-12.5
Vehicles	5
Fittings	6
Data-processing equipment	4
Livestock	7
Bibliographic archives and others	8

Upon completion of investments in infrastructures and property for public use and once fully operational, these are retired from the balance sheet with a charge to the "Property delivered for public use" account (see note 9).

For the purposes of presentation, the assets side of the balance sheet shows the value of assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, note 3 reflects the movements registered under these concepts over the fiscal year.

2.4. Long-term and short-term financial investments

Long-term financial investments made by the City of Barcelona prior to January 1, 1992 in its municipal agencies and firms, as well as other shareholdings, are recorded at their technical book value as of December 31, 1991. Subsequent additions are registered at their purchasing price.

As of December 31, 2013, the difference between the book value and the recoverable value of those shareholdings with substantial losses has been impaired in the attached accounts (see note 4).

Except where there is better evidence of the recoverable value of these investments, the net equity of the company in which the shareholding is held has been considered, corrected for adjustments due to changes in the value of financial derivatives and for implied capital gains at the valuation date.

The balance of the "Short-term investment" account includes repos operations (public bond issues) and term deposits in financial entities.

2.5. On-budget receivables and payables

These are registered according to their nominal value.

For on-budget debtors, a compensatory allowance has been set up for debts that are considered difficult to collect on.

The provision for bad debts is determined by applying a collectability ratio, which expresses the likelihood of payment, based on the past experiences

of the City, on the budget settlement of each tax figure in an individualized way and in each fiscal year.

In addition, provision has been made for receivables owing for non-fiscal concepts when they are regarded as doubtful.

2.6. Capital transfers and other capital income

Capital subsidies are recorded, mainly, when the requirements have been met for their payment by the entity granting them, i.e. when they have been duly justified by the City Council.

Other capital income is registered at the moment when the administrative operation generating it is actually carried out.

In both cases, capital income is moved to assets when the investment it was financing is assigned for public use or to the fiscal year's results in the proportion corresponding to the effective depreciation undergone, and recorded in the accounts.

2.7. Other deferred income

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the "Other deferred income" account (see Note 11), except for the portion of such amounts that has been deferred to the following year, which is recorded under the "Accrued expenses" account (see Note 17) under liabilities on the balance sheet prior to being credited to the statement of revenues and expenses.

2.8. Provisions for risks and expenses

The balance of this account reflects the provisions established to cover the economic costs of contingent or probable debts.

2.9. Classification of long and short-term debtors and creditors

On the attached balance sheet, receivables, credits and debts that mature in a period equal to or less than a year are classified as short-term. Those which mature within a period greater than a year are classified as long-term.

2.10. Revenues and expenses

a) Financial and budget accounts

Revenues and expenses are primarily recorded in the statement of revenues and expenses in the fiscal year in which they occur depending on the real flow of assets and services they represent and regardless of the timing of the monetary or financial movement from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in sections 2.6 and 2.10.b) respectively.

Revenues and expenses are included in the budget results account when the administrative measure recognizes the respective receivables and payables.

b) Grants and transfers

To record the expenses for transfers and grants stemming from agreements subscribed to by different parties, which could take the form of collaborative agreements, cooperative agreements, contract programs or other similar agreements signed to co-finance or develop specific projects or activities (including capital grants to offset accumulated negative results), the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. The recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognized and quantified.

c) Capital transfers

This entry includes the City of Barcelona's contributions charged to its budget for financing investment processes carried out by municipal agencies, firms belonging to the municipal group or third parties not owned by the City.

2.11. Corporate tax

In accordance with Legislative Royal Decree 4/2004 of 5 March, approving the Amended Text of the Corporate Tax Law, the City of Barcelona is exempt from payment of this tax and profits from its investments are also not subject to retentions.

2.12. Environment

Expenses derived from actions intended to protect and improve the environment are registered, where applicable, as expenses in the year they are incurred. Notwithstanding this, if they entail investments as a result of actions to minimize impacts on the environment or to protect and improve it, the fixed asset in question is recorded at a higher value.

Note 3 - Intangible fixed assets, tangible fixed assets and infrastructures

Movements registered in the different tangible and intangible fixed assets and infrastructures accounts are as follows:

Table

65

	As of December 31, 2012	Additions	Retirements	Transfers	As of December 31, 2013
Intangible fixed assets	25,044	–	–	6,463	31,507
Assets of historical, artistic and cultural heritage	–	–	–	1,646	1,646
Land	344,546	958	(726)	(25,522)	319,256
Buildings	6,082,115	23,826	(57)	436,409	6,542,293
Fixed assets assigned to municipal agencies and third parties	590,359	–	601	25,261	616,221
Vehicles	18,725	–	–	–	18,725
Machinery, equipment, installations and tools	102,895	1,780	–	12,665	117,340
Data-processing equipment	184,679	65	–	14,193	198,937
Office furniture and equipment	50,439	907	–	4,103	55,449
Others	5,047	1,164	–	578	6,789
Tangible fixed assets	7,378,805	28,700	(182)	469,333	7,876,656
Public land assets	488,647	6,823	(172)	22,434	517,732
Tangible fixed assets assigned to municipal agencies and third parties	(590,359)	–	(601)	(25,261)	(616,221)
Fixed assets pending classification	1,146,744	306,664	(19,377)	(803,794)	630,237
Investments in infrastructure and assets for public use	7,169,286	15,135	–	304,587	7,489,008
Investments assigned for public use	(7,169,286)	(15,135)	–	(304,587)	(7,489,008)
Gross tangible and intangible fixed assets and infrastructure	8,448,881	342,187	(20,332)	(330,825)	8,439,911
Accumulated depreciation	(949,593)	(94,817)	6	977	(1,043,427)
Net tangible and intangible fixed assets and infrastructure	7,499,288	247,370	(20,326)	(329,848)	7,396,484

In accordance with applicable regulations, the City of Barcelona records the value of lands containing any type of building under the “Buildings” and “Public land assets” accounts. These accounts include 2,599,507 thousand euros as of

December 31, 2013 and 2,561,205 thousand euros as of December 31, 2012, corresponding to the value of lands on which the buildings are constructed.

Additions during the fiscal year include the following concepts:

Table

66

Investments carried out directly by the City of Barcelona	118,706
Funds delivery for investments:	
• To decentralized entities (autonomous local agencies, public business entities and municipal firms), pursuant to the terms of the Decree issued by the Mayor's Office on January 30, 2012	201,113
• Investments carried out by third parties	2,914
• Investments financed by third parties	14,534
• Assets received in free assignment	4,742
• Assets received in exchange	178
Total	342,187

The net book value of retirements carried out during the fiscal year includes the following:

Table		
6 7	By sale	55
	By exchange operations	181
	By free assignments to third parties	601
	On completion of investment activities (pending classification assets not inventoried)	19,489
	Total	20,326

Write-offs for the completion of non-inventory investor actions are offset in the extraordinary income of the fixed asset for 11,704 thousand euro, and in other extraordinary income for 7.785 thousand euro.

The net book value of transfers during the fiscal year is as follows:

Table		
6 8	Assigned and ceded equity (note 9)	25,261
	Property delivered for public use (note 9)	304,587
	Total	329,848

The details of investments assigned for public use are as follows:

Table		
6 9	Thoroughfares	3,829,307
	Parks and forests	1,696,379
	Systems	644,963
	Property for public use: HOLSA	628,125
	Mixed	454,328
	Municipal assets of an artistic nature	112,439
	Urban furniture	73,224
	Public facilities	40,708
	Buildings	9,535
	Total	7,489,008

Items totally written off and in use as of 31 December 2013 are the following:

Table		
6 10	Vehicles	16,216
	Machinery, equipment, installations and tools	22,410
	Data-processing equipment	121,832
	Office furniture and equipment	35,988
	Others	21,713
	Total	218,159

The policy of the City of Barcelona is to contract those insurance policies that are considered necessary in order to cover

any possible risks that could affect fixed assets.

Note 4 – Long-term financial investments

Movements registered in the long-term financial investments account over the fiscal year 2013 were as follows:

Table

611

	As of December 31, 2012	Additions	Retirements	Transfers	As of December 31, 2013
Financial investments	191,304	3,745	(44,928)	–	150,121
Long-term credits AMB	21,149	–	–	(2,644)	18,505
Sale of long-term fixed assets and future					
PMS property exchanges	36,417	667	–	(7,004)	30,080
Long-term deposits and guarantees	262	25	–	–	287
Provision for depreciation of financial fixed assets	(46,893)	(6,034)	40,511	–	(12,416)
Total	202,239	(1,597)	(4,417)	(9,648)	186,577

The additions in financial investments correspond to the amount subscribed to and disbursed by the City of Barcelona in the increase in capital carried out by Fira 2000, SA, to the value of 3,000 thousand euros, taking the City of Barcelona's holding from 19.10% to 19.50%. Also to the acquisition of shares in Clavegueram de Barcelona, SA to the value of 685 thousand euros, shares previously held by Barcelona de Serveis Municipals, SA. And to the incorporation of a new entirely municipal company, Barcelona Cicle de l'Aigua, SA, for 60 thousand euros.

Retirements in financial investments correspond to the dissolution of Barcelona Holding Olímpic, SA, the distribution of premiums on issued shares for Barcelona de Serveis Municipals, SA, the net book value of the securities of Clavegueram de Barcelona, SA, and the return on equity of Barcelona Emprèn CR, SA.

Long-term credits with the Metropolitan Area of Barcelona (AMB) refer to amounts that AMB has to compensate, with maturities exceeding one year, to the City of Barcelona corresponding to negative settlements of the share in State taxes in the fiscal years 2008 and 2009.

In sales of long-term fixed assets, the transfers correspond entirely to short-term reclassifications, to non-budgetary receivables, of fees with due date 2014.

The additions to provisions for the amortization of financial assets correspond to adjustments in value due to the negative results originated in Fira 2000, SA, Nauta TechInvest SCR, Informació i Comunicació de Barcelona, SA, Port Fòrum Sant Adrià, SL and Barcelona Emprèn, CR, SA.

The financial investments of the City of Barcelona as of 31 December 2013 are summarized in the following table:

Table

613

Long-term financial investments (Data as of December 31, 2013)

Name	Interest held %	Equity as of 31 December/ Net Equity 2013 prior to results (1)	Fiscal year results 2013 (1)	Recoverable value 12.31.13 (1)	Net book value of the investment 12.31.13 (*)
Autonomous agencies					
Municipal Agency of Disabled Persons	100	949	56	1,005	–
Municipal Agency of Urban Landscape and Quality of Life	100	6,307	478	6,786	–
Municipal Agency for Education	100	1,147	(775)	373	–
Municipal Agency for IT Services	100	297	30	327	–
Municipal Agency for Town Planning	100	1,164	168	1,331	–
Municipal Agency for Taxes	100	2,384	201	2,585	–
Municipal Agency for Markets	100	3,587	695	4,282	–
Municipal Agency for Barcelona Sports	100	2,931	762	3,693	–
Municipal Agency for Social Services	100	(200)	867	667	–
Public business entities					
Municipal Agency for Housing	100	157,254	815	158,069	–
Municipal Agency for Culture	100	4,885	67	4,952	–
Municipal Agency for Parks and Gardens	100	5,333	517	5,850	–
Municipal Agency Mies Van der Rohe Foundation	100	9,755	36	9,791	–
Total		195,793	3,918	199,711	–
Municipal firms					
Barcelona de Serveis Municipals, SA Group	100	274,436	5,960	280,397	69,124
Barcelona Infraestructures Municipals, SA Group	100	18,537	13	18,550	12,949
Informació i Comunicació de Barcelona, SA	100	2,498	(1,635)	864	864
Barcelona Activa, SA, SPM	100	13,589	30	13,619	2,013
SM Barcelona Gestió Urbanística, SA	100	766	45	811	61
Barcelona Cicle de l'Aigua, SA	100	60	–	60	60
Total		309,886	4,414	314,300	85,071
Interest of less than 50%					
Barcelona Sagrera Alta Velocitat, SA	25.00	150	–	150	150
Barcelona Emprèn CR, SA	24.06	2,190	(104)	2,086	2,086
Barcelona Regional, SA	17.65	326	1	327	270
Fira 2000, SA	19.50	49,716	(4,602)	45,114	45,114
Port Fòrum Sant Adrià, SL	5.00	12	1	13	13
Clavegueram de Barcelona, SA	17.55	983	159	1,142	685
Nauta Tech Invest, SCR	4.78	2,809	(117)	2,692	2,693
Acquisition of shares (increase in capital underway Nauta Tech Invest, S.C.R.)					1,625
Total		56,186	(4,662)	51,524	52,635
Financial investments		561,865	3,670	565,535	137,705
Long-term surface rights					728
Long-term guarantees and deposits					287
Long-term disposal of fixed assets					99
Future assets swaps and exchanges					29,253
Long-term credits AMB					18,505
Total Long-term financial investments					186,577

(*) Appears in the individual financial statement of the City of Barcelona as of 31 December 2013.

(1) Adjusted according to the shareholding percentage, for autonomous agencies the value of their own equity is considered, and for public business entities and dependent firms the net equity is corrected for adjustments due to the change in fair value and for external partners in Consolidated Groups.

On January 1, 2010, in accordance with its statutory provisions, Barcelona Holding Olímpic, SA entered a winding-up period prior to its final closure. The extraordinary meeting of shareholders held on 16 February 2010 set the winding-down process of the company in motion and constituted its liquidating committee. The general meeting of shareholders held on 15 March 2013 unanimously agreed the liquidation of the company, the final liquidation balance sheet and the capital distribution, which

was set at 7,470 thousand euros, of which 3,811 thousands correspond to the Central Government and 3,659 thousands to the City of Barcelona. On 31st July 2013 the liquidation deeds of the company were formalised, and on 17th October 2013, the adjudication of the balance resulting from the liquidation was accepted.

The breakdown for the following two groups, Barcelona de Serveis Municipals, SA and Barcelona d'Infraestructures Municipals, SA, are as follows:

Table

614

Name	Interest held %	Net equity as of 31 December 2013 prior to results (1)	Results of the fiscal year 2013 (1)	Net equity as of 31.12.13 (1)
Barcelona de Serveis Municipals Group				
Barcelona de Serveis Municipals, SA	100	206,983	2,933	209,916
Parc d'Atraccions Tibidabo, SA	100	35,977	1,313	37,289
Cementiris de Barcelona, SA	100	5,939	3,208	9,148
Tractament i Selecció de Residus, SA	58.64	31,996	1,535	33,532
Selectives Metropolitanes, SA (2)	58.64	779	401	1,179
Solucions Integrals per als Residus, SA (2)	58.64	2,145	62	2,207
Mercados de Abastecimientos de Barcelona, SA	50.69	39,255	616	39,872
Barcelona d'Infraestructures Municipals Group				
Barcelona d'Infraestructures Municipals, SA	100	16,878	1,943	18,821
Foment de Ciutat Vella, SA	85.00	5,130	5	5,135

(1) Adjusted according to the shareholding percentage, considering net equity corrected for adjustments due to the change in fair value.

(2) Interest held through Tractament i Selecció de Residus, S.A.

The Municipal Council, met in plenary session on 18th October 2013, agreed to entrust the corporate governance bodies of Foment de Ciutat Vella, SA, with amending of Article 4 of the Articles of Association of Foment de Ciutat Vella, SA, which was drafted under the following terms: "The duration of the Company is established for an unlimited time. The General Shareholders' Meeting may, in compliance with the requirements stipulated by law and these articles of association, agree at any time to its dissolution and liquidation, as well as its merger with others or its spin-off into one or more companies, with an identical, comparable or similar purpose. The General Shareholders' Meeting of 21st October 2013 agreed to the amendment of the articles of association according to

the mission assigned to the corporate governance bodies of Foment de Ciutat Vella, SA, by agreement of the plenary of the Municipal Council of 18th October 2013.

In accordance with the statutory provisions of Foment de Ciutat Vella, SA, the last of four reductions of capital by amortizing 25% of the Class B shares held by private shareholders was carried out in the fiscal year 2013, entailing an increase in the percentage holding of Barcelona d'Infraestructures Municipals, SA in the company's share capital. Therefore, at year-end the only shareholders of the firm were the City of Barcelona, through Barcelona d'Infraestructures Municipals, SA, with 85% and the Diputació de Barcelona, with 15%.

The balance sheet and the statement of revenues and expenses for the fiscal year 2013 refer to the City of Barcelona individually. The changes resulting from

the application of consolidation criteria to the City of Barcelona's individual annual statements are as follows (in thousands of euros):

Table
6 15

	City of Barcelona	Consolidated
Fixed assets	7,593,534	8,207,898
Current assets	952,322	1,217,252
Total assets	8,545,856	9,425,150
Equity before results	5,421,471	5,738,408
Result of the fiscal year	399,724	401,438
Other long-term liabilities	2,034,633	2,444,741
Current liabilities	690,028	840,563
Total liabilities	8,545,856	9,425,150
Ordinary revenues	2,454,888	2,690,652
Ordinary expenses	(2,052,456)	(2,287,303)
Extraordinary results	(2,708)	(1,911)
Results of fiscal year	399,724	401,438

The administrators intend to draw up separate consolidated annual statements and accounts.

The following shows the total amounts

corresponding to the City of Barcelona's transactions and balances with its municipal agencies and firms, and with other firms in which it holds an interest:

Table
6 16

	Current and capital transfers	Other expenses	Revenues	Accounts receivable	Accounts payable
Municipal agencies	400,066	1,125	2,822	2,871	107,912
Municipal firms	137,018	87	71,297	423	69,015
Firms in which the City holds an interest	8,135	–	21	–	1,055
Total	545,219	1,212	74,140	3,294	177,982

Note 5 – Long-term off-budget receivables

This includes the long-term maturity amounts to be collected, deriving from the deferment and the division of tax receivables owing to the City of Barcelona.

Note 6 – Deferred expenses

The balance of this account corresponds entirely to expenses corresponding to note and bond issues and loan arrangements, which have registered the following movements:

Table

6 17

	Loan arrangement expenses
Balance as of December 31, 2012	709
Expenses for arranging new operations	-
Allocation to results as financial expenses	(72)
Balance as of December 31, 2013	637

The allocation to results as financial expenses is made annually and is calculated in a linear manner until the maturity of the formalized operations.

Note 7 – Short-term receivables

7.1. On-budget receivables

On-budget receivables as of December 31, 2013 are classified according to their nature, as shown below:

Table

6 18

Concept	Receivables
Direct taxes	237,428
Indirect taxes	25,957
Charges and other revenues	406,194
Current transfers	130,864
Capital gains	22,501
Disposal of real investments	1,443
Capital transfers	56,302
Total receivable	880,689

The amounts and movements registered in the account for the provision for bad debts were as follows:

Table

6¹⁹

Balance as of December 31, 2012	451,116
Amount charged to statement of revenues and expenses	93,129
Application of bad debts written off or collections (note 18.6)	(36,607)
Balance as of December 31, 2013	507,638

The applications have been credited to the "Extraordinary results" caption.

The provision for bad debts is determined by applying the collectability ratio estimated by the City of Barcelona based on its past experience to the tax receivables on each of the tax figures in an individual way and in each concrete fiscal year. In addition, provisions have

been made for non-tax receivables whose recovery is regarded as doubtful.

7.2. Other off-budget receivables

The balance of these accounts as of December 31, 2013 is as follows:

Table

6²⁰

Deferred payments and instalments	19,141
Recognised income receivables	10,840
Amounts receivable short-term for asset transactions	9,470
Output VAT receivables	7,227
Other non-budgetary receivables	12,111
Other short-term off-budget receivables	58,789

Note 8 – Short-term financial investment and cash

The balance of this section consists of a total of 88 bank accounts that have submitted the following global movement:

Table

6²¹

Balance as of 12.31.12	Collections	Payments	Balance as of 12.31.13
381,397	2,738,761	2,601,019	519,139

Note 9 – Equity

The amounts and movements registered in the equity accounts are as follows:

Table

6²²

	Equity	Property assigned to municipal agencies and third parties (see note 2.1)	Property delivered for public use (see note 2.3)	Property assigned by mpal. agencies and third parties (see note 2.1)	Results of previous fiscal years	Result of the current fiscal year	Total
Initial balance	7,740,096	(590,359)	(7,169,286)	35,728	5,416,115	294,442	5,726,736
2013 results	–	–	–	–	–	399,724	399,724
Allocation of 2012 results	–	–	–	–	294,442	(294,442)	–
Change in property assigned to and by third parties (note 3)	–	(25,862)	–	–	–	–	(25,862)
Transfer of capital transfers and other capital income (note 2.6 and 10)	40,319	–	–	–	–	–	40,319
Property delivered for public use (note 3)	–	–	(304,587)	–	–	–	(304,587)
Additions delivered for public use (note 3)	–	–	(15,135)	–	–	–	(15,135)
Final Balance	7,780,415	(616,221)	(7,489,008)	35,728	5,710,557	399,724	5,821,195

Note 10 – Capital transfers and other capital income

The movements in this account are as follows:

Table 6 ²³					
	Balance as of 31.12.12	Transfers and other income received	Transfers to equity (note 9)	Transfers to results (note 18.6)	Balance as of 31.12.13
	594,366	21,161	(40,319)	(19,162)	556,046

The balance at year end includes 47,488 thousand euros corresponding to revenue from urban development operations and 508,558 thousand euros corresponding to

income from capital grants, all pending deferral as described in note 2.6.

The main subsidizers of the outstanding balance of these grants are as follows:

Table 6 ²⁴		
	Central Government	204,929
	Autonomous Community	156,248
	EU Institutions	58,750
	Local Entities	81,203
	Others	7,428
	Total	508,558

Income from capital subsidies is recognised, mainly, when the requirements are met for their payment by the entity granting them, i.e. when they have been duly justified by the City Council.

Note 11 – Other deferred income

Movements registered under this account during 2013 are as follows:

Table 6 ²⁵		
	Balance as of 31 December 2012	101,405
	Additions in the fiscal year	3,633
	Transfers to accrued revenues (note 17)	(3,389)
	Transfers to results	(71)
	Balance as of 31 December 2013	101,578

The balance as of December 31, 2013 corresponds to revenues received in advance for the usage of assets under municipal ownership. The revenues received in advance are transferred

annually to the statement of revenues and expenses in accordance with the straight-line method over the period corresponding to the assignment, which is set to a maximum of year 2083.

Note 12 - Provisions for contingencies and expenses

The movement in this account is as follows:

Table

6 26

Balance as of 31 December 2012	76,188
Charge to extraordinary expenses (note 18.6)	59,260
Cancellation of the provision registered in extraordinary results (note 18.6)	(28,414)
Balance as of 31 December 2013	107,034

The purpose of this provision is to cover the economic costs of the contingent or probable obligations.

This account includes, among others, the amount of 16,392 thousand euros, corresponding to the 2012 December bonus that should have been paid to the entity staff before that year-end, but was removed by Article 2.1 of Royal Decree Law 20/2012, of July 13, on measures to ensure fiscal stability and promotion of competitiveness. Article 2.4 of this provision states that "the amounts resulting from the abolition of the bonus and of additional special allowances or additional equivalent bonus in accordance with the provisions of this article will be used in future years to make contributions to pension plans or group insurance contracts that include coverage for the retirement contingency, subject to the provisions of the Organic Law 2/2012, of Budget Stability and Financial Sustainability in the terms and to the extent determined in the relevant budget

laws". Therefore, since it is certain and due, this amount was charged under the "Personnel Expenses" caption in the profit and loss debit account with a credit to "Long-term provisions" in the liability balance sheet during 2012 fiscal year.

Similarly, 59,260 thousand euros have been included that is associated with the maximum financial estimation that could result from the enforcement of a ruling obliging the City Council to apply an increase in civil servant payroll for the years 2007 and 2008, with the corresponding consolidation of increases up to the present year.

Note 13 - Debentures and loans

The outstanding amount as of December 31, 2013, corresponding to long-term loans and debentures subscribed by the City of Barcelona, can be broken down as follows:

Table

6 27

Loans and debentures	Outstanding Amount as of 12.31.2013	Long-term	Short-term
Banking system	901,376	831,680	69,696
Private placements	200,000	140,000	60,000
Total debt	1,101,376	971,680	129,696

The part of the long-term debt which matures in less than a year is classified under the account "Short-term payables for loans and debentures".

The movements of subscribed long-term loans and debentures in the 2013 fiscal year are as follows:

Table		
6²⁸	Balance as of 31 December 2012	1,165,101
	New operations	40,000
	Contractual amortizations	(103,725)
	Balance as of 31 December 2013	1,101,376

As of December 31, 2013, there were unexecuted stand-by lines for a total of 17,000 thousand euros.

The debt profile by maturities as of December 31, 2013 is as follows:

Table		
6²⁹	Year of maturity	Amount
	2014	129,696
	2015	157,634
	2016	171,384
	2017	166,350
	2018	93,833
	2019	83,333
	2020	76,333
	2021	68,208
	2022	57,271
	2023	7,334
	2024 and onwards	90,000
	Total	1,101,376

The average interest rate during the 2013 fiscal year was 2.76%, and the average life stood at 4.6 years.

All financial debts are in euro. For interest rate risk management, Barcelona City Council has taken out eight interest-rate swap operations for a total face value of 486,000 thousand euros, each assigned to an underlying operation in accordance with the implementation basis for budgets. As of 31 December 2013, 53.2% of the City of Barcelona's financial debt had a fixed interest rate, and 46.8% had a floating interest rate.

Note 14 – Other long-term payables

The account for other long-term payables includes the following concepts:

Table

6 ³⁰

Suppliers of fixed assets with maturity exceeding one year	4,608
Central Government – definitive final settlement of the share of State taxes for 2008	52,353
Central Government – definitive final settlement of the share of State taxes for 2009	212,999
Balance as of 31 December, 2013	269,960

The total amount of the final settlement of the share in State taxes corresponding to the fiscal year 2008 stood at 93,487 thousand euros, while the amount corresponding to fiscal year 2009 stood at 304,284 thousand euros. In accordance with Law 2/2012, of June 29, of the General State Budget for 2012, the current period to offset these negative

settlements is 120 monthly payments. The negative settlement for 2008 is due for maturity in the period 2011-2021 and the negative settlement for 2009 matures in the period 2012-2021. The amount due for maturity in 2014 is recorded under the “Other off-budget short term creditor” account (note 16).

Note 15 – Public administrations

The breakdown of these accounts is as follows:

Table

6 ³¹

	Receivable	Payable
Value added tax	197	–
Personal income tax	–	7,499
Social security	1,146	20,919
Balance as of 31 December, 2013	1,343	28,418

Note 16 - Other off-budget payables

The balance for this account as of December 31, 2013 is as follows:

Table	
6³²	Central Government – short-term maturity of final settlement of the share of State taxes for 2008 and 2009 (note 14)
	37,907
	Deposits and guarantees received
	24,456
	Payable to administrations for IAE and IBI surcharges
	21,272
	Bonus payments to personnel
	18,547
	Suppliers of short-term fixed assets
	8,334
	Other payables
	8,018
	Other accrued expenses
	2,921
	Other short-term off-budget payables
	121,455

Movements regarding fixed asset short-term suppliers during the fiscal year 2013 are as follows:

Table	
6³³	Balance as of 31 December, 2012
	9,826
	Long-term transfers
	4,758
	Payments in the fiscal year
	(6,250)
	Balance as of 31 December, 2013
	8,334

Note 17 - Accrued expenses

This concept reflects liabilities of the City of Barcelona at December 31, 2013, in accordance with its accreditation period and independent of the payment or obligation date. It is made up by the following:

Table	
6³⁴	Accrued interest receivable
	5,715
	Transfer to short-term other deferred incomes (note 11)
	3,389
	Total
	9,104

Note 18 - Statement of results for the 2013 fiscal year

18.1. Personnel expenses

This entry includes the wages and salaries of the City of Barcelona personnel, social security and other welfare expenses.

The average payroll of the City of Barcelona during the 2013 fiscal year comprised 6,464 workers (32.7% women and 67.3% men).

18.2. Welfare benefits

Welfare benefits basically include the amounts paid by the City of Barcelona in 2013 as grants to class D and E employees, as well as to the cleaning staff, parking attendants, night watchmen and the Municipal Police Force gold medal, amounting to 783 thousand euros.

18.3. Works, supplies and subcontracted services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service

contracts subscribed by the City of Barcelona with different private firms to enhance the functioning of the city, for example, those for refuse collection and street cleaning.

18.4. Expenses for current transfers

For those activities carried out by autonomous local agencies, public business entities and municipal firms corresponding to the provision of public services that fall within the scope of City of Barcelona operations, through direct management as delegated by the City in accordance with the terms of legislation (the Law governing the basis of law for local legislation and the Regulation of works, activities and local entities' services), the City of Barcelona transfers the budgetary financing. This is reflected in the "Current transfers" account on the attached statement of revenues and expenses.

This budgeted current transfer is established bearing in mind the assumptions of a balanced budget set out in the Amended Law Regulating Local Taxation.

The main payees are as follows:

Table

635

Autonomous local agencies (City of Barcelona)	238,212
Municipal public business entities (City of Barcelona)	155,028
Municipal Firms (City of Barcelona)	129,444
Metropolitan Area of Barcelona	151,504
Consortia	94,034
Public entities	7,200
Not-for-profit organizations	56,461
Metropolitan Transport Authority	80,174
Autonomous Community	4,000
Others	11,039
Total	927,096

18.5. Expenses for capital transfers

This entry includes transfers made by the City of Barcelona from its budget to finance investment processes.

The main payees are as follows:

Table

6³⁶

Autonomous local agencies (City of Barcelona)	1,218
Municipal public business entities (City of Barcelona)	5,608
Municipal Firms (City of Barcelona)	7,574
Consortia	5,219
Others	4,588
Total	24,207

18.6. Extraordinary results

Extraordinary results can be broken down as follows:

Table

6³⁷

	Expenses	Revenues
From fixed assets	11,727	24,370
Modification of receivables, payables and provisions	35,215	67,674
Court ruling on increase in pay roll (note 12)	59,260	–
Capital transfers and other capital incomes allocated to results (note 10)	–	19,162
Other extraordinary results	9,163	1,451
Net extraordinary results	115,365	112,657

Income from changes in rights, obligations and allowances includes 36,607 thousand euro from the application of the allowance for coverage of difficult to implement rights (note 7.1) and 28,414 thousand euro from the application of the allowance for liabilities and charges (note 12).

18.7. Sales of goods and services

This entry mainly includes public prices charged for the provision of services (mainly the collection of commercial and industrial waste and the selective

collection of recyclable waste), as well as revenues deriving from the provision of a service under the private law regime.

18.8. Other ordinary operating revenues

Other ordinary operating revenues basically comprises of interest, revenue from the private use or special operations of municipal assets in the public domain (such as car parks, newsstands, outdoor tables for bars and restaurants, etc.), fines and other penalties for offences.

18.9. Revenues from taxes

This group includes the following local taxes: property tax (IBI), levied on property; tax on economic activities (IAE), levied on certain business activities, in accordance with the type of activity, the space occupied and the location; tax on motor vehicles, which is levied on the ownership thereof, irrespective of the vehicle's class or category; taxes on construction, installations and works (ICIO), levied according to the cost of the project for which the license has been requested; tax on the increase in urban land value (IIVT), a direct tax levied on the increase registered in the value of these lands and which occurs upon their transfer.

In this account are also included amounts resulting from the assignment of Central Government taxes, as a consequence of the entry into effect of the public sector financing model, approved by Law 51/2002, of December 27, of the reform of Law 39/1988, of December 28, Regulating Local Taxation.

18.10. Other tax revenues

Basically, the "Other tax revenues" account groups together charges for the sale of services and use of the public domain.

18.11. Revenues from current grants and transfers

This account includes the amounts received from the Central Government Supplementary Finance Fund, as well as earmarked grants from the European Community, Central Government, the autonomous communities and local entities.

Note 19 – Other information and subsequent events

As of December 31, 2013 there is no guarantee provided by the City of Barcelona to cover credit operations.

Securities received on deposit amount to 339,734 thousand euros as of December 31, 2013 and are as follows:

Table



	Balance as of 12.31.12	Received	Canceled	Balance as of 12.31.13
Guarantees received	82,206	20,607	6,172	96,641
Deposited securities	253,400	17,217	32,121	238,496
Securities in custody	4,688	887	1,295	4,280
Deferrals and adjournments.	317	–	–	317
Total	340,611	38,711	39,588	339,734

The fees to be received by the temporary consortium made up of PricewaterhouseCoopers Auditors, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A. for auditing services and expenses incurred for rendering these services in the fiscal year 2013 amount to 464.7 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal financial group, and the appropriate part thereof in the ambit of

the tender will be duly charged to each of the entities.

Pursuant to the provisions of Law 15/2010, of July 5, setting out measures to deal with late payment in commercial transactions and with respect to the total liabilities paid for operating expenditure corresponding to caption 2 in the municipal budget, and capital expenses included in caption 6 of the municipal accounts, as of December 31, 2013 and 2012.

Table

639

	Current Fiscal Year (2013)		Last Fiscal Year (2012)	
	Amount (in euros)	%	Amount (in euros)	%
Payments within the legally established time limit	385,163,437	70.35	429,004,396	83.48
Difference	162,280,624	29.65	84,914,649	16.52
Total payments within fiscal year	547,444,061	100	513,919,045	100
Weighted average days past due date	10.40		10	
Adjournments that at date overshoot the maximum legal due date	7,444,153		1,450,634	

Under the aforementioned Act 15/2010, the maximum term for payment until 31st December 2012 was 40 days; since 1

January 2013 this term has been reduced to 30 days.

Note 20 - Statement of source and application of funds for the fiscal years 2013 and 2012

Table

640

Application of funds	2013 Fiscal year	2012 Fiscal year	Source of funds	2013 Fiscal year	2012 Fiscal year
Tangible fixed asset acquisitions (1)	308,366	375,661	Funds generated from operations	496,463	397,023
Financial fixed asset acquisitions	3,085	5,875	Sale of tangible and financial fixed assets (1)	197	6,947
Long-term off-budget payables	803	6,078	Transfers of fixed assets to off-budget receivables	9,648	11,924
Amortization and transfers to short-term of long-term loans and debentures	129,696	103,725	Net change in long-term guarantees and deposits	(88)	146
Cancellation and short-term transfers of capital transfers and other capital income	336	–	Long-term loans and debentures	40,000	165,000
Revenues transfers to short-term liabilities	3,389	3,293	Provisional settlement of share in Central Government taxes		3,479
Transfer to short-term of suppliers of fixed assets	4,758	9,826	Deferred income	23,930	28,400
Short-term transfer and cancellation settlement of share in Central Government taxes	37,907	–			
Total applied funds	488,340	504,458	Total funds obtained	570,150	612,919
Sources of funds in excess of applications of funds (increase in working capital)	81,810	108,461	Application of funds in excess of sources of funds (decrease in working capital)	–	–
Total	570,150	612,919	Total	570,150	612,919

Table

641

Change in working capital	2013		2012	
	Increase	Decrease	Increase	Decrease
Accounts receivable	1,704	–	12,566	–
Short-term financial investments	34,800	–	–	205,701
Cash	102,942	–	317,084	–
Adjustments for prepayments	–	–	–	10,000
Accounts payable	–	57,636	–	5,488
Total	139,446	57,636	329,650	221,189
Increase in working capital	–	81,810	–	108,461
Decrease in working capital	–	–	–	–

Funds obtained from operations are as follows:

Table

642

	2013	2012
Net results for the fiscal year	399,724	294,442
Provision for depreciation (note 3)	94,817	90,267
Variation provision for depreciation of financial assets (note 4)	6,034	4,922
Deferred expenses (note 6)	72	101
Allocation of long-term provisions (note 12)	59,260	16,392
Net result of fixed assets (note 18.6)	(12,643)	25,981
Other extraordinary results (note 3)	7,785	–
Financial revenue (receipt of dividends in kind)	(10,939)	–
Deferred income transferred to results (notes 10 and 11)	(19,233)	(9,815)
Cancellation of long-term provisions (note 12)	(28,414)	(25,267)
Funds generated through operations	496,463	397,023

Note 21 – Budgetary information

21.1. Summary of status of revenue account budget – current fiscal year

Table

643

Caption	Initial budget	Final budget	Net receivables	Receipts
1 Direct taxes	828,920	828,921	921,061	864,268
2 Indirect taxes	51,599	51,599	55,994	51,198
3 Charges and other revenues	270,478	270,572	323,571	234,652
4 Current transfers	885,560	1,031,417	1,085,427	1,030,734
5 Capital gains	38,713	39,453	44,454	35,483
6 Disposal of real property	6,000	6,000	7,468	6,061
7 Capital transfers	–	11,675	20,940	7,417
8 Financial assets	–	4,210	126	126
9 Financial liabilities	1,232	104,957	41,122	41,122
Total	2,082,502	2,348,804	2,500,163	2,271,061

21.2. Summary of status of revenue account budget - closed fiscal years

Table

644

Caption	Initial balance	Corrections, reversals and cancellations	Net receivables	Receipts
1 Direct taxes	222,213	18,340	203,873	23,238
2 Indirect taxes	23,031	1,179	21,852	690
3 Charges and other revenues	374,562	20,146	354,416	37,141
4 Current transfers	121,737	3,238	118,499	42,328
5 Capital gains	14,780	275	14,505	976
6 Disposal of real property	47	-	47	11
7 Capital transfers	77,179	517	76,662	33,883
8 Financial assets	-	-	-	-
9 Financial liabilities	-	-	-	-
Total	833,549	43,695	789,854	138,267

21.3. Summary of status of expenses account budget - current fiscal year

Table

645

Caption	Initial budget	Final budget	Net payables	Paid
1 Personnel expenses	346,745	346,626	346,617	339,439
2 Current goods and services expenses	545,563	548,823	533,906	419,747
3 Financial expenses	46,109	45,959	33,348	33,348
4 Current transfers	873,578	934,704	924,549	801,487
6 Investment	133,317	327,495	311,711	180,210
7 Capital transfers	18,315	26,236	22,381	11,119
8 Financial assets	7,740	7,825	7,825	7,825
9 Financial liabilities	91,232	104,957	104,935	104,816
Total	2,062,599	2,342,625	2,285,272	1,897,991

21.4. Summary of status of expenses account budget – closed fiscal years

Table

646

Caption	Initial balance	Corrections	Payables	Paid
1 Personnel expenses	317	–	317	317
2 Current goods and services expenses	113,843	1	113,842	113,815
3 Financial expenses	44	–	44	43
4 Current transfers	120,074	1,001	119,073	114,948
6 Investment	130,997	–	130,997	129,485
7 Capital transfers	21,818	–	21,818	17,835
8 Financial assets	1,875	–	1,875	250
9 Financial liabilities	160	–	160	130
Total	389,128	1,002	388,126	376,823

21.5. Summary of status of commitments of expenditure from future budgets

Table

647

Caption	2014 Fiscal year	2015 Fiscal year	2016 Fiscal year	Successive fiscal years
1 Personnel expenses	212	212	159	–
2 Current goods and services expenses	436,438	308,312	271,384	218,102
3 Financial expenses	–	–	–	–
4 Current transfers	57,701	39,474	32,290	22,923
6 Investment	17,596	16,892	–	–
7 Capital transfers	11,335	9,000	–	–
8 Financial assets	7,822	7,822	7,822	–
9 Financial liabilities	–	–	–	–
Total	531,104	381,712	311,655	241,025

Expenditure commitments corresponding to future budgets refer to long-term contracts currently in provision phase.

21.6. Budget result

Table

6⁴⁸

Non-financial operations	
Revenues (caption 1 to 7)	2,458,915
Expenses (caption 1 to 7)	2,172,512
Surplus before financial operations	286,403
Financial assets	
Revenues (caption 8)	126
Expenses (caption 8)	7,825
Change in financial assets (caption 8)	(7,699)
Financial liabilities	
Revenues (caption 9)	41,122
Expenses (caption 9)	104,935
Change in financial liabilities (caption 9)	(63,813)
Budget result	214,891
Adjustments	
Positive financial deviations	(14,240)
Negative financial deviations	6,261
Payables financed with budget reserves	-
Adjusted budget result	206,912

21.7. Budget reserves

Table

6⁴⁹

1. (+) Cash funds	519,139
2. (+) Receivables pending	892,123
(+) from current budget	229,102
(+) from previous budgets	651,587
(+) from off-budget operations	14,074
(-) collections pending definitive application	2,640
3. (-) Payables pending	480,747
(+) from current budget	387,281
(+) from previous budgets	11,303
(+) from off-budget operations	82,163
(-) pending payments definitive application	-
I. Total budget reserves (1+2-3)	930,515
II. Bad debts outstanding	507,638
III. Affected financing excess	11,838
IV. Budget reserves for general expenses (I-II-III)	411,039

The Municipal Manager of Barcelona City Council, on 30th April 2014, and in compliance with the requirements established by Article 64 of Act 1/2006 which regulates the special regime of Barcelona, proceeds to prepare the annual accounts in this document, pages 1 to 33, corresponding to the financial year ending on 31st December 2013.

7

2013 Consolidated annual accounts

(along with the auditors' report)



Av. Diagonal, 640
08017 Barcelona



**Gabinete Técnico
de Auditoría y Consultoría, s.a.**

Balmes, 89-91
08008 Barcelona

This version of our report on the consolidated annual accounts is a free translation of the original, which was issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council,

We have audited the consolidated annual accounts of the Barcelona City Council and its autonomous local agencies, municipal agencies and city-owned companies, which comprise the Consolidated Group, consisting of the consolidated balance sheet as of December 31, 2013, the consolidated statement of revenues and expenses and the related notes to the consolidated annual accounts for the year then ended. The Corporation's Directors are responsible for the preparation of these consolidated annual accounts in accordance with the financial reporting framework applicable to the Entity (as identified in Note 2.1.a to the accompanying annual accounts), and in particular, with the accounting principles and criteria included therein. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2013 present fairly, in all material respects, the consolidated net worth and consolidated financial position of Barcelona City Council and its autonomous local agencies, municipal agencies and city-owned companies (Consolidated Group) as of December 31, 2013 and of the consolidated results of its operations as reflected to above, and its consolidated source and application of funds for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

PricewaterhouseCoopers Auditores, S.L.

Sandra Deltell
Partner

April 30, 2014

Gabinete Técnico
de Auditoría y Consultoría, S.A.

Jordi Vila López
Partner

PricewaterhouseCoopers Auditores, S.L.
R. M. Madrid, full 87.250-1, foli 75, tomo 9.267, llibre 8.054,
secció 3ª. Inscrita en el R.O.A.C. amb el número S0242 -
CIF: B-79 031290

Gabinete Técnico de Auditoría y Consultoría, S.A.
R. M. Barcelona, Volum 10296, Llibre 9349, Foli 42, Sec. 2.
Full B-27831. Inscrita en el R.O.A.C. amb el número S0687
Inscrita en l'Institut de Censors Jurats de Comptes.
CIF A-58604745

City of Barcelona Group
Consolidated balance sheets as of December 31, 2013 and 2012
(thousands of euros)

Table

71

Assets

As of December 31, 2013 **As of December 31, 2012**

	Note		
Intangible fixed assets	4 a)	16,446	12,993
Intangible fixed assets		58,211	49,571
Provisions and depreciations		(41,765)	(36,578)
Tangible fixed assets and infrastructures	4 b)	8,031,528	8,119,983
Tangible fixed assets		8,868,809	8,377,041
Public land assets		517,732	488,647
Fixed assets assigned to municipal agencies and third parties		(592,373)	(590,359)
Fixed assets in progress and pending classification		664,104	1,149,276
Investments in infrastructure and assets for public use		7,489,008	7,169,286
Investment assigned for public use		(7,489,008)	(7,169,286)
Accumulated depreciation and provisions		(1,426,743)	(1,304,622)
Long-term financial investments		130,523	147,592
Interests held in associated firms	5	8,507	14,113
Other financial investments	6	122,016	133,479
Long-term trade receivables	3.7	27,300	33,208
Deferred expenses	7	2,101	2,174
Actiu permanent		8.207.898	8.315.950
Inventories	3.6	102,108	109,320
Provisions		(253)	—
		101,855	109,320
Accounts receivable	8	1,029,713	979,590
Provisions	8	(526,043)	(468,659)
		503,670	510,931
Public administrations receivable	16	13,317	14,789
Short-term financial investments	3.4	91,763	45,563
Cash		503,615	411,551
Adjustments for prepayments		3,032	2,359
Current assets		1,217,252	1,094,513
Total assets		9,425,150	9,410,463

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2013.

City of Barcelona Group
Consolidated balance sheets as of December 31, 2013 and 2012
(thousands of euros)

Table

7 **2**

Liabilities

As of December 31, 2013 **As of December 31, 2012**

	Note		
Equity		6,138,846	6,016,490
City of Barcelona group equity	9.1	5,466,110	5,450,776
City of Barcelona group equity		13,522,524	13,185,454
Property Assigned		(592,373)	(590,359)
Property delivered for public use		(7,489,008)	(7,169,286)
Property in cession		24,967	24,967
Income allocable to the City of Barcelona	9.2	401,438	296,428
Consolidated results		402,538	298,808
Results attributed to minority interests	10	(1,100)	(2,380)
Consolidated reserves	9.3	272,298	269,286
Minority interests	10	65,675	66,407
Capital transfers and other capital income	11	611,596	648,739
Net equity		6,817,117	6,731,636
Other deferred income	12	147,892	146,617
Provisions for contingencies and expenses	13	125,392	89,869
Long-term loans and debentures	14	1,167,243	1,273,037
Long-term guarantees and deposits		28,985	29,074
Other long-term payables	15	297,958	334,770
Long-term liabilities		1,767,470	1,873,367
Short-term payables for loans and debentures	14	158,807	127,995
Trade accounts payable		337,592	345,970
Public administration payables	16	58,150	53,112
Other non-trade accounts payables	17.1	216,034	195,870
Accrued expenses	17.2	69,980	82,513
Current liabilities		840,563	805,460
Total liabilities		9,425,150	9,410,463

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2013.

City of Barcelona Group
Consolidated statement of revenues and expenses as of December 31, 2013
and 2012
(thousands of euros)

Table

73

	Note	2013	2012		Note	2013	2012
Personnel expenses	18.1	613,147	628,604	Taxes	18.4	972,777	936,746
Works, supplies and subcontracted services	18.2	867,875	864,383	Other tax revenues	18.5	146,633	153,382
Financial expenses		40,794	42,219	Sale of services	18.6	262,476	260,945
				Other operating revenues	18.7	155,842	154,461
Current transfers	18.3	498,359	502,595	Current Transfers	18.8	1,121,770	1,065,270
				Financial revenues		8,816	5,234
Provision to allowance for bad debts and others	8	107,559	115,158	Other revenues		22,336	26,682
Share in operating result of firms consolidated by the equity method	2.2	204	4,475	Share in operating result of firms consolidated by the equity method	2.2	2	1
Total operating expenses		2,127,938	2,157,434	Total operating revenues		2,690,652	2,602,721
Operating result before capital transfers		562,714	445,287				
Capital transfers	18.3	20,284	33,061				
Operating result before capital transfers		542,430	412,226				
Provision for depreciation of fixed assets	4	130,191	125,550				
Extraordinary expenses	18.9	115,908	121,920	Extraordinary revenues	18.9	113,997	135,456
Pre-tax consolidated results		410,328	300,212				
Tax on profits	3.13	7,790	1,404				
Consolidated results		402,538	298,808				
Results allocated to minority interests	10	1,100	2,380				
Results allocated to the City of Barcelona		401,438	296,428				
Total		2,804,649	2,738,177	Total		2,804,649	2,738,177

Notes 1 to 20 of the attached report form an integral part of the consolidated statement of revenues and expenses as of December 31, 2013.

The City of Barcelona Group

Report on the consolidated annual statement for the fiscal year 2013

Note 1 – Nature of the consolidated group

The City of Barcelona Group comprises the City of Barcelona, its municipal agencies (autonomous local agencies and public business entities) and dependent firms that complement the City's activities by way of functional specialization and management improvements in order to achieve service efficiency for citizens.

Note 2 – Basis of presentation and consolidation principles

2.1. Accounting policies

2.1.a) These consolidated annual accounts have been drawn up based on the audited individual accounts of each of the consolidated entities. In order to present a faithful rendering of the equity, the financial position and the results of operations reflected in the statement of revenues and expenses and in the budget settlement, and of the resources obtained and applied during the fiscal year, the annual accounts of the City of Barcelona and its municipal agencies have been drawn up according to the generally accepted accounting principles set out for public administrations, as laid down in the Instruction on Local Government Accounting Standards, order of November 23, 2004, which took effect on January 1, 2006, and in Law 1/2006, which governs Barcelona's special regime, and the annual accounts of the dependent public business entities and firms have been drawn up in accordance with the Amended Text of Corporations Law and the directives of the General Accounting Plan, approved by Royal Decree 1514/2007, and with the successive modifications made to these rules and regulations.

These annual accounts have been prepared by using subsidiarily the consolidation methodology and procedures stipulated in Order HAP/1489/2013 of 18th July, which approves the standards for the

preparation of the consolidated annual accounts in the public sector.

2.1.b) The following prevailing legislation was also taken into account:

- Law 7/1985, of April 2, governing the basis of law for local legislation.
- Royal Decree Law 781/1986, of April 18, approving the Amended Text of the current provisions concerning the local regime.
- Legislative Decree 2/2003 of April 28, approving the Amended Text of the Municipal Law of the Local Government System of Catalonia.
- Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).
- Royal Decree 500/1990, of April 20, developing Chapter I of Title VI of Law 39/1988, of December 28, on the regulation of local taxation in the area of budgeting.
- Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by resolution of the State Secretariat for the Treasury on December 28, 1990.
- Order of April 27, 2007, on the deployment of Decree 94/1995, of February 21, modified by resolutions ECF/2901/2008, ECF/1769/2009, ECF/3210/2010, ECO/1406/2011 and ECO/2829/2012, regarding the financial monitoring of local entities.
- Law 15/2010, of July 5, modifying Law 3/2004, of December 29, which established measures against arrears in commercial operations.
- Organic law 2/2012, of April 27, of Budgetary Stability and Financial Sustainability, with the amendments added in Organic Law 9/2013, of December 20, of control of commercial debt in the public sector.
- Law 27/2013, of December 27, of rationalisation and sustainability of the Local Administration.
- Organic Law 9/2013, of December 20, of control of commercial debt in the public sector.

The figures contained in the documents composing these consolidated annual accounts are expressed in thousands of euros.

In order to offer a faithful rendering of the equity and financial position of the City of Barcelona Group, and the results of its operations during the fiscal year, financial accounting is undertaken in accordance with generally accepted accounting principles. This is composed of:

- Balance sheet.
- Statement of revenues and expenses.
- Report.

The consolidated balance sheet has basically been drawn up according to the models established by the Instruction on Local Government Accounting Standards (ICAL), applicable from January 1, 2006, with the particularities deriving from the commercial subgroup, and the consolidated statement of revenues and expenses has been drawn up in more detail than required by the aforementioned standards with the objective of providing more thorough information on revenues and expenses in order to offer a faithful rendering of the equity and financial position of the City of Barcelona Group and the results of its

operations during the fiscal year, in accordance with the accounting principles and standards applied to the accounting area in the public administration. This report is basically presented according to the models established by the aforementioned ICAL.

The budget statements corresponding to the City of Barcelona and local autonomous agencies were approved by the Decree issued by the Mayor's Office on February 2014, 21 and 28 respectively. The general account of the City of Barcelona and its local autonomous bodies, as well the annual accounts of the public business bodies and private municipal firms will be submitted to the Municipal Council Plenary for approval within the established statutory period.

The annual consolidated accounts for the fiscal years 2013 and 2012 were drawn up in accordance with ICAL stipulations, following uniform criteria on valuation, grouping, classification and monetary units, as a result of which the information presented is standardized and comparable.

2.2. Consolidation principles

The fully consolidated dependent entities included in the global integration method are as follows:

Table

7 4

Name	Interest held %	Equity/net equity as of December 31, 2013 prior to results (1)	Fiscal year results 2013 (1)	Technical book value 12.31.13 (1)	Net book value of the holding investment 12.31.13 (*)
Municipal agencies					
Municipal Agency for Disabled Persons	100	949	56	1,005	–
Municipal Agency for Urban Landscape and Quality of Life	100	6,307	478	6,786	–
Municipal Agency for Education	100	1,147	(775)	373	–
Municipal Agency for IT Services	100	297	30	327	–
Municipal Agency for Town Planning	100	1,164	168	1,331	–
Municipal Agency for Taxes	100	2,384	201	2,585	–
Municipal Agency for Markets	100	3,587	695	4,282	–
Municipal Agency for Barcelona Sports	100	2,931	762	3,693	–
Municipal Agency for Social Services	100	(200)	867	667	–
Public business entities					
Municipal Agency for Housing	100	157,254	815	158,069	–
Municipal Agency for Culture	100	4,885	67	4,952	–
Municipal Agency for Parks and Gardens	100	5,333	517	5,850	–
Municipal Agency Mies Van der Rohe Foundation	100	9,755	36	9,791	–
Subtotal municipal agencies		195,793	3,918	199,711	–
Municipal firms					
Barcelona de Serveis Municipals, SA Group	100	274,436	5,960	280,397	69,124
Barcelona Infraestructures Municipals, SA Group	100	18,537	13	18,550	12,949
Informació i Comunicació de Barcelona, SA	100	2,498	(1,635)	864	864
Barcelona Activa, SA, SPM	100	13,589	30	13,619	2,013
SM Barcelona Gestió Urbanística, SA	100	766	45	811	61
Barcelona Cicle de l'Aigua, SA	100	60	–	60	60
Subtotal municipal firms		309,886	4,414	314,300	85,071
Total		505,679	8,332	514,011	85,071

(*) Included in the individual financial statements of the City of Barcelona as of December 31, 2013.

(1) Adjusted according to the shareholding percentage. For autonomous agencies the value of their own equity is considered, and for public business entities and municipal firms the net equity is corrected for adjustments due to the change in fair value and for external partners in consolidated groups.

In relation to the previous fiscal year, the company Barcelona Cicle de l'Aigua, SA has been set up (see note 6).

The breakdown of the consolidated

annual accounts of Barcelona de Serveis Municipals and Barcelona d'Infraestructures Municipals groups are shown as follows:

Table

75

Name	Interest held %	New equity as of December 31, 2013 prior to results (1)	Result of the financial year 2013 (1)	Net equity as of 12.31.13 (1)
Barcelona de Serveis Municipals Group				
Barcelona de Serveis Municipals, SA	100	206,983	2,933	209,916
Parc d'Atraccions Tibidabo, SA	100	35,977	1,313	37,289
Cementiris de Barcelona, SA	100	5,939	3,208	9,148
Tractament i Selecció de Residus, SA	58.64	31,996	1,535	33,532
Selectives Metropolitanes, SA (2)	58.64	779	401	1,179
Solucions Integrals per als Residus, SA (2)	58.64	2,145	62	2,207
Mercados de Abastecimientos de Barcelona, SA	50.69	39,255	616	39,872
Barcelona d'Infraestructures Municipals Group				
Barcelona d'Infraestructures Municipals, SA	100	16,878	1,943	18,821
Foment de Ciutat Vella, SA	85.00	5,130	5	5,135

(1)Adjusted according to percentage holding. Net equity is corrected for adjustments due to the change in fair value.

(2)Interest held through Tractament i Selecció de Residus, SA.

The Municipal Council, met in plenary session on 18th October 2013, agreed to entrust the corporate governance bodies of Foment de Ciutat Vella, SA, with amending of Article 4 of the Articles of Association of Foment de Ciutat Vella, SA, which was drafted under the following terms: "The duration of the Company is established for an unlimited time. The General Shareholders' Meeting may, in compliance with the requirements stipulated by law and these articles of association, agree at any time to its dissolution and liquidation, as well as its merger with others or its spin-off into one or more companies, with an identical, comparable or similar purpose. The General Shareholders' Meeting of 21st October 2013 agreed to the amendment of the articles of association according to the mission assigned to the corporate governance bodies of Foment de Ciutat Vella, SA, by agreement of the plenary of the Municipal Council of 18th October 2013.

In accordance with the statutory provisions of Foment de Ciutat Vella, SA, the last of four reductions of capital by amortizing 25% of the class B shares held by private shareholders was carried out in the fiscal year 2013, entailing an increase in the percentage holding of Barcelona d'Infraestructures Municipals, SA in the company's share capital. Therefore, at year-end the only shareholders of the firm were the City of Barcelona, through Barcelona d'Infraestructures Municipals, SA, with 85% and the Diputació de Barcelona, with 15%.

The assets and liabilities for the provision of cemetery and cremation services will revert to the City of Barcelona once the time frame included in the management terms assigned to Cementiris de Barcelona, SA has expired.

Furthermore, the assets of Mercados de Abastecimientos de Barcelona, SA subject to public service (land, buildings and installations) will be transferred to the City of Barcelona on March 30, 2021, with

no compensation whatsoever to Mercados de Abastecimientos de Barcelona, SA or its shareholders.
 The entities consolidated by the equity method (since the City of Barcelona

holds, directly or indirectly, more than 20% of shares, but is not a majority or controlling shareholder) were the following mixed capital firms:

Table

76

Name	Interest held %	New equity as of December 31, 2013 prior to results (1)	Result of the financial year 2013 (1)	Net equity as of 12.31.13 (1)
Mediacomplex, SA (2) (3)	33.30	5,808	(91)	5,717
Barcelona Emprèn, SCR, SA (4)	26.04	2,370	(113)	2,257
Barcelona Sagrera Alta Velocitat, SA (2)	25.00	150	–	150
Barcelona Regional, AMDUI, SA (2) (5)	20.63	381	2	383
Total		8,709	(202)	8,507

(1) Adjusted according to interest held.

(2) Fiscal year 2013 audited annual accounts.

(3) Indirect shareholding through Barcelona d'Infraestructures Municipals Group.

(4) The City of Barcelona holds a direct interest of 24.06% and an indirect interest, through Barcelona's Municipal Agency for Culture, of 1.98%.

(5) The City of Barcelona holds a direct interest of 17.65% and an indirect interest, through Mercabarna, SA of 2.98%.

In relation to the previous fiscal year, two entities have been deregistered from the consolidation by the equity method:

In accordance with the statutory provisions of Barcelona Holding Olímpic, SA, on January 1, 2010, the company entered a liquidation period prior to being dissolved. An extraordinary meeting of shareholders on February 16, 2010, started the process to wind down the company and constituted its liquidation committee. The general meeting of shareholders held on 15 March 2013 unanimously agreed the liquidation of the company, the final liquidation balance sheet and the capital distribution, which was set at 7,470 thousand euros, of which 3,811 thousand euros correspond to the Central Government and 3,659 thousand euros to the City of Barcelona. On 31st July 2013 the liquidation deeds of the company were formalised, and on 17th October 2013, the adjudication of the balance resulting from the liquidation was accepted.

The General Shareholders' Meeting of Catalana d'Iniciatives, SCR, SA, on 5th December 2013 agreed to its liquidation and dissolution. For this reason, and given its negative equity balance at 31st December 2013, a provision of 3,896 thousand euro has been made for the entirety of the financial investment in the company.

The rest of shareholdings of less than 20% held by the City of Barcelona and municipal entities in other commercial firms and interests in consortia and foundations are not consolidated, since there is no long-term financial investment relationship that forms a stable and determined degree of dependence and they are valued in accordance with the criteria in note 3.4.

When applying consolidation methods, the following principles have been taken into consideration:

- Third parties holding an interest in the Group (mixed firms) have been considered minority interests.
- All significant balances and

transactions between consolidated entities have been eliminated in the consolidation process.

- The entries included in the annual accounts of those entities that form part of the consolidated group have been subjected to prior homogenisation across all significant aspects, both with regard to temporary provisions, where applicable, and to the valuation criteria applied.

2.3. Organisation

The Municipal Charter of Barcelona regulates, inter alia, municipal authority, the organisation of the Municipal Government, the districts, the municipal executive organisation and citizen participation.

2.4. Public services management

Municipal public services are managed directly, except for cleaning and waste-collection services and some municipal facilities linked to social services (housing services, homes and day care centres for the elderly, emergency accommodation, etc.).

Note 3 – Valuation criteria

The most significant accounting criteria applied in drawing up the annual consolidated accounts are the following:

3.1. Intangible and tangible fixed

a) Intangible Fixed Assets

Intangible fixed assets mainly include data-processing applications, which are recorded at their purchasing price. Maintenance expenses are recorded as debits to the results as they occur.

The annual provision for the depreciation of data-processing applications is calculated by applying the straight-line method to their useful lifespan, which is estimated at 4 years.

b) Tangible fixed assets

These include assets and those in the public domain directly assigned for the provision of public services, which make up the local economic group's long-term investments.

Regarding the valuation criteria for fixed assets, it is necessary to distinguish the following:

City of Barcelona

- Land and buildings. Additions made prior to January 1, 1992 are valued according to an expert estimate of their current real market value carried out by an independent appraisal firm. In the case of historic-artistic properties, this value takes the cost of replacement. In this respect, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as “the sum of expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings officially listed as of historic-artistic interest, this value will be that of reconstruction”. Subsequent additions are valued at their purchasing price or estimated price for assets received free of charge. Constructions are reduced in value by their accumulated depreciation.

- Machinery, installations, office furniture and data-processing equipment and vehicles. These are valued at their purchasing price minus their accumulated depreciation.

- Historical, artistic and cultural heritage assets. These are valued at acquisition price and not subject to amortization).

- Fixed assets in construction and pending classification. Additions are valued at their purchasing price or construction cost and are transferred to the corresponding tangible fixed assets account or “Property delivered for public use” account upon completion of the whole investment and they are fully operational.

Dependent entities

- In municipal agencies, tangible fixed assets are valued at their purchasing price less their accumulated depreciation.

- In public business entities and firms, valuation corresponds to the purchasing price less accumulated depreciation and, where this exists, the corrected value in accordance to Order EHA/733/2010 of March 25. In the case of Mercabarna, SA,

the firm adopted this in previous fiscal years, and in 1996 with the readjustment of balances regulated by article 5 of Royal Decree Law 7/1996 which, in the 1996 fiscal year, signified an impact of 24,281 thousand euros; and the net effect as of December 31, 2013, is 11,175 thousand euros, entailing a charge to the “Provision for depreciation of fixed assets” account in the 2013 consolidated statement of revenues and expenses of 565 thousand euros.

Repairs not contributing to an extension of useful lifespan, as well as maintenance costs, are charged directly to the consolidated statement of revenues and expenses. The costs of any additions or

improvements extending the useful lifespan of an asset are capitalised as an increase in asset value.

The annual provision for the depreciation of tangible fixed assets is calculated by applying the straight-line method based on each asset’s estimated useful lifespan, beginning basically one month after its incorporation into the inventory in the case of properties. In the case of administrative concessions, the annual provision for depreciation is calculated by applying the straight-line method to the shortest period of the useful lifespan of the asset or the length of the concession, beginning one month after the asset in question comes into use.

Table

7

Estimated useful lifespan

Buildings	33-65
Property assigned by municipal agencies or third parties	65
Technical installations and machinery	8-16
Vehicles	5-10
Fittings and office furniture	6-13
Data-processing equipment	4-6
Others	8-10

The City of Barcelona’s economic depreciation process began in the fiscal year 1992. The estimated years of useful lifespan corresponding to the “Buildings” account are determined according to the criteria of the aforementioned independent appraisal.

For properties listed as having historic-artistic value, depreciation is calculated based on the cost of the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the amount of book value corresponding to the historic-artistic component of construction, which amounts to 221,573 thousand euros as of 31 December 2013, has been excluded from the calculation, with this based on the aforementioned independent appraisal. This treatment is justified by the fact that the mentioned historic-artistic component is subject to maintenance that guarantees its long-term value.

Property assigned by third parties shows the value of the property assigned to the City of Barcelona for its management or use, coming from other entities.

The “Tangible fixed assets assigned to municipal agencies and third parties” shows the book value of those assets freely assigned by the City of Barcelona to third parties for their management or use, respectively.

When an asset is assigned, its retirement is recorded through a charge to the “Property assigned to municipal agencies and third parties” account on the balance sheet (see note 9.1) and, consequently, it is no longer depreciated.

3.2. Public land assets

Public land assets (PMS) refers to the group of assets that, in accordance with Legislative Decree 1/2005, of July 26, approved by the Amended Text of the Town Planning Law of Catalonia, and in

accordance with the Barcelona Municipal Charter, are affected for the purposes of social interest that the law establishes.

Municipal properties included under this account are as follows:

- Properties for social housing, administered by the City of Barcelona or municipal operators.
- Properties that have been awarded surface rights in favour of third parties to build social housing, homes for the elderly, care centres and other social investments.
- Properties under investment projects which, once finished, will be destined for social housing and other social proceedings.

The valuation and depreciation criteria employed are those described in note 3.1.

3.3. Investments in infrastructures and assets assigned to public use

Property delivered for public use includes thoroughfare infrastructure (roads, pavements, public lighting, and signs), large installations for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for citizens' public use.

Additions made prior to January 1, 1992 are valued according to the criteria described in note 3.1.b. Subsequent additions are valued at their purchasing price.

When investments in infrastructures and property for public use are completed and fully operational, their retirement is recorded in the consolidated balance sheet with a charge to the "Property delivered for public use" account (see note 9.1).

For the purposes of presentation, the assets side of the balance sheet shows assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory figures reflecting their retirement. Likewise, note 4.b shows the movements recorded in these accounts over the year.

3.4. Long-term and short-term financial investments

Equity securities representing more than 20% of the share capital in dependent

firms that are not fully consolidated are valued by applying the equity method criteria mentioned in Note 2.2, on the basis of their annual accounts.

The rest of securities are recorded on the consolidated balance sheet at their purchasing price. The differences between the book value and the recoverable value of those shareholdings with substantial losses have been provided for in the attached consolidated annual accounts. Except where there is better evidence of the recoverable value of these investments, the net equity of the company in which the shareholding is held has been considered, corrected in terms of adjustments due to changes in the value of financial derivatives and for implied capital gains at the valuation date.

Short-term financial investments are registered at their purchasing price, or their selling price, if this value is lower. The balance of this account includes, basically, repos operations (public bond issues) and term deposits in financial entities.

3.5. Deferred Expenses

The balance of this account corresponds basically to the expenses corresponding to note and bond issues and loan arrangements.

3.6. Inventories

Inventories as of December 31, 2013 mainly correspond to lands used for construction activities and real estate promotions, both currently in progress and completed, which are recorded at their purchasing price or production cost, depending on the direct costs incurred.

When appropriate, the necessary provision for depreciation is used to correct these values to their real market value.

3.7. Accounts receivable and accounts payable

These are recorded at their nominal value.

An allowance has been established to cover bad debts, based on the following criteria:

- In the case of the City of Barcelona, the provision for bad debts is determined by applying the estimated

collectability ratio calculated by the City based on historical data, regarding the budget settlement of each tax figure in an individualized way and in each fiscal year. In addition, provision has been made for receivables owing for non-fiscal concepts whose recovery is regarded as doubtful.

- In the case of municipal agencies and firms, this allowance is made for those amounts whose recovery is deemed uncertain.

The “Long-term receivables” account on the attached consolidation balance sheet mainly includes debts to be collected at their nominal value, due to the fact they are correlated to one part of the “Other long-term accounts payable” under liabilities on the same balance sheet. The maximum maturity date of these debts is 2036. Also recorded under these accounts are the assets and liabilities for deferred taxes of entities subject and not exempt from Corporate Tax, which amount to 1,707 and 5,524 thousand euros, respectively.

3.8. Capital transfers and other capital income

Capital subsidies are recorded, mainly, when the requirements have been met for their payment by the entity granting them, i.e. when they have been duly justified by the City Council.

Other capital income is registered at the time when the administrative operation producing it is carried out.

In both cases, the income is transferred to equity when the investment financed is destined for general use, or to the profit and loss for the year in the share corresponding to the effective impairment noted and booked.

3.9. Other deferred revenues

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption “Other deferred income” (see note 12), except for the portion deferred to the immediately following year, which is recorded on the “Accrued expenses” account (see note 17) under liabilities on the balance sheet prior to being credited to results.

3.10. Provisions for contingencies and expenses

The balance of this account reflects the provisions established to cover the economic costs of contingent or probable costs.

3.11. Classification of long and short-term receivables and debts

On the attached consolidated balance sheet, receivables, credits and debts that mature in a period equal to or less than a year are classified as short term, and those which mature within a period greater than a year are classified as long-term.

3.12. Revenues and expenses

a) General Criteria

Revenues and expenses are primarily recorded in the consolidated statement of revenues and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions that are treated in the same way as described in sections 3.8 and 3.12.b), respectively.

b) Grants and transfers deriving from agreements and conventions

Regarding the recognition of expenses for transfers and grants stemming from agreements subscribed by different parties, which can take the form of collaborative agreements, cooperative agreements, contract programmes or other similar agreements, and whose objective is to co-finance and develop specific projects or activities, (including capital grants to compensate negative accumulated results), the grantor’s obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. Recognition of the grantor’s payment obligation is realised upon passage of the resolution (approval of the budgets for each fiscal year) by which the beneficiary’s right to collect is recognised and quantified.

c) Capital transfers

This entry includes the City of Barcelona's contributions charged to its budget for financing investment processes carried out directly by municipal agencies, firms belonging to the municipal group or third parties not owned by the City.

3.13. Corporate Tax

In accordance with Legislative Royal Decree 4/2004 of March 5, approving the Amended Text of the Corporate Tax Law, the City of Barcelona and its autonomous local agencies are exempt from payment of this tax and are not subject to the retention of profits from their investments.

For dependent public business entities and municipal firms, corporate tax is calculated based on their book result, which need not necessarily be the same as their fiscal result, the latter being construed as the taxable income for

taxing, given that the corresponding long term differences are taken into account. Pursuant to the aforementioned Amended Text of the Corporate Tax Law and article 25 of the Law on Local Taxation, most of these entities are eligible for a 99% rebate on taxes paid on their earnings from activities classified as public service under this legislation.

3.14. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. Despite this, if they entail investments in assets as a result of actions to minimise impacts on the environment or to protect and improve it, they are recorded as increases in the value of the fixed asset in question.

Note 4 – Intangible fixed assets, tangible fixed assets and infrastructures

a) Intangible fixed assets

The movement recorded in the different intangible fixed assets accounts is as follows:

Table

7 **8**

	12.31.12	Additions	Retirements	Transfers	12.31.13
Research and development expenses	587	0	0	0	587
Concessions	1,283	0	0	0	1,283
Patents, licenses and trademarks	1,230	0	0	0	1,230
Data-processing applications	39,742	1,618	(1)	7,385	48,744
Others	6,729	11	(14)	(359)	6,367
Intangible fixed assets	49,571	1,629	(15)	7,026	58,211
Accumulated depreciation	(36,578)	(5,218)	31	–	(41,765)
Net intangible fixed assets	12,993	(3,589)	16	7,026	16,446

The elements totally written off as of December 31, 2013 are the following:

Table

7 **9**

Concessions	5,958
Data-processing applications	10,140
Others	17,756
Total	33,854

b) Tangible fixed assets and infrastructures

The movement registered in the different tangible fixed assets and infrastructures account is as follows:

Table

710

	12.31.12	Additions	Retirements	Transfers	12.31.13
Assets of historical, artistic and cultural heritage	–	–	–	11,992	11,992
Land	395,541	4,849	(726)	(65,739)	333,925
Constructions	6,683,624	28,474	(522)	472,525	7,184,101
Fixed assets assigned to municipal agencies and third parties	599,354	–	601	(7,582)	592,373
Land and properties	7,678,519	33,323	(647)	(411,196)	8,122,391
Vehicles	12,884	–	–	5,853	18,737
Machinery, equipment, installations and tools	393,939	4,689	(2,179)	48,551	445,000
Data-processing equipment	206,920	272	–	1,414	208,606
Office furniture and equipment	70,462	1,060	(214)	(9,203)	62,105
Other	14,317	1,276	(14)	(3,609)	11,970
Other fixed assets	698,522	7,297	(2,407)	43,006	746,418
Total tangible fixed assets	8,377,041	40,620	(3,054)	454,202	8,868,809
Public land assets	488,647	6,823	(172)	22,434	517,732
Tangible fixed assets assigned to municipal agencies and third parties	(590,359)	–	(601)	(1,413)	(592,373)
Fixed assets pending classification	1,149,276	329,763	(19,652)	(795,283)	664,104
Infrastructures and assets for public use	7,169,286	15,135	–	304,587	7,489,008
Investments assigned for public use	(7,169,286)	(15,135)	–	(304,587)	(7,489,008)
Gross tangible fixed assets and infrastructures	9,424,605	377,206	(23,479)	(320,060)	9,458,272
Accumulated depreciation and provisions	(1,304,622)	(124,973)	2,147	704	(1,426,744)
Net tangible fixed assets and infrastructures	8,119,983	251,233	(21,332)	(319,356)	8,031,528

In accordance with applicable regulations, group entities record the value of lands containing any type of building under the “Buildings” and “Public land assets” accounts. This account includes 2,652,439 thousand euros as of December 31, 2013 and 2,593,869 thousand euros as of December 31, 2012 corresponding to the value of lands containing buildings.

Additions during the fiscal year are the following:

Table

7 **11**

Investments carried out directly by the City of Barcelona	118,706
Investments carried out by decentralized entities pursuant to the terms of the decree issued by the Mayor's office on January 30, 2012	201,113
Investments carried out by third parties	2,914
Assets received from decentralized entities financed by third parties	14,534
Assets received in free assignment	4,742
Assets received in exchange	178
Other investments carried out by dependent entities	35,019
TOTAL	377,206

Included in the "Other investments carried out by dependent entities" account are:

- Houses built on behalf of the Municipal Agency for Housing.
- Barcelona de Serveis Municipals, SA, for the construction process of four car parks, and improvements to the existing facilities.
- Improvements to the energy valuation

plant in the new municipal waste management program being developed by Tractament i Selecció de Residus, SA.

- Rehabilitation and improvement of cemeteries and services related managed by Cemeteries of Barcelona, SA.

The net accounting value of retirements carried out over the fiscal year covers the following concepts:

Table

7 **12**

For sales	54
For fixed asset replacement	860
On completion of investment activities (pending classification assets not inventoried)	19,489
Others	929
Total	21,332

The transfers carried out over the fiscal year has the following offsets:

Table		
7.13	Property delivered for public use	(304,587)
	Property assigned to third parties	(25,261)
	Others	10,492
	Total	(319,356)

Consequently, the main components of the transfers for the fiscal year have their offsets mainly in the equity accounts (see note 9.1).

Table		
7.14	Thoroughfares	3,829,307
	Parks and forests	1,696,379
	Systems	644,963
	Property for public use: Holsa	628,125
	Mixed	454,328
	Municipal assets of an artistic nature	112,439
	Urban furniture	73,224
	Equipments	40,708
	Buildings	9,535
	Total	7,489,008

The breakdown of the “Investments assigned for public use” account are as follows:

Table		
7.15	Data-processing equipment	130,083
	Machinery, equipment, installations and tools	135,973
	Office furniture and equipment	41,591
	Vehicles	16,240
	Buildings	2,868
	Others	4,952
	Total	331,707

The policy of the Group is to contract insurance policies that are considered necessary to cover the possible risks that could affect fixed assets.

Note 5 – Interests held in associated firms

This account reflects the investments made in dependent firms not because they are fully consolidated, but rather because they are consolidated by way of the equity method, as shown in the following chart:

Table

7 16

Catalana d'Iniciatives, CR, SA (*)	–
Mediacomplex, SA	5,717
Barcelona Emprèn, CR, SA	2,257
Barcelona Regional, AMDUI, SA	383
Barcelona Sagrera Alta Velocitat, SA	150
Total	8,507

(*) See note 2.2 about settlement.

Note 6 – Other financial investments

The balance of this account reflects shareholdings held by the City of Barcelona and the entities belonging to the Municipal Group, inferior to 20%, and other credits and long-term deposits and guarantees, as shown in the following:

Table

7 17

Investment portfolio	60,411
Deposits and guarantees	4,398
Other long-term credits	57,207
Total	122,016

The investment portfolio can be broken down as follows:

Table

718

	Firm's owner (*)	% Interest	Investment cost	Provisions	Net book value 12.31.13
Fira 2000, SA	AB	19.50	55,018	(9,903)	45,113
Port Fòrum Sant Adrià, SL	AB	5.00	15	(2)	13
Nauta TechInvest III, SCR de régimen simplificado SA	AB	4.78	3,414	(721)	2,693
Ongoing acquisition of shares (Nauta TechInvest III)	AB		1,625	–	1,625
Clavegueram de Barcelona, SA	AB	17.50	685	–	685
GL Events CCIB, SL	BSM	12.00	241	–	241
Catalunya Carsharing, SA	BSM	1.33	65	(65)	–
Ecoenergies Barcelona Sud, Zona Franca i					
Gran Via l'Hospitalet, SA	BSM	17.55	2,475	–	2,475
Serveis Funeraris de Barcelona, SA	BSM	15.00	1,649	–	1,649
Districlima, SA	TERSA	11.73	4,020	–	4,020
Ecoparc del Mediterrani, SA	TERSA	11.73	960	–	960
Ecoparc de Barcelona, SA	TERSA	3.05	383	–	383
Gestora de runes de la construcció, SA	TERSA	8.21	135	–	135
Recuperació d'Energia, SA	TERSA	7.00	34	–	34
Ecoparc del Besòs, SA	TERSA	2.93	385	–	385
Grand Tibidabo, SA	PATSA	0.03	11	(11)	–
Financial investment portfolio			71,114	(10,703)	60,411

(*) Where: AB: City of Barcelona; BSM: Barcelona de Serveis Municipals, SA; PATSA: Parc d'Atraccions Tibidabo, SA; TERSA: Tractament i Selecció de Residus, SA

The following changes took place over the course of the fiscal year:

- The General Meeting of the firm Fira 2000, S.A. agreed to increase its share capital, taking the interest of the City of Barcelona from 19.10% to 19.50%.
- According to the schedule, the City of Barcelona has made capital contributions to the joint venture company Nauta TechInvest III, SCR de Régimen Simplificado SA. It is currently part of the acquisition of shares, according to the commitments entered into, amounting to 1,625 thousand euros, which will be disbursed in accordance with the cash requirements of the Company.
- The City Council's stake in Clavegueram de Barcelona, SA, has become direct, rather than indirect

through Barcelona de Serveis Municipals, SA. Under its Articles of Association, the financial year of the company ends on 31st December 2013. To formalise the reversion of the company's assets and liabilities to Barcelona City Council on 1st January 2014, the Full Municipal Council Meeting of 21st November 2013 gave approval to the return to the City Council of the shares in the company through the distribution of premiums on issued shares for Barcelona de Serveis Municipals, SA, for a net book value of the securities: 685 thousand euros. From 1st January 2014, the management of the city's sewer system will be performed by the new company Barcelona Cicle de l'Aigua, SA, which is entirely municipally owned.

Other long-term credits can be broken down as follows:

Table

7 19

Sales of long-term assets and PMS	31,000
Long-term credits AMB	18,505
Other	7,702
Total	57,207

The balance of "Long-term credits AMB" corresponds to amounts that Barcelona Metropolitan Area must compensate, with maturity greater than one year, to City of Barcelona relating to negative settlements of 2008 and 2009 of the share of state taxes.

Note 7 – Deferred expenses

This account basically includes expenses corresponding to note and bond issues and loan arrangements. The allocation to results as financial expenses is made annually and is calculated in a lineal manner until the maturity of the formalised operations.

Note 8 – Accounts receivable

Accounts receivable are classified as follows:

Table

7 20

a) The City of Barcelona	939,339
Direct taxes	237,428
Indirect taxes	25,957
Charges and other revenues	406,194
Current transfers	130,725
Capital gains	22,501
Disposal of real investments	1,443
Capital transfers	56,302
Others	58,789
b) Municipal agencies and firms	90,374
Total receivable	1,029,713

The amounts and movements registered in the provision for bad debts account is as follows:

Table

7 21

Balance as of December 31, 2012	468,659
Amount charged to the statement of revenues and expenses	95,344
Application due to write-off of unrecoverable receivables and collections	(37,945)
Application to extraordinary results	(15)
Balance as of December 31, 2013	526,043

The applications have been credited to the “Extraordinary results” caption.

The provision for bad debts is determined by applying the estimated collectability ratio calculated by the City of Barcelona based on its historical data on budget settlements for each tax figure in an individual way in each and every fiscal year. Additionally, provision has been made for receivables owing for non-fiscal concepts whose recovery is regarded as doubtful.

The provision for the fiscal year, 95,344 thousand euros, is shown under the

debit side of the consolidated statement of revenues and expenses, along with other provisions for sundry items amounting to 12,215 thousand euros, mainly for depreciation of financial investments.

Note 9 – Equity

9.1. Equity

The amounts and movements registered in the equity account are as follows:

Table

722

	Equity	Property assigned to municipal agencies and third parties (see notes 3.1.b and 4.b)	Property assigned by municipal agencies and third parties	Property delivered for general use (see notes 3.3 and 4.b)	Total
Initial balance	13,185,454	(590,359)	24,967	(7,169,286)	5,450,776
City of Barcelona adjusted results 2012	294,442	–	–	–	294,442
Transfer from capital subsidies	42,628	–	–	–	42,628
Change in property assigned to third parties and in cession	–	(2,014)	–	–	(2,014)
Property delivered for public use by transfer	–	–	–	(304,587)	(304,587)
Current-year additions delivered for public use	–	–	–	(15,135)	(15,135)
Final balance	13,522,524	(592,373)	24,967	(7,489,008)	5,466,110

Property assigned in cession brings together the value of assets assigned to the City of Barcelona for its management and use by third parties.

9.2. Results

The consolidated result allocable to the City of Barcelona can be broken down as follows:

Table

723

Results of the City of Barcelona	399,724
Aggregate result of municipal agencies and firms	10,267
Result of share by equity method	(202)
Consolidation adjustments	(7,251)
Consolidated results	402,538
Results allocable to minority interests before interim dividends (note 10)	(1,100)
Results allocable to the City of Barcelona	401,438

9.3. Consolidation reserves

The details of the consolidation reserves account and movements can be broken down as follows:

Table

724

	Balance as of 12.31.12	Results 2012 (a)	Transfers and others	Balance as of 12.31.13
Fully consolidated	266,887	6,728	(533)	273,009
Municipal Agency of Housing	47,050	672	(1,812)	45,910
Municipal Agency of Disabled Persons	236	907	(194)	949
MA Mies Van der Rohe Foundation	1,687	6	(5)	1,688
Municipal Agency of IT Services	5,416	(420)	1	4,997
Municipal Agency of Town Planning	1,022	140	2	1,164
Municipal Agency of Finances	4,461	160	7	4,628
Municipal Agency of Markets	6,736	324	–	7,060
Municipal Agency of Parks and Gardens	6,024	(247)	(164)	5,613
Municipal Agency of Education	4,148	(2,463)	(46)	1,639
Municipal Barcelona Culture Agency	4,607	155	(92)	4,670
Municipal Barcelona Esports Agency	2,806	507	(123)	3,190
Municipal Agency of Urban Landscape and Quality of Life	4,322	1,986	(1)	6,307
Municipal Agency of Social Services	4,847	(4,047)	(1,000)	(200)
Barcelona de Serveis Municipals Group (b)	149,982	8,991	2,333	161,306
Barcelona d'Infraestructures Municipals. Group (c)	7,538	18	(27)	7,529
Informac. i Comunicac. de Barcelona, SA	2,193	5	(167)	2,031
Barcelona Activa, SA	13,110	30	641	13,781
SM Barcelona Gestió Urbanística, SA	702	4	41	747
By the Equity Method	2,399	(4,668)	1,558	(711)
Barcelona Holding Olímpic, SA	79	(78)	(1)	–
Barcelona Sagrera AV	–	–	–	–
Barcelona Emprèn, SCR, SA	47	(52)	103	98
Barcelona Regional, AMDUI, SA	20	1	–	21
Mediacomplex, SA	(94)	(65)	(671)	(830)
Catalana d'Iniciatives, SCR de RC, SA	2,347	(4,474)	2,127	–
Total	269,286	2,060	1,025	272,298

(a) Adjusted according to the interest held.

(b) Barcelona de Serveis Municipals Group includes information regarding the parent firm and firms in which it holds an interest: Parc d'Atraccions Tibidabo, SA, Tractament i Selecció de Residus, SA, Cementiris de Barcelona, SA, Mercados de Abastecimientos de Barcelona, SA, Selectives Metropolitanes, SA i Solucions Integrals per als Residus, SA. (see note 2.2).

(c) Barcelona d'Infraestructures Municipals Group includes information regarding the parent firm and Foment de Ciutat Vella, SA. (see note 2.2).

Calculations of the consolidation reserves used the difference between the book and technical book values of the interests held, the dividends received during the 2013 fiscal year and other consolidated adjustments in order to homogenise receivables and payables between the City

of Barcelona and its dependent firms.

The "Transfers and others" column includes, among others, the correction of the existing temporary difference between capital transfers and the execution of the works and services financed by the aforesaid.

Note 10 – Minority interests

The balance of this account reflects the proportion of equity and results for the fiscal year of dependent municipal firms included in the consolidation statements belonging to shareholders or associates

who are not members of the consolidated Group. Specifically, this comes from Barcelona de Serveis Municipals, SA Group and Barcelona d'Infraestructures Municipals, SA Group, whose details can be broken down as follows:

Table

725

	Capital	Reserves	Fiscal result for the year	Interim dividends	Grants, donations and bequests	Total
BSM Group:						
TERSA Group	5,973	19,169	499	–	338	25,980
Mercabarna, SA	6,996	30,669	600	–	525	38,790
Total	12,969	49,838	1,099	–	863	64,769
BIM Group:						
Foment de Ciutat Vella, SA	541	364	1	–	–	906
Total	541	364	1	–	–	906
Total	13,510	50,202	1,100	–	863	65,675

Note 11 – Capital transfers and other capital income

The amounts and movements registered under this account are as follows:

Table

726

Balance as of December 31, 2012	648,739
Additions	24,794
Transfers to equity (note 9.1)	(42,628)
Transfers to results	(19,851)
Others	542
Balance as of December 31, 2013	611,596

The balance at year end includes 47,480 thousand euros corresponding to revenue from urban development operations and 564,116 thousand euros corresponding to income from capital grants, all pending deferral as described in note 3.8.

The main subsidizers of the outstanding balance of these grants are as follows:

Table

7 27

Central Government	204,929
Autonomous Community	201,642
EU Institutions	58,750
Local Entities	81,203
Others	17,592
Total	564,116

Note 12 – Other deferred income

The movement in this account is as follows (see note 3.9):

Balance as of December 31, 2012 146,617

Table

7 28

Balance as of December 31, 2012	146,617
Additions	6,241
Transfer to revenues for the year	(2,178)
Transfer to short-term (note 17)	(3,749)
Others	961
Balance as of December 31, 2013	147,892

By nature, 145,288 thousand euros correspond to revenues received in advance for the usage of assets under municipal ownership and 2,604 thousand euros to income from the provision of diverse services.

Revenues received in advance are transferred annually to the consolidated statement of revenues and expenses in accordance with the straight-line method over the period corresponding to the assignment or award, which is set at year 2083 at the latest.

The most significant additions correspond basically to income received in advance for the right to use assets owned by the municipality.

The amount transferred to short-term is the one which is expected to be applied to the consolidated statement of revenues and expenses for the 2014 fiscal year and is shown in the "Accrued expenses" account on the liabilities side of the consolidated balance sheet for the fiscal year ended December 31, 2013 (see Note 17).

Note 13 – Provisions for contingencies and expenses

This account mainly corresponds to the provisions for court cases and legal claims to cover possible future commitments of a diverse nature.

The movement in this account is as follows:

Table

7²⁹

Balance as of December 31, 2012	89,869
Additions charged to extraordinary results	64,191
Cancellation of provisions with credit to extraordinary results	(28,570)
Others	(98)
Balance as of December 31, 2013	125,392

This caption includes, among others, the amount of 28,767 thousand euros, corresponding to the December 2012 bonus that should have been paid to the entity staff before that year-end, but was removed by Article 2.1 of Royal Decree Law 20/2012, of July 13, on measures to ensure fiscal stability and promotion of competitiveness. Article 2.4 of this provision states that “the amounts resulting from the abolition of the bonus and from additional special allowances or additional equivalent bonus in accordance with the provisions of this article will be used in future years to make plan contributions pension or group insurance contracts that include coverage for the retirement contingency, subject to the provisions of the Organic law 2/2012, of Budgetary Stability and Financial Sustainability and in the terms and to the extent determined in the relevant laws budget”. Therefore, since it is certain and

due, this amount was charged under the “Personnel Expenses” caption in the profit and loss debit account with a credit to “Long-term Provisions” in the liability balance sheet over the fiscal year 2012.

Similarly, 59,260 thousand euros have been included, which are associated with the maximum financial estimation that could result from the enforcement of a ruling obliging the City Council to apply an increase in civil servant payroll for the years 2007 and 2008, with the corresponding consolidation of increases up to the present year.

Note 14 – Debentures and Loans

The outstanding amounts as of December 31, 2013 corresponding to debentures and loans, both short and long-term, can be broken down as follows:

Table

7³⁰

Debentures and loans	Outstanding amount 12.31.2013	Long term	Short term
European Union			
Banking system	1,121,635	1,027,243	94,392
Private placements	200,000	140,000	60,000
Capital Markets	–	–	–
Total Long-term debt	1,321,635	1,167,243	154,392
Total short-term debt	4,415	–	4,415
Total debt	1,326,050	1,167,243	158,807

The part of the long-term debt which matures in less than a year is reclassified under the account "Short-term payables for loans and debentures".

Movements of subscribed long-term loans and debentures during the 2013 fiscal year are as follows:

Table

7 ³¹

Balance as of December 31, 2012	1,392,688
Additions:	
- New operations	57,603
Retirements:	
- Contractual repayments	(119,766)
- Early amortization and assignment	(8,891)
Balance as of December 31, 2013	1,321,635

The long-term debt profile by maturities as of December 31, 2013 is as follows (in thousands of euros):

Table

7 ³²

Maturity	Amount
2014	154,392
2015	177,203
2016	187,967
2017	175,594
2018	99,493
2019	89,164
2020	82,340
2021	74,397
2022	63,646
2023	13,901
2024 and onwards	203,537
Total	1,321,635

As of December 31, 2013 there were stand-by credit lines for a total of 26,000 thousand euros, of which 4,415 thousand euros have been executed.

The average interest rate during the 2013 fiscal year was 2.68%, and the average life stood at 5.6 years.

All financial debts are in euro. For interest rate risk management, Barcelona

City Council has taken out eight interest-rate swap operations for a total face value of 486,000 thousand euros, each assigned to an underlying operation in accordance with the implementation basis for budgets. As of December 31, 2013, 44.2% of the consolidated long-term financial debt had a fixed interest rate, and 55.8% had a floating interest rate.

Note 15 – Other long-term payables

The other long-term payables account includes the following concepts:

Table

733

Suppliers of fixed assets with maturity exceeding one year	4,608
Central Government – final settlement of the share of State taxes for 2008	52,353
Central Government – final settlement of the share of State taxes for 2009	212,999
Others	27,998
Balance as of December 31, 2013	297,958

The total amount of the final settlement of the share in State taxes corresponding to the fiscal year 2008 stood at 93,487 thousand euros, while the amount corresponding to fiscal year 2009 stood at 304,284 thousand euros. In accordance with Law 2/2012, of June 29, of the General State Budget for 2012, the period to offset these negative

settlements has increased from 60 to 120 monthly payments. Thus, the negative settlement for 2008 is due for maturity in the period 2011-2021 and the negative settlement for 2009 matures in the period 2012-2021. The amount due for maturity in 2014 is recorded under the “Other off-budget short term creditor” account.

Note 16 – Public Administrations

The breakdown of these accounts is as follows:

Table

734

Concept	Debit Balance	Credit Balance
Social security	1,158	26,787
Value added tax – IVA	4,087	16,960
Personal income tax – IRPF	201	13,014
Corporate tax	7,853	891
Grants	17	17
Others	1	481
Total	13,317	58,150

The entirely municipally owned company, Informació i Comunicació de Barcelona, SA, is undergoing a VAT tax audit as the tax office questions the total deductibility of input VAT since the company performs two activities: television and advertising. Given the

level of probability that the grounds for the audit will be successful, the company has recorded in the profit and loss, the input VAT considered non-deductible for the years 2012, for the amount of 5,390 thousand euro, offset in provisions for 2,014 thousand euro

and deteriorating the amount pending tax collection by the tax office for 3,376 thousand euro.

Similarly, the mixed-capital company Mercabarna has an audit under way that questions the application to the company's entire activities of the tax relief of 99% in corporate tax for the years 2008-2012. Given the level of probability that the grounds for the audit will be successful, the company has recorded in the profit and loss for the year a share of the differential quota claimed by the tax office, for the amount of 2,529 thousand euro offset in the section "Allowances for liabilities and costs".

Inspection is pending for Group entities regarding those fiscal years not prescribed for all applicable taxes. No significant additional liabilities are expected for entities as a result of possible inspections.

Note 17 – Other non-trade payables and accrued expenses

17.1. Other non-trade payables

The balance of this account as of December 31, 2013 is as follows:

Table

7 ³⁵

Urban development fees for urban development actions	39,138
Central Government – Short-term maturity of final settlement of the share of State taxes for 2008 and 2009 (note 15)	37,907
Bonds and deposits received	32,340
Credit administrations for economic-activity-tax (IAE) and property-tax (IBI) charges	21,272
Extraordinary staff payments	30,529
Short-term accounts payable	16,218
Other payables	33,369
Other recognised expenses	5,261
Altres creditors no pressupostaris a curt termini	216,034

17.2. Accrued expenses

This account reflects the Group's definite liabilities as of December 31, 2013, in accordance with their accrual periods and independently of the date of requirement

of payment on demand, as well as the capital grants given to the Group pending allocation. It has the following composition:

Table

7 ³⁶

Capital and current transfers	17,639
Assigned land pending allocation to revenues	32,406
Urban development quotas	154
Transfers to short-term revenues (note 12)	3,749
Concessions for kiosks in parks	238
Annual users' fees	4,989
Concessions for graves	2,467
Fees for private-use concessions	128
Other advanced revenues	2,495
Unmatured accrued interests	5,715
Total	69,980

Note 18 – Statement of results for the fiscal year 2013

18.1. Personnel expenses

This entry includes the wages and salaries of Group personnel, social security payments and other welfare expenses.

The average payroll of the City of Barcelona Group during the 2013 fiscal year was 12,534 workers (43% women and 57% men).

18.2. Works, supplies and subcontracted services

This entry corresponds to the purchase of goods and services needed for everyday

functioning of municipal activities, and the maintenance of investments. It includes the service contracts subscribed to by the Group with different private firms to enhance the functioning of the city, such as, for example, refuse collection and street cleaning.

18.3. Current and capital transfers

These entries include the current and capital transfers made by the Group from its own budget or on behalf of third parties to external entities, firms and individuals in order to finance their operating expenses or investments. The main recipients are as follows:

Table

7³⁷

Current Transfers	498,359
Consortia and foundations	147,230
Barcelona Metropolitan Area	151,504
Metropolitan Transport Authority	80,174
Non-profit organizations	89,197
Other public agencies	7,303
Autonomous community	4,000
Firms	1,595
Others	17,356
Capital Transfers	20,284
Consortia and foundations	5,489
Non-profit organizations	9,900
Others	4,895
Total	518,643

18.4. Tax Revenues

This account includes the following local taxes levied by the City of Barcelona:

Under this grouping we find the following local taxes: property tax (IBI), levied on property; economic activities tax (IAE), on certain business activities, in accordance with the type of activity, the space occupied and the location; tax on motor vehicles (IVTM), which is levied on the ownership thereof, irrespective of the vehicle's class or category; taxes on construction, installations and works (ICIO), levied according to the cost of the

project for which the license has been requested; increase in urban land value (IIVT), a direct tax levied on the increase registered in the value of these lands made evident upon their transfer.

This account also includes amounts resulting from the assignment of Central Government taxes as a consequence of the application of the new model of financing for the public sector, approved by Law 51/2002, of December 27, reforming Law 39/1988, of December 28, Regulating Local Taxation.

A breakdown reveals the following:

Table

7 **38**

Property tax	596,837
Tax on economic activities	91,686
Tax on the increase in land value	113,647
Assignment of Central Government taxes	85,880
Tax on motor vehicles	63,154
Tax on construction, installations and works	21,573
Total	972,777

18.5. Other tax revenues

Grouped under the "Other tax revenues" account, these are basically charges for the sale of services and use of the public domain.

18.6. Sale of services

This entry includes charges and public prices invoiced for the provision of services and revenues obtained by entities during their regular activities.

18.7. Other operating revenues

Other operating revenues basically includes fines and other penalties for offences, interest, and late-payment surcharges, income from concessions and special uses and profit-sharing. The account can be broken down in the following way:

Table

7 **39**

Fines	96,804
Concessions and special uses	37,585
Late payment surcharges and surcharges on collection proceedings	19,245
Profit sharing	214
Others	1,994
Total	155,842

18.8. Revenues from current transfers

This account includes the amounts received from the Central Government Supplementary Finance Fund, as well as

earmarked grants from the European Community, Central Government, the autonomous community and local entities, in accordance with the following:

Table

7 **40**

Central Government	977,846
Generalitat of Catalonia	75,769
Local entities	63,978
Foreign transfers	2,335
Other entities	1,842
Total	1,121,770

18.9. Extraordinary results

Extraordinary results can be broken down as follows:

	Expenses	Incomes
Fixed assets	13,040	24,399
Modification of receivables, payables and provisions	35,228	66,515
Court ruling on increase in payroll	59,260	
Capital transfers allocated to the results	–	19,851
Other extraordinary results	8,380	3,232
Total	115,908	113,997
Net positive extraordinary result	(1,911))	

Income from changes in rights, obligations and allowances includes 37,945 thousand euro from the application of the allowance for coverage of difficult to implement rights and 28,570 thousand euro from the application of the allowance for liabilities and charges

Consultoría, S.A., for auditing services and the expenses incurred in the provision thereof in the 2013 fiscal year amount to 464,7 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and firms forming part of the City group, and the appropriate part thereof will be duly charged to each of them.

Note 19 – Other Information and posterior issues

As of December 31, 2013, the guarantees provided by the Group to cover credit operations amount to 3,161 thousand euros.

The fees to be received by the temporary consortium PriceWaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y

Pursuant to the provisions of Law 15/2015 of 5 July, setting out measures to deal with late payment in commercial transactions, and regarding the total liabilities paid for operating expenditure corresponding to caption two of the municipal budget, and capital expenses included in caption six of the municipal budget, as of December 31, 2013 and 2012:

	Fiscal year 2013		Fiscal year 2012	
	Amount	%	Amount	%
Payments within the legally established time limit	755,682	77%	754,968	77%
Difference	274,641	23%	226,780	23%
Total payments within fiscal year	1,030,323	100%	981,748	100%
Weighted average past due date (days)	14.60		15.70	
Adjournments that at date overshoot the maximum legal due date	8,441		4,091	

Under the aforementioned Act 15/2010, the maximum term for payment until 31st December 2012 was 40 days; since 1 January 2013 this term has been reduced to 30 days.

Note 20 – Table of financing for the 2013 and 2012 fiscal years

Table

7 43

Applications	Fiscal year 2013	Fiscal year 2012	Sources	Fiscal year 2013	Fiscal year 2012
			Funds obtained	541,173	447,838
Acquisitions of fixed assets:			Sale of assets:		
Tangible and intangible	343,385	455,470	Tangible and intangible	197	9,817
Financial	7,368	5,875	Retirements of financial assets	3,805	8,500
Transfers of fixed assets	8,550	–			
Transfer of deferred income to short-term	3,749	5,410	Transfers of fixed assets	9,648	11,924
Long-term trade receivables	–	5,773	Long-term trade receivables	5,908	–
Long-term guarantees and deposits	89	–	Deferred income	7,202	10,332
Short-term transfer and cancellation settlement of share in Central Government taxes	37,907	–			
Capital transfers and other capital revenues	–	3,067	Capital transfers and other capital revenues	25,336	33,262
Amortization and transfers to short-term of long-term debentures	163,283	143,777			
			Long-terms loans	57,603	185,475
			Long-term guarantees and deposits	–	797
			Provisional settlement of share in Central Government taxes	–	3,479
			Other long-term payables	1,095	2,168
Total applications	564,331	619,372	Total sources	651.967	713,592
Changes in working capital (increase)	87,636	94,220	Changes in working capital (decrease)		–
Total	651,967	713,592	Total	651.967	713,592

Table

7 44

Change in working capital	2013		2012	
	Increase	Decrease	Increase	Decrease
Inventories	–	7,465	–	18,548
Accounts receivable	–	8,060	–	9,630
Short-term financial investments	46,200	–	–	219,010
Cash	92,064	–	327,222	–
Accounts payable	–	35,103	14,186	–
Total	138,264	50,628	341,408	247,188
Increase in working capital				
Decrease in working capital	87,636	–	94,220	–

Funds obtained from operations include the following:

Table

7 45

	Note	2013	2012
Result of the fiscal year	–	401,438	296,428
Net results on fixed assets	18.9	(11,359)	26,535
Provision for depreciation	4	130,191	125,550
Provisions for contingencies and expenses	13	64,191	28,844
Deferred expenses	–	73	101
Cancellation long-term provisions	13	(28,668)	(26,408)
Deferred income transferred to statement of Revenues and expenses	12	(2,178)	(3,327)
Capital grants transferred to results	11	(19,851)	(11,661)
Changes in provisions for financial investments	6	6,034	4,922
Result of minority interests	10	1,100	2,380
Share by the equity method	2.2	202	4,474
Funds from operations		541,173	447,838

The Municipal Management of Barcelona City Council, on 30th April 2014, and in compliance with the requirements established by Article 64 of Act 1/2006 which regulates the special regime of Barcelona, proceeds to prepare the consolidated annual accounts in this document, pages 1 to 36, corresponding to the financial year ending on 31st December 2013.

8

Five-year Data

Table

8 1

City of Barcelona (2009-2013)

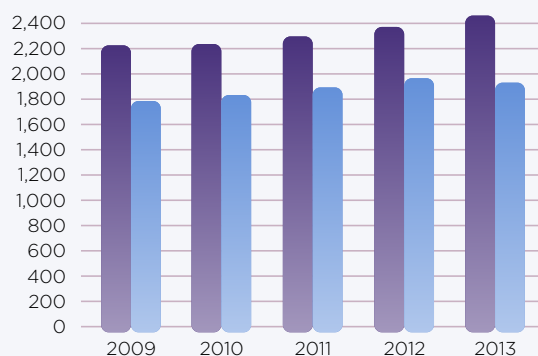
	2009	2010	2011	2012	2013	Annual growth (%)
Personnel (on average)	7,087	6,715	6,710	6,638	6,464	-1.5%
Economic Position (thousands of euros)						
Current Revenue	2,217,494	2,217,997	2,291,600	2,362,803	2,454,888	1.9%
Current Expenses	1,780,394	1,842,501	1,882,470	1,948,596	1,927,398	2.5%
Gross Saving	437,100	375,496	409,130	414,207	527,490	-0.4%
Net Investments	551,637	575,557	451,190	398,683	313,483	-11.4%
Cash Surplus (Deficit)	20,000	-450,000	110,000	-75,000	63,725	
Total Debt as of 12/31	750,101	1,200,101	1,090,101	1,165,101	1,101,376	7.4%
Ratios						
Gross Saving / Current Revenue (%)	19.7	16.9	17.9	17.5	21.5	
Interest Coverage (x)	23.7	18.7	16.1	15.2	21.9	
Capital Expenditure Coverage (x)	0.8	0.7	0.9	1.0	1.7	
Capital Expenditure / Total Expenses (%)	32.5	29.3	22.7	18.3	15.1	
Debt / Current Revenue (%)	33.8	54.1	47.6	49.3	44.9	
Debt / Primary Saving (x)	1.6	3.0	2.5	2.6	2.0	
Average Life of Long Term Debt (years)	5.8	5.9	5.4	5.2	4.6	

Chart

8 2

Current revenue and expenses (millions of euros)

● Current revenue ● Current expenses

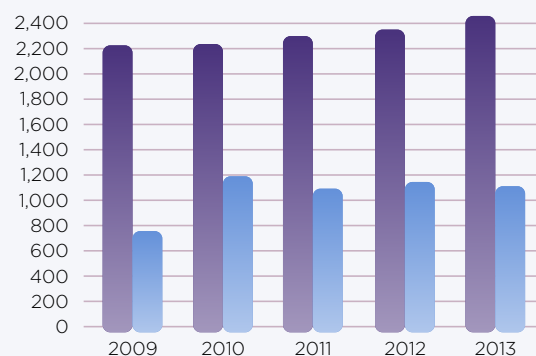


Chart

8 3

Current revenue and total debt (millions of euros)

● Current revenue ● Total debt as of 12/31

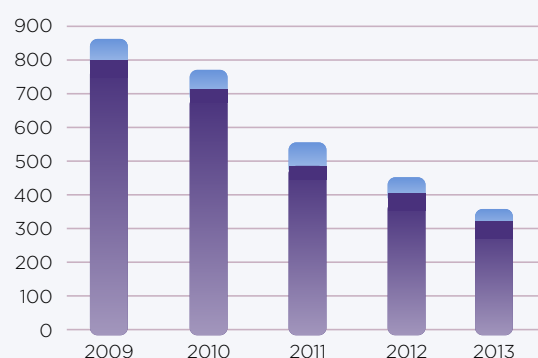


Chart

8 4

Direct and indirect capital expenditures (millions of euros)

● Direct capital expenditure ● Indirect capital expenditure



Debt ratings at 2014/05/02

Fitch: BBB+ est (05/2014)

Standard & Poor's: BBB est (05/2014)

Moody's: Baa2 pos (02/2014)

Table

8 5

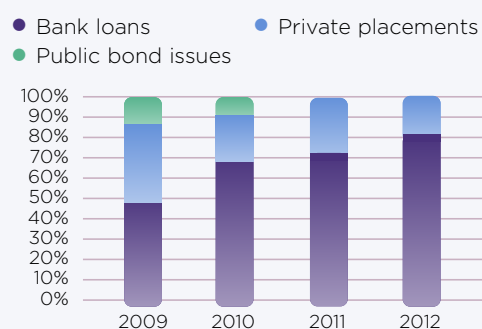
City of Barcelona (2009-2013)

Balance summary (thousands of euros)	2009	2010	2011	2012	2013	Annual growth (%)
Intangible Fixed Assets	10,169	8,266	7,439	6,949	10,359	3.0%
Tangible Fixed Assets and Infrastructures	7,468,676	7,318,077	7,628,895	7,492,339	7,386,125	1.0%
Long-term Financial Investments	204,066	236,329	216,678	202,239	186,577	-3.1%
Long-term Off-budget Receivables	2,920	4,666	2,955	9,033	9,836	38.8%
Deferred Expenses	1,186	983	810	709	637	1.2%
Fixed Assets	7,687,017	7,568,321	7,856,777	7,711,269	7,593,534	0.9%
Accounts Receivable	385,542	364,502	428,913	431,479	433,183	8.0%
Cash	372,007	581,486	270,014	381,397	519,139	1.2%
Current Assets	757,549	945,988	698,927	812,876	952,322	3.9%
Total Assets	8,444,566	8,514,309	8,555,704	8,524,145	8,545,856	1.2%
City of Barcelona Equity	6,175,562	5,531,692	5,798,720	5,726,736	5,821,195	-1.1%
Subsidies and Other Capital Income	555,568	592,281	607,785	594,366	556,046	16.7%
Net Equity	6,731,130	6,123,973	6,406,505	6,321,102	6,377,241	-0.1%
Deferred Income	89,846	98,763	99,507	101,405	101,578	1.9%
Provisions for Contingencies and Expenses	86,967	90,595	85,063	76,188	107,034	-0.8%
Long-term Loans and Debentures	750,101	1,200,101	1,090,101	1,165,101	1,101,376	7.4%
Other Long-term Liabilities	130,603	430,432	337,623	331,682	298,295	62.0%
Long-term Liabilities	1,057,517	1,819,891	1,612,294	1,674,376	1,608,283	7.4%
Short-term Payables for Loans and Debentures	0	0	0	0	0	-
Payables and Others	645,726	558,322	526,342	518,349	551,228	-2.1%
Accrued Expenses	10,193	12,123	10,563	10,318	9,104	-5.9%
Current Liabilities	655,919	570,445	536,905	528,667	560,332	-2.1%
Total Liabilities	8,444,566	8,514,309	8,555,704	8,524,145	8,545,856	1.2%

Chart

8 6

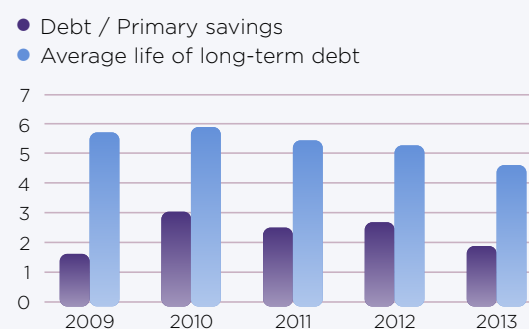
Breakdown of debt by markets



Chart

8 7

Repayment capacity and average life of debt



Table

8 8

Public administration debt according to the excess deficit protocol (2009-2013)

Debt (millions of euros)	2009	2010	2011	2012	2013	Annual growth (%)
Central Government	485,525	549,653	622,256	760,195	836,192	17.9%
Regional Government	90,963	120,779	142,342	185,456	206,773	23.3%
Local Authorities	34,700	35,431	35,420	41,939	41,485	5.5%
Spanish Municipalities	28,732	28,904	28,529	35,262	35,129	6.2%
City of Barcelona (1)	753	1,202	1,090	1,165	1,101	7.4%

Source: Banc of Spain (www.bde.es/infostet)

(1) Includes consorcia and foundations consolidated for the purposes of the Organic Law of Budgetary Stability and Financial Sustainability

Table

89

City of Barcelona group (2009-2013)

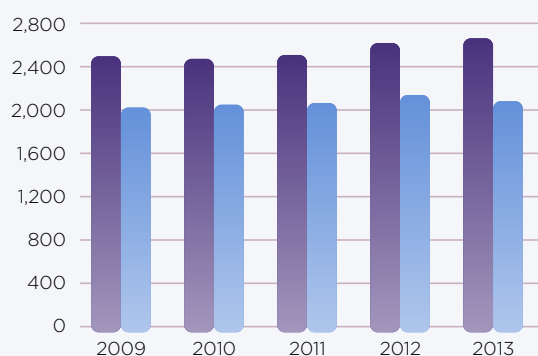
	2009	2010	2011	2012	2013	Annual growth (%)
Personnel (on average)	12,697	13,034	12,827	12,830	12,534	-1.6%
Economic Position (thousands of euros)						
Current Revenue	2,517,465	2,512,205	2,504,522	2,602,721	2,690,652	1.1%
Current Expenses	2,035,261	2,063,418	2,087,885	2,157,434	2,127,938	1.9%
Gross Saving	482,204	448,787	416,637	445,287	562,714	-1.7%
Net Investments	628,141	632,189	419,066	408,418	336,137	-13.1%
Cash Surplus (Deficit)	-47,730	-495,557	113,124	-64,932	68,592	
Total Consolidated Debt as of 12/31	974,358	1,464,405	1,346,783	1,401,032	1,326,050	7.4%
Ratios						
Gross Saving / Current Revenue (%)	19,2	17,9	16,6	17,1	20,9	
Interest Coverage (x)	17,1	14,9	12,5	13,0	18,6	
Capital Expenditure Coverage (x)	0,8	0,7	1,0	1,1	1,7	
Capital Expenditure / Total Expenses (%)	31,8	29,2	22,4	18,0	15,1	
Debt / Current Revenue (%)	38,7	58,3	53,8	53,8	49,3	
Debt / Primary Saving (x)	1,9	3,0	3,0	2,9	2,2	
Average Life of Long Term Debt (years)	7,0	6,6	6,4	6,1	7,1	

Chart

810

Current revenue and expenses (millions of euros)

● Current revenue ● Current expenses

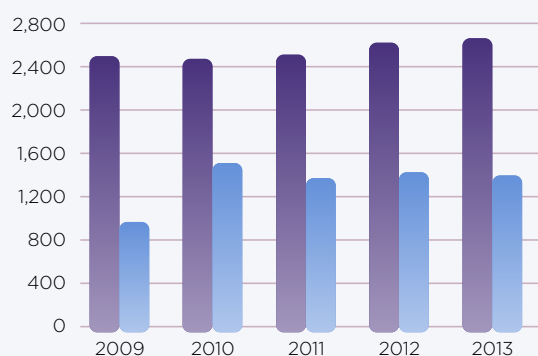


Chart

811

Current revenue and total debt (millions of euros)

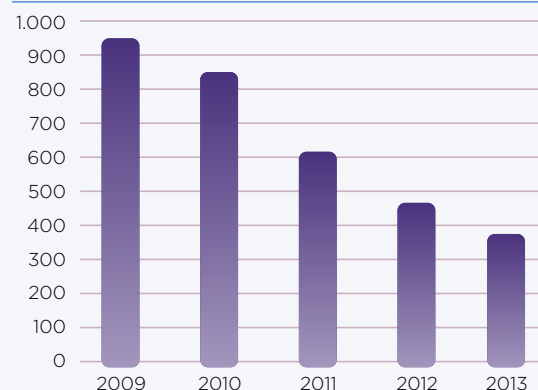
● Current revenue ● Total consolidated debt as of 12/31



Chart

812

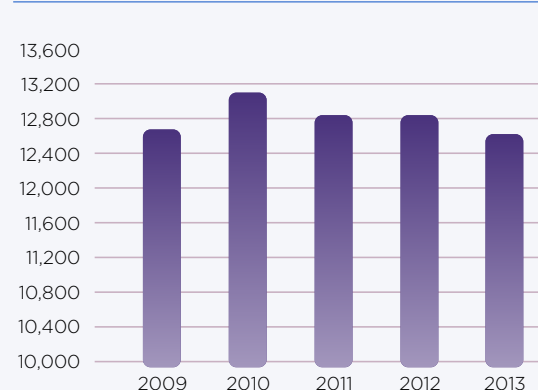
Consolidated gross capital expenditure (millions of euros)



Chart

813

City of Barcelona group personnel (on average)



Table

814

City of Barcelona group (2009-2013)

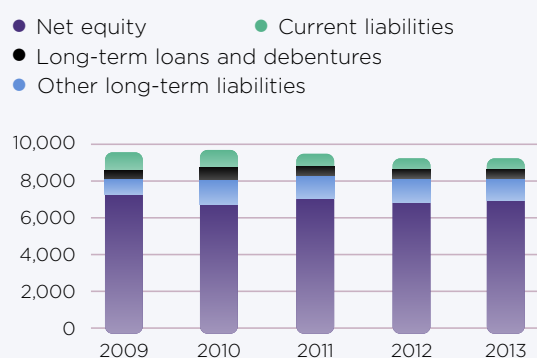
Balance Summary (thousands of euros)

	2009	2010	2011	2012	2013	Annual growth (%)
Intangible Fixed Assets	21,526	19,528	13,761	12,993	16,446	-3.0%
Tangible Fixed Assets and Infrastructures	8,111,805	7,990,897	8,276,663	8,119,984	8,031,528	1.0%
Financial Intangible Assets	142,866	191,839	164,623	147,592	130,523	-3.8%
Accounts Receivable for Long-term Trade Operations	34,704	29,514	27,435	33,208	27,300	-1.8%
Deferred Expenses	2,832	2,630	2,275	2,174	2,101	-1.3%
Fixed Assets	8,313,733	8,234,408	8,484,757	8,315,950	8,207,898	0.9%
Inventories	105,705	107,236	127,868	109,320	101,855	10.9%
Accounts Receivable	473,607	507,056	525,655	525,720	516,987	6.0%
Cash	441,539	657,369	348,902	457,114	595,378	1.2%
Accrued Expenses	4,292	2,851	12,054	2,359	3,032	15.5%
Current Assets	1,025,143	1,274,512	1,014,479	1,094,513	1,217,252	3.8%
Total assets	9,338,876	9,508,920	9,499,236	9,410,463	9,425,150	1.2%
Equity	6,400,952	5,792,056	6,052,895	6,016,490	6,138,846	-0.8%
Minority Interests	81,983	86,322	69,549	66,407	65,675	-4.0%
Subsidies and Other Capital Income	640,989	681,119	724,658	648,739	611,596	12.2%
Net Equity	7,123,924	6,559,497	6,847,102	6,731,636	6,816,117	0.0%
Other Deferred Income	130,695	141,862	145,022	146,617	147,892	2.1%
Provisions for Contingencies and Expenses	92,313	95,958	87,433	89,869	125,392	0.2%
Long-term Loans and Debentures	962,099	1,455,914	1,340,057	1,392,688	1,321,635	7.4%
Other Long-term Liabilities	165,124	466,864	368,694	363,844	326,943	39.3%
Long-term Liabilities	1,350,231	2,160,598	1,941,206	1,993,018	1,921,862	9.1%
Short-term Payables for Loans and Debentures	12,260	8,491	6,725	8,344	4,415	1.2%
Accounts Payable	773,743	673,416	613,337	594,952	611,776	-3.4%
Accrued Expenses	78,718	106,918	90,866	82,513	69,980	5.0%
Current Liabilities	864,721	788,825	710,928	685,809	686,171	-2.7%
Total Liabilities	9,338,876	9,508,920	9,499,236	9,410,463	9,424,150	1.2%

Chart

815

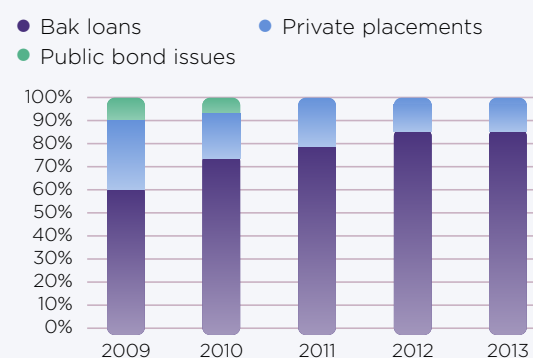
Composition of liabilities (millions of euros)



Chart

816

Breakdown of consolidated debt by markets



Table

817

Consolidated debt of the City of Barcelona: public administration and commercial entities (2009-2013)

Consolidated debt (millions of euros)	2009	2010	2011	2012	2013	Annual growth (%)
Public Administration	750	1,200	1,090	1,165	1,101	7.3%
Commercial Entities	224	264	257	236	225	7.9%
Total Debt	974	1,464	1,347	1,401	1,326	7.4%

Published by: Ajuntament de Barcelona
Management: Gerència d'Economia, Empresa i Ocupació
Direcció de Finançament
Design: Serveis Editorials Estudi Balmes, SL
Publishing: Direcció d'Imatge i Serveis Editorials
Cover photo: © Ajuntament de Barcelona
LD: B-20.280-2014
© Ajuntament de Barcelona
www.bcn.cat (The City Council / Financial Information)

2013



Ajuntament
de Barcelona