



## An aerial photograph of the National Congress building in Mexico City. In the foreground, a large, ornate circular fountain with multiple tiers and water jets is surrounded by a green lawn. A wide, paved plaza leads from the fountain to a grand staircase that ascends a hill. At the top of the stairs, four tall, classical columns stand in a row. The National Congress building, a large, historic structure with multiple domes and spires, is situated at the top of the hill, partially obscured by lush green trees. The sky is clear and blue.

City of Barcelona  
**Annual Report 2014**



**Ajuntament  
de Barcelona**

# 2014

City of Barcelona  
**Annual Report 2014**



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de Barcelona**

## City of Barcelona

### Municipal Council Plenum

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

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



# 2014

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# Presentation

**Xavier Trias**  
Mayor of Barcelona

I am delighted to present you with the 2014 Annual Report, the economic assessment of the last full year of the term of office which started in May 2011. Several years during which we all became aware of Barcelona's potential as a driving force and launchpad for exiting the crisis.

Today we are able to confirm that we are raising our profile in the world as a functioning city that does things properly and which is attracting economic activity and investment. The world's main international agencies, such as Standard & Poor's, Moody's and Fitch, give the City Council's economic management and Barcelona's good budgetary and financial situation a positive rating.

The crisis was creating a very complicated situation in 2011, owing to unemployment. A trend that reached its high point in March 2013, when there were over 115,000 people in Barcelona who were officially registered as unemployed. Fortunately, this situation began to reverse and has steadily improved, with the number of officially unemployed down to 96,000 and the number of official Social Security contributors up to over a million at the time of publication of this report.

As the main indicators of the following pages show, we are still suffering the effects of the crisis but finally, after many years, the economy is showing a positive trend in Barcelona and its Metropolitan Area. The main data from the Port and Airport, exports, vehicle registrations, overnight hotel stays and other information confirm this.

All that is due to the fact that Barcelona, in contrast to other cities, has a diversified economy, boasting highly competitive sectors such as industry, commerce, tourism, services, logistics and new technologies. What is more, the Catalan capital is firmly committed to future strategic sectors such as mobile technology, smart cities, electric vehicles, clean energy, biomedicine, agrofood and the boat industry.

This economic diversification has been complemented by the work we have been carrying out at the City Council, with the invaluable involvement of municipal workers, to achieve the three priorities we set out at the start of our term of office: caring for people, especially the most vulnerable; reviving the economy and creating employment; and making Barcelona work with quality services, available to everyone.

Barcelona is the capital of Catalonia, one of the economic capitals of southern Europe and the European capital of the Mediterranean. A big world capital that is expected to have more and more influence in the future.

The 2014 Annual Report helps us to face this future with optimism and confidence, so Barcelona can continue advancing as a city where economic progress and social progress go hand in hand, thanks to collaboration from everyone.



# Presentation

## **Sònia Recasens i Alsina**

2nd Deputy Mayor for Economy,  
Business and Employment

I am delighted to present Barcelona City Council's 2014 Annual Report, which we are now putting at your disposal.

The various chapters include the Council's political and executive structure; the politics and public management deal 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 funding capacity/needs under ESA -95, and the management report for the 2014 financial year, 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. Social policies can only be met in service and quality through a properly managed and financially solvent organisation. The best social policy is the one that ensures resources at all times, present and future.

The financial goals for 2014 have been achieved. A high level of liquidity has been maintained, which makes it possible to pay the Council's suppliers in thirty days. Gross savings exceeded the target of 15% in current revenue, so ensuring the Council's investment capacity and enabling a 13.7% reduction in the city's indebtedness. 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 that all our resources and efforts are being applied to that end. Barcelona City Council's settlement for 2014 presents a 98% level of performance for the expenses budget and capital expenditure was made through investments of over 613 million euros. In sum, 2014 showed a surplus of over 22.1 million euros under the European System of Accounting.

These are the results of a management model geared towards the City Council's solvency from a medium and long-term perspective. They also help to maintain the city's independence in taking decisions.

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.



# Political and executive organisation of the City of Barcelona

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.

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
<b>Total</b>	<b>41</b>	<b>41</b>

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



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:

- 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 Commissions** 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

1 2

Permanent Commissions of the Municipal Council

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. Elderly Policy. 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

**1** **3**

Area of the Presidency, Internal Affairs, Safety and Mobility

Area of Economy, Business and Employment

Area of Urban Habitat

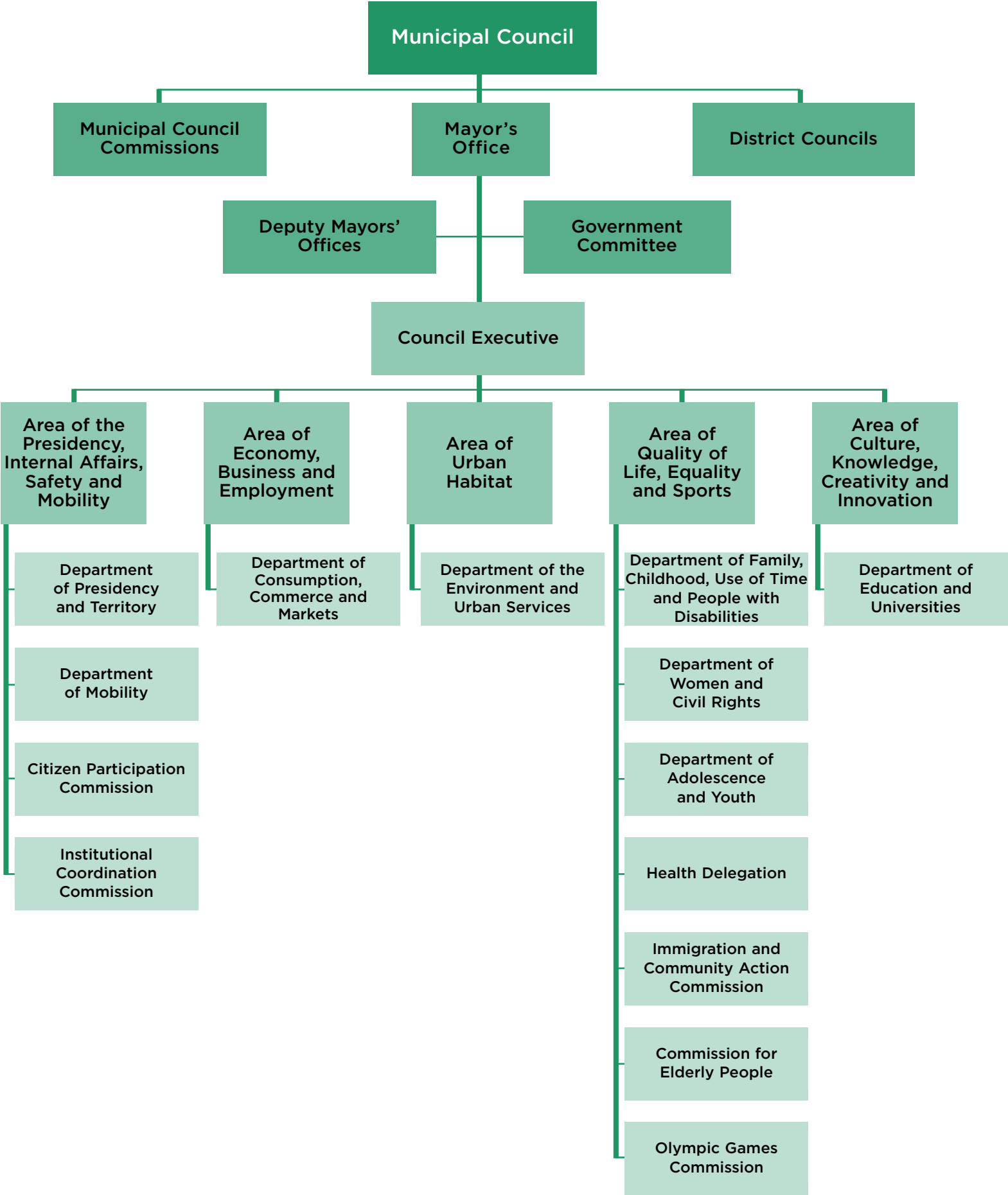
Area of Quality of Life, Equality and Sports

Area of Culture, Knowledge, Creativity and Innovation

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.

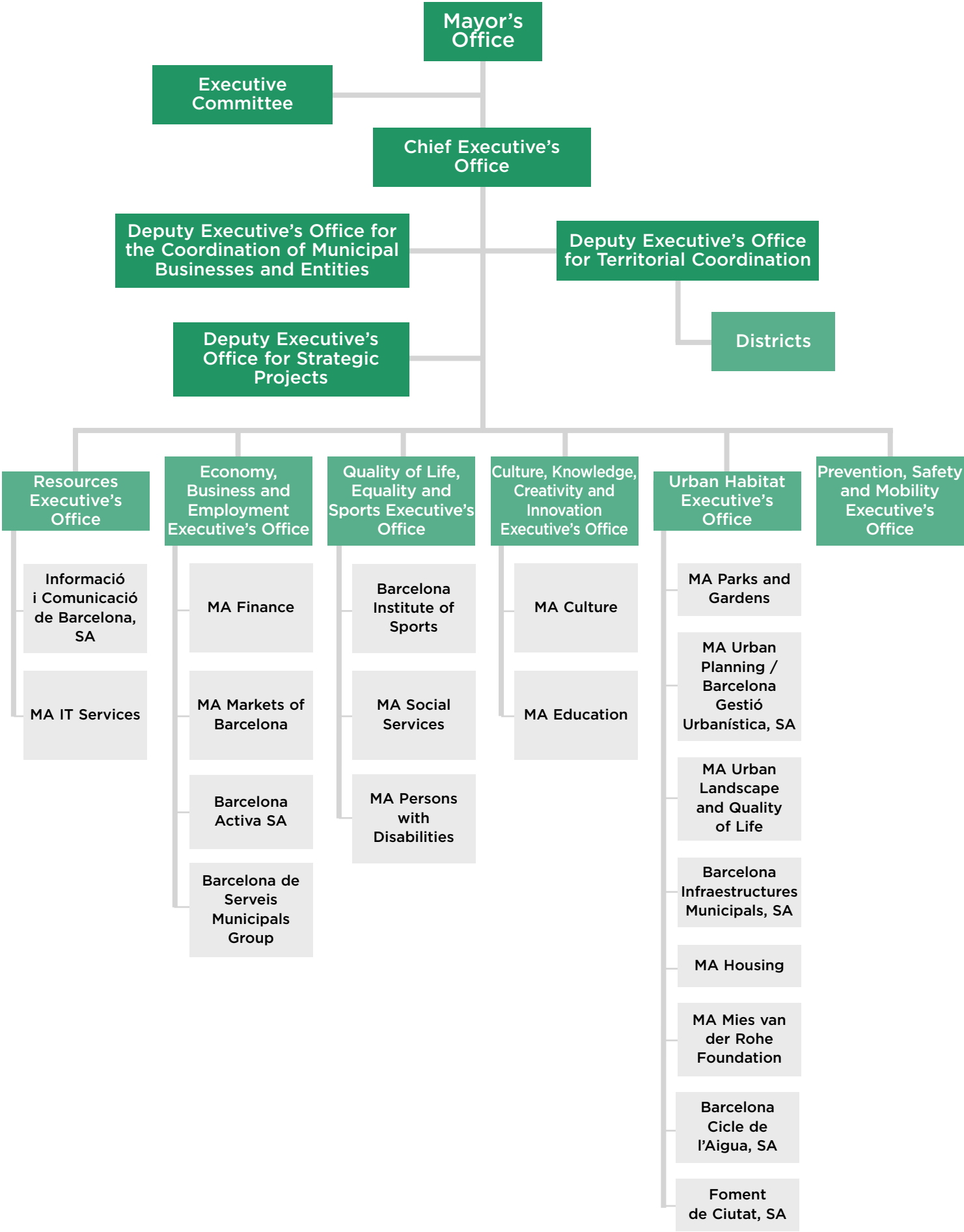
The first four sectors, along with economic development, cover operational services or action areas. The resources and economic functions sectors encompass the executive structure's corporate services.

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

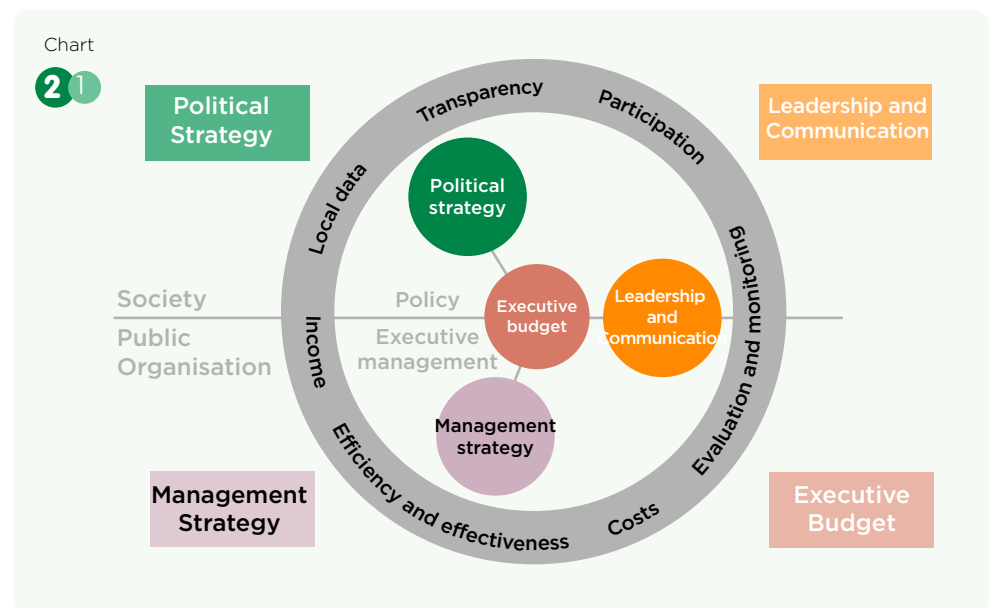
# Politics and public management deal model

## 2.1. Politics and public management deal 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:**

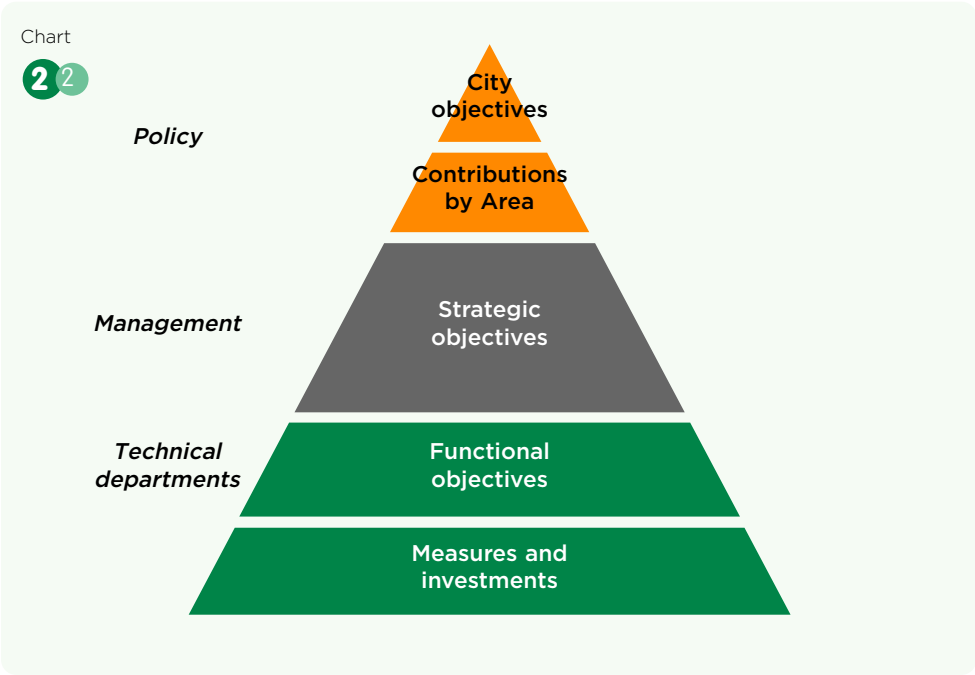
- 3. Functional Plans: functional objectives. Specifying current measures and investment. Scheduling, allocation of managers and human, material and economic resources as part of the annual budget. They connect strategy with day-to-day implementation.

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**

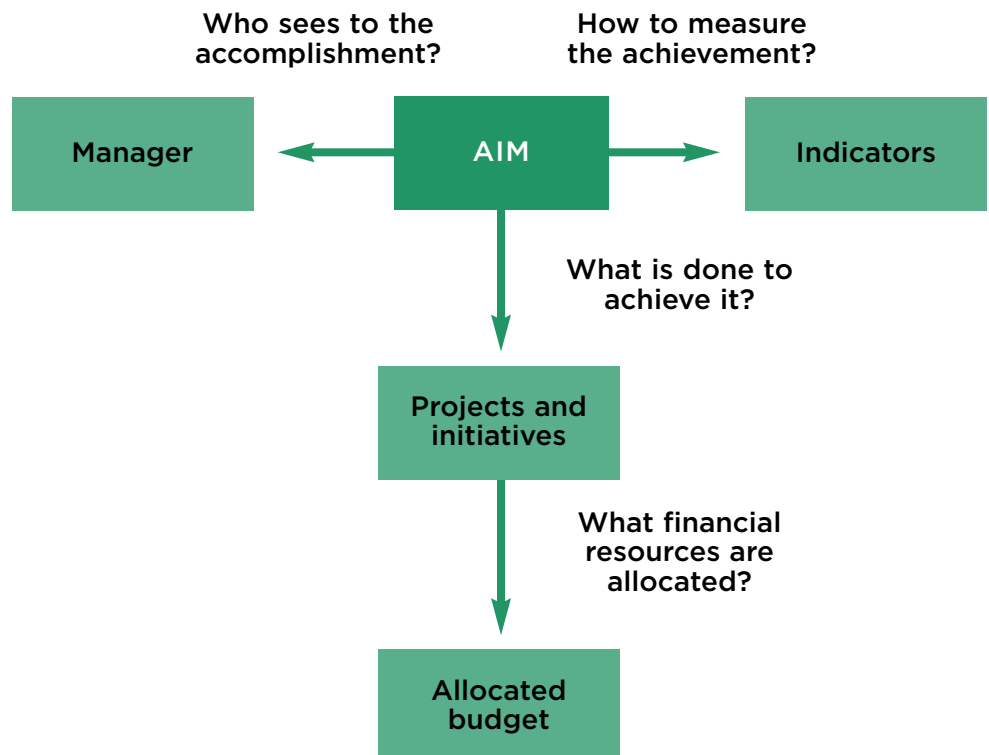
The strategy drawn up and planned by the executive's offices must be implemented through the departments. The departments, which have highly specialised fields of operation, are responsible for the City Council's day-to-

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.

## 2.2. 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 Commissioners. 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.

## 2.2.1. Contribution to the achievement of City Map objectives. Contributions matrix

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

## puts people first

<b>ions and sports, social and al stakeholders</b>	<b>3. Economic stakeholders and knowledge centres</b>
<b>erates with and participates in society</b>	<b>An economy that generates opportunities for everybody</b>
<p>ne 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

	<b>Productive neighbourhoods at a human pace in a hyperconnected and zero-emissions city</b>
	<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>

<b>agers and human resources</b>	<b>7. Knowledge, technology, innovation and cooperation</b>
<b>d institution with pride of belonging ed towards its citizens</b>	<b>Barcelona, open innovation in public management</b>
<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

# Barcelona's economy

## The world economy's unbalanced and stagnant growth

According to the IMF, the world economy grew at a rate of 3.3% in 2014, equalling the figures for 2013. At the lower end of the forecasts, the mild upturn of the more advanced economies — with the exception of Japan — was offset by a slowdown in the growth of other economies, in particular that of Russia and those of several major South American countries. The supposedly “planned” cooling of the Chinese economy also helped to reduce the growth differential between the two big blocks. Given its visibility, the falling prices of petrol and raw materials in general was named as a factor explaining or even triggering this process. It may be an overly simplistic argument but it proved sufficient to explain the transfer of financial resources — spending capacity — from petrol and raw-material producers/exporters to consumers/importers.

While it is estimated that advanced economies as a whole achieved a growth of 1.8% — up half a percent on the previous year — emerging and developing economies finished slightly below the initial forecasts, growing by 4.4%. Despite losing 0.3% of their growth rate, the dynamic nature of this group of Asia-led economies remained a determining factor for maintaining the world's economic expansion.

While the Chinese economy, with an approximate increase in GDP of 7.4%, and the other emerging Asian economies once again led the world's economic growth, the Eurozone, and Japan in particular, continued to hold that growth back. North America and the UK — with growth rates of around 2.5% — were the most dynamic advanced economies. A scenario which is generally expected to continue throughout 2015.

In contrast to the previous year, Italy was the only one of the five big European economies to have remained in recession. Germany, Spain and the UK ended the 2014 financial year with a clearly positive macroeconomic balance sheet. France

also ended in the black, but so close to stagnation that numerous doubts over its short- and long-term development have been raised. In short, 2014 was a relatively unproductive year for consolidating the reflation of the European economy. This was largely due to the tensions arising from the conflict in Ukraine and the complicated situation in Greece. A weaker euro favouring exports and a more active monetary policy increasing the availability of credit could help to consolidate the expansive trend that began in 2014.

## Spain's economic recovery is under way

Spain's Quarterly National Accounts provisionally estimate its GDP for 2014 at €1.058 billion, down by 1.4% on the previous year at constant prices. If you move the reference to the end of the year — after six positive inter-quarterly variations — the interannual increase would then amount to 2%. A significant difference that is basically explained both by the Spanish economy's clear upward trend throughout 2014 and by the accelerated rate of growth seen during the last quarter of the year. The Spanish economy had not achieved a quarterly variation of 0.7% since the end of 2007.

An initial analysis shows that this apparent consolidation of the recovery process is an indication of a return to the growth seen prior to the outbreak of the crisis in 2008. This surplus in external demand, which has partly offset the sharp drop in internal demand over the last five years, turned around as soon as consumption and private investment began to react. An abrupt change in outlook, from prioritising the short term to a more sustainable long-term growth model.

Most of the internal-demand components saw a clear rise throughout 2014. To the point where, with the exception of public spending, the rest — including investment in construction — ended the year with positive interannual variations. This explained how the annual averages — with the exception of investment in construction, due to a



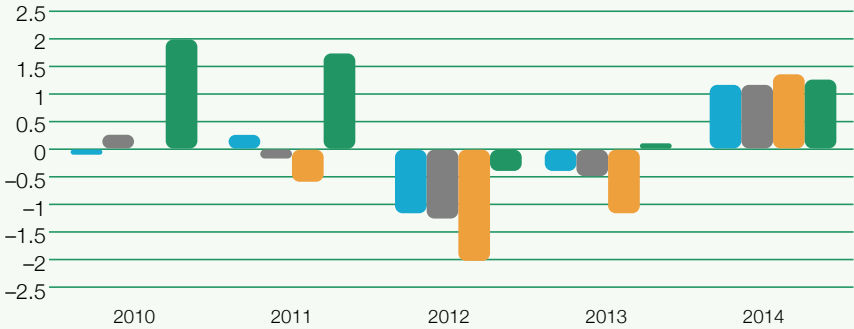
Chart

3 1

Development of the GDP (yearly average)

Barcelona and metropolitan area Catalonia Spain European Union

Variation (%)



Source: Eurostat, INE, Idescat and Barcelona City Council

Chart

3 2

Unemployment rate according to the EPA

Period	Barcelona	Catalonia	Spain	EU
4th qtr. 2010	15.9	17.9	20.1	9.6
4th qtr. 2011	16.8	20.4	22.6	10.0
4th qtr. 2012	18.6	23.8	25.8	10.7
4th qtr. 2013	17.0	21.9	25.7	10.7
4th qtr. 2014	16.3	19.9	23.7	10.0

Note: Series revised by the NSI, based on the new 2011 population census

Source: Barcelona City Council, NSI and Eurostat

Chart

3 3

Consumer price index (annual average variation, expressed as a %)

Year	Barcelona (1)	Catalonia	Spain	EU
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
2014	0.3	0.1	-0.2	0.6

(1) Barcelona Province

Source: NSI and Eurostat

weaker start to the year — ended up positive for the first time since 2007. This noticeable improvement in financial conditions explains why the high levels of debt still afflicting family economies, businesses and, increasingly, the public sector, no longer restricts the economic players' room for manoeuvre, even though it continues to limit the economy's growth.

According to the National Accounts' macroeconomic aggregates, 2014 was a good year for exports of goods and services, which grew by 4.2% in constant terms. And even more so for imports, which went up by 7.6%. As a result, external demand stopped contributing positively to GDP. A radical and very sudden turn away from what had been the norm over the previous six years.

This new scenario was accompanied by a job market which, although weak, began to show positive signs, especially in terms of expectations. Jobs began to be created — up by 1.2%, compared to a 3.4% drop in 2013 in terms of equivalent full-time jobs — whereas the rate of unemployment — though very high— started to fall noticeably.

As regards supply, a schematic analysis of Spain's GDP during 2014 would highlight that construction and financial and insurance activities were the only ones that lost production and productive capacity, that the manufacturing industry presented a positive balance sheet and profile and that the overwhelming majority of services - apart from the one mentioned above - ended the year in the black. The primary sector, which according to the National Accounts was responsible for only 2.5% of the annual GDP, was the one that grew the most.

As for the primary distribution of income, employees' salaries rose by an average annual rate of 1.3% - due to an increase in the number of jobs and the labour cost per unit falling by 0.5%. This combination of variations explains why the increase in apparent productivity per worker continued to rise slightly. An increase in consumer spending and imports explain a similar variation in the relative weight of net taxes on total production.

Another aspect to be highlighted refers to the development of consumer prices. Following the trend in containing inflationary pressure from the previous year — low demand was a determining factor — 2014 was characterised by the unusual stability of the consumer prices index (CPI). The CPI's monthly variation for seven of the twelve months was below or equal to 0.2%. The final result was an average annual drop of 0.2%, contrasting with the 1.4% increase of the previous year. At the same time, there was a 1% drop in interannual variation at the end of the year. An atypical deflationary situation that responded to both a sudden, considerable drop in prices of petrol and raw-material derivatives and weak demand, despite signs of an upturn in consumer spending. The difference with the EU average helped to improve the competitiveness of Spain's products and services.

Everything points to 2014 being remembered as the year when the country came out of the worst five-year period in its recent economic history. Two recessions are over —though some of their consequences are certainly not —, while there is a continuing need to assimilate the excesses accumulated over the long expansive period straddling the 20th and 21st centuries, especially as a result of Spain joining the European Monetary Union.

## **Barcelona's economic progress can be seen in every sector**

The most notable thing about this economic change in the Barcelona area throughout 2014 was not its intensity — which was discreet and similar to surrounding areas — but rather that it was based on its extensive productive network. This gave it stability and consistency. After a long initial stage when manufacturing export activities and tourist-related services showed capacity and potential, thus avoiding a sharper fall in economic activity during the recent crisis, the steady improvement of external factors linked to

international financial markets helped to extend the climate of recovering growth to the overwhelming majority of economic sectors. It is no less true, however, that the damage caused by the crisis was so great that this timid recovery — though significant in macroeconomic terms— was hardly noted by the production sector and the segments of the population worst hit by the crisis.

### Sectoral structure of the production sector

Following the trend of recent years, the City of Barcelona benefited greatly from

its ability to attract tourists and from the its metropolitan industry's dynamic export activities. The big difference lies in the fact that construction also began to contribute towards the economy's reflation. Renovating residential areas and constructing new buildings for production purposes, basically for hotels, were the sectors where the change of cycle was at its most evident. The construction of new housing also began to revive. Despite the efforts of local government, public investment continued to feel the effects of the priority objective of reducing public-sector deficit. However, the city ended the year with 22,600 more jobs than in 2013, a 2.3% increase in relative terms.

Chart

3 4

#### Actively employed people registered with Social Security

	Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
<b>Absolute values</b>					
General system	874,976	853,132	824,745	825,858	844,689
Self-employed	114,151	112,678	110,485	110,251	113,860
Other systems	24,982	25,546	33,013	33,912	34,119
<b>Total</b>	<b>1,014,109</b>	<b>991,356</b>	<b>968,243</b>	<b>970,021</b>	<b>992,668</b>
<b>As a percentage</b>					
General system	86.3	86.1	85.2	85.1	85.1
Self-employed	11.2	11.4	11.4	11.4	11.5
Other systems	2.5	2.5	3.4	3.5	3.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

Chart

**3** 5

### Sectoral distribution of actively employed people registered with Social Security

	Dec. 2010	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
<b>Absolute values</b>					
Agriculture, livestock and fisheries	3,036	3,128	2,558	2,333	2,376
Industry	85,582	81,690	76,700	75,263	74,430
Construction	46,177	38,595	32,401	29,476	29,533
Services	879,314	867,943	856,584	862,952	886,329
<b>Total</b>	<b>1,014,109</b>	<b>991,356</b>	<b>968,243</b>	<b>970,021</b>	<b>992,668</b>
<b>As a percentage</b>					
Agriculture, livestock and fisheries	0.3	0.3	0.3	0.2	0.2
Industry	8.4	8.2	7.9	7.8	7.5
Construction	4.6	3.9	3.3	3.0	3.0
Services	86.7	87.6	88.5	89.0	89.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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

## Services

At the end of 2014, 89.3% of jobs in Barcelona were concentrated in the tertiary sector. This was the only major sector which, irrespective of the annual balance in staff numbers, had been gaining relative influence on the city's entire production sector, especially during the five-year crisis, when everything was on the wane, a growth rate that necessarily slowed down, due to the ubiquity achieved. Industrial activity, despite its leading role over the last few years, continued to see a direct loss in jobs. The "new industry" that established itself in the capital, and particularly in the metropolitan area, involved a high tertiary-sector component, whereas the modernisation of traditional industries has not, for the time being, led to any significant increases in production capacities or job numbers. Construction seemed to have bottomed out and stabilised, in terms of its relative influence on the city's production sector. The increase in activities the city saw throughout 2014, led mostly by businesses and workers from the metropolitan area, had minimal repercussions on the growth in the city's GDP.

Social Security registers showed that over 886,000 people working in the city's

tertiary sector paid social security contributions in 2014, up by 23,500 on the previous year. This is a 2.7% increase, consolidating the previous year's change in trend and enabling employment to return to the levels of three years before. This situation is far removed from that of other activities. A more detailed analysis highlighted that the strengthened trend towards higher employment in the tertiary sector was basically due to the expansive dynamics of the hotel and catering industries, information services and technologies, professional, scientific and technical activities, administrative and auxiliary services, healthcare and social services and education. Employment also revived real estate services.

The other tertiary subsectors, which include the commerce, transport and storage subsectors, as well as personal, cultural and sports subsectors, continued to lose relative influence in the entire sector, despite presenting positive balances in job numbers. These variations are mostly due to a slight growth in consumer demand and an increase in commercial turnover and number of visitors. Only financial and insurance activities, which are still undergoing comprehensive restructuring, and home services continued to lose staff throughout 2014.

Chart

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Services sector in Barcelona

Actively employed workers registered with Social Security

December 2014	Number	%
Commercial services	151,202	17.1
Administrative and support services	103,931	11.7
Healthcare and social services	89,594	10.1
Professional, scientific and technical activities	86,492	9.8
Public authority and extraterritorial institutions	77,467	8.7
Hotels and restaurants	74,581	8.4
Education	64,976	7.3
Personal, cultural and sports services	58,908	6.6
Information and communication services	51,835	5.8
Transport and logistics	44,396	5.0
Finance and insurance	38,562	4.4
Household services	31,285	3.5
Real-estate activities	13,100	1.5
Total	886,329	100.0

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

Industry

The relative influence of industrial activity — as understood in the strict sense — on the city’s entire economy continued to fall for obvious reasons. This fall was partially offset by the vigour shown by “business services”. Despite the expansive development of Catalan manufactured-products exports, the growth potential of Barcelona’s industry was very limited. In order to understand this effect, the sector must be analysed from a metropolitan perspective. It is becoming increasingly difficult and unhelpful, or even anachronistic, to continue differentiating between industrial and tertiary-sector activities, especially when applied to an area as small as Barcelona.

The industrial sector located in the capital at the end of 2014 directly created 7.5% of existing jobs, 0.3% less than for the previous year. This percentage is higher if we extend the scope of the analysis to the entire metropolitan region. The slight rise in internal consumer demand, as reflected in increased imports, proved insufficient for turning Barcelona’s shrinking industry

around. By the end of the year, there were nine hundred fewer workers than at the end of 2013, a 1.2% drop in relative terms. This drop is countered by an increase of relatively similar proportions in the metropolitan area.

An analysis by industrial segments showed a wide range of variations, with a clear predominance of negative signs. Positive changes were limited to three segments: transport vehicles and materials, which has shown an accumulated rise for three years running; paper and graphic arts, which seems to have bottomed out after very thorough restructuring; and machinery and mechanical equipment, which began to show a certain increase in investment demand from businesses. Only the first of these may be considered as a significant variation in both absolute and relative terms. The other segments followed a downward trend, with the exceptions of electrical, electronic and IT equipment and energy, water and waste-management, which remained relatively stable. This drop must be defined as very moderate, with the exception of the chemical and pharmacy segment, which

Chart

**37**

## Industry in Barcelona

Actively employed workers registered with Social Security

December 2014	Number	%
Vehicles and other means of transport	18,782	25.2
Chemical and pharmaceutical industry	12,214	16.4
Energy, water and waste management	11,567	15.5
Food, beverages and tobacco	5,404	7.3
Paper and printing	5,025	6.8
Electric, electronic and computer equipment	4,250	5.7
Textiles, clothes manufacturing, leather and footwear	3,180	4.3
Mechanical machinery and equipment	2,850	3.8
Installation and maintenance of machinery	2,562	3.4
Metal products (except machinery)	2,473	3.3
Other industrial activities	2,467	3.3
Non-metal mineral products	1,935	2.6
Rubber and plastics	834	1.1
Furniture making	556	0.7
Metallurgy	331	0.4
<b>Total</b>	<b>74,430</b>	<b>100.0</b>

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

was affected by relocation processes. The replacement of stocks and a moderate increase in exports, offset by an upturn in imports, proved insufficient for reflating overall industrial production and creating new jobs. A sound and sustained growth in internal demand is essential.

## Construction

As for the construction sector, it seems to be getting ahead of the correction process carried out as a result of the excesses of the 2003-2007 period, when there was abundant, affordable funding available and risk controls were lax. Although these excesses were quite generalised, they were unevenly distributed throughout the territory. Barcelona was relatively less affected by this, and that means that the percentage of new housing currently available is

irrelevant in relative terms and clearly insufficient in some locations and market segments. This helps to explain why there has been a slight rise in building activity in the city, apart from public works.

Note that employment data based on Social Security contributions underestimate the relative importance of this sector's activities in the city's economy as a whole - to a far greater extent than for the other sectors - given the high probability that activities will be carried out in a different municipality from where a company's headquarters is located and, in particular, that it is a major source of underground economy. The fact that only 3% of jobs currently attributed to Barcelona correspond to construction companies should not be mistaken for the real impact of the sector's production on the city's GDP. Therefore, the 5% relative influence it has on the entire metropolitan area may be a more accurate reference.

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

Economic activity in both the city and the metropolitan area rose throughout 2014. A trend adapted to the development of the city's immediate vicinity and also conditioned by Europe. This recurring central role of activities more exposed to external markets, such as tourist services and exportable manufactured goods and services, was accompanied by a certain rise in internal demand, boosted by improved expectations and a slight growth in the job market.

As for metropolitan industrial activity, development in 2014 should be defined as moderately positive. The sector's GDP developed relatively erratically but with a moderately expansive end of year. In aggregate terms, there was a clear upward trend in terms of production volume. By contrast, growth in both exports and factory-outlet prices saw a clear slowdown and even recession, which was foreseeable after a four-year period of notable expansion and the unexpected development of petrol prices. Meanwhile, this initial recovery of manufacturing activity — highly concentrated in a few sectors — signals an imminent change in trend for sectoral jobs. The industrial climate indicator forecast that the beginning of 2015 would be as expansive as most of 2014, if not more. These forecasts were based on the consolidation of the nascent recovery of internal demand.

The upward trend in goods passing through the Port of Barcelona reflected the favourable performance maintained by exports — a 12.5% growth in volume — as well as a recovery in imports, which rose by 7.9%. There was also a slight increase in cabotage. Overall, the annual port traffic was once again comparable to the highest range of values recorded before 2008. As for container traffic, a change in trend was also notable and strongly linked to the rise in internal Spanish demand and the European economy. Along with this increase in every type of traffic, the port continued

to strengthen its role as an export centre, providing support for the dynamic export activities of Catalan companies and their area of influence.

The drop in the number of ship passengers arriving at or departing from Barcelona is the least-expected discordant note in the set of indicators for Barcelona's overall economy in 2014. A drop that exclusively affected the cruise-ship sector and which was attributed, according to official sources, to the operator companies' highly conservative planning. This is a good reflection of the substantial change the EU's economy has experienced in a short time, in terms of expectations. All in all, 2014 ended with nearly 3.5 million passengers, 4.6% less than the previous year. Both cabotage traffic — domestic and European alike — and cruise traffic ended the year in the black. It was only the sector of tourist cruise ships departing from/arriving at the city's port that recorded fewer passengers than in the previous year.

Overall, 2014 proved to be a very positive year when it came to airport activity. The sustained impetus of international traffic — especially within the EU — extensively offset the persistent contraction of the Barcelona-Madrid shuttle, which has to compete with the AVE [high-speed rail network]. The other domestic and intercontinental flights helped to achieve a new annual maximum in the number of passengers using Barcelona airport. The 37.6 million people who arrived in Catalonia or departed from El Prat's airport facilities in 2014 represented an increase of 6.7% compared to 2013, the highest figure ever recorded for the Peninsula's main Spanish airports. International traffic continued to gain relative influence at El Prat airport and now represents over 72% of the total.

The downward trend in cruise-passenger numbers did not prevent a positive growth in tourist activities, with increases of around 4% in the number of visitors who spent nights in the city's hotels. These figures complete a five-year period of growth since the 2008-2009 period, which helped to achieve new records in hotel activity. It is worth noting that for the first time in two decades,

there was no rise in the number of hotel places available in the city in 2014. As for visitors' places of origin, there was a recovery in the number of people visiting from the rest of Spain, although the mainstay continued to be the EU. The number of visitors from America stabilised whereas the number of visitors from the Far East rose sharply.

After so many years of almost uninterrupted growth, tourist activity may start to show signs of levelling out at any time. However, the construction sector has begun to revive after seven years of sustained decline. It may be premature to talk of a change in trend, but it has unquestionably bottomed out and private investment is once again setting its sights on the property market. The main activity here is centred on new building projects

and redevelopment. Prices have continued to drop, but a slight change in trend was observed at the end of the year in some very specific sectors.

In short, for the second year running, the main indicators of Barcelona's job market reveal variations that are now showing a clear trend. The number of jobs is up and unemployment is down. The rate of improvement is obviously still weak — as is the growth of the economy — and based on precarious employment conditions, as can be deduced from the fact that the increase in the number of employment contracts signed is four times larger than the rise in the number of people at work. Specifically, over 40% of these employment contracts do not last longer than a month.

Chart

**38**

## Economic activity (Barcelona and its metropolitan region)

	Period	Absolute value	2014/2013 (%)	2013/2012 (%)	2012/2011 (%)
<b>Absolute values</b>					
<b>Port, Goods and passenger traffic</b>					
Total goods (thousands of tonnes)	2014	45,314	9.1	-0.3	-3.6
Embarked goods (thousands of tonnes)	2014	22,726	10.9	7.0	4.7
Disembarked goods (thousands of tonnes)	2014	22,588	7.3	-6.5	-9.8
Containers (thousands of TEU)	2014	1,893	9.9	-2.2	-13.7
Total passenger traffic (thousands)	2014	3,460	-4.6	6.0	-10.6
Cruise passengers (thousands)	2014	2,364	-9.0	7.9	-9.4
<b>Airport, Passenger traffic</b>					
Total (thousands)	2014	37,559	6.7	0.2	2.2
Barcelona-Madrid shuttle (thousands)	2014	2,159	-2.1	-13.9	-18.9
International (thousands)	2014	27,245	9.0	5.8	9.1
<b>Consumption and tourism</b>					
Vehicle registrations	2014	33,687	14.7	3.2	-12.2
Overnight stays in hotels (thousands)	2014	17,092	3.7	3.5	2.6
Visitors spending the night in hotels (thousands)	2014	7,875	4.0	1.8	0.7
<b>Construction and property market prices</b>					
New surface area provided for with respect to permits (m <sup>2</sup> )	2014	319,188	9.6	28.5	-48.0
Surface area to be renovated or extended (m <sup>2</sup> )	2014	313,264	22.4	-14.1	-3.6
Housing started	2014	752	7.9	41.4	-54.1
Average selling price of new housing (€/m <sup>2</sup> )	2014	2,849	-5.4	-6.8	-10.1
Average rental price of housing (€/m <sup>2</sup> /mes)	2014	10.2	-1.2	-5.1	-4.7
<b>Employment and unemployment</b>					
Total registered unemployment	Dec. 2014	99,056	-8.0	-4.0	3.3
Youth unemployment	Dec. 2014	4,587	-10.6	-9.5	-16.1
Employment contracts signed	2014	857,321	9.1	0.8	0.8
Actively employed workers registered with Social Security	Dec. 2014	993,512	2.3	0.2	-2.3

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



4

# Results in terms of financing capacity/need under the European System of National and Regional Accounts (ESA-10)

City of Barcelona

## 2014 Annual Report

Results in terms of financing capacity/need under the European System of National and Regional Accounts (ESA-10)

### 4.1 The Framework Act on Budgetary Stability and Financial Sustainability

Framework Act 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability (henceforth, LOEPSF), establishes the budgetary stability principle for regulating public sector activities and distinguishes between the bodies subject to the budget, which make up the Public Authority, and the organisations that are mostly financed from commercial revenue (50% rule).

For local organisations that are provincial or regional community capitals or have a de jure population equal to or greater than 75,000 inhabitants and their corresponding subsidiary bodies which are mostly not funded with commercial revenue, budgetary stability is defined as a situation of balance or surplus in funding capacity in accordance with the European System of National and Regional Accounts (ESA-10).

Amendments were made to the LOEPSF throughout 2013. For the purposes of strengthening the principle of financial sustainability, the concept of sustainability was introduced for commercial debt, understood as the capacity to maintain an average supplier payment period not in excess of the maximum terms set out under the regulations on late payments.

Amendments were also made to Article 32, "Destination of budgetary surpluses", for the purposes of clarifying the concept of surplus and indebtedness. Surpluses are understood as the capacity for funding under the European System of Accounts and indebtedness as public debt for the purposes of the excessive debt procedure, as defined under European regulations.

The Sixth Additional Provision, governing the special regulations for the destination of budgetary surpluses, has now been introduced. It applies to local corporations that meet or do not exceed the limits set

out under the regulatory laws of local tax offices for authorising indebtedness transactions and which simultaneously present in the previous financial year a surplus and a positive liquidity surplus for general expenses. These special regulations, in force for the 2014 financial year, allowed local corporations which met the established requirements to allocate the surplus for funding investments, provided that the investment was financially sustainable throughout its useful life. In addition, it is also stipulated that this investment is not considered as an eligible cost for the purposes of applying the expenditure rule.

### 4.2 The goal for budgetary stability and financial sustainability for local bodies

Under Article 15 of the LOEPSF, it falls to the Central Government, by agreement of the Council of Ministers, to set the targets for budgetary stability and public debt, within the first six months of each year, for the following three financial years for all the public authorities. The proposal for setting these targets needs to be accompanied by an evaluation report for the forecast economic situation and is to include, among other things, the Spanish economy's expected reference rate, so that the expenditure rule can be established. Once approved, these targets will have to be taken into account during the preparation of the public authorities' budgetary projects.

Under an agreement reached by the Council of Ministers on 27 June 2014 and ratified by Spain's Parliament, the targets for local corporations were set for the 2015-2017 period. These targets involve the revision of the previous ones established under the Council of Ministers agreement of 28 July 2013 for the 2014-2016 period and extend the time frame to 2017.

Table

**4** **1**

	2014	2015	2016	2017
Budgetary stability target [capacity (+) funding needs (-), ESA-10, in % GDP]	0.0	0.0	0.0	0.0
Public debt target, in % GDP (*)	4.0	3.9	3.8	3.6
Expenses regulation, in %	1.5	1.3	1.5	1.7

(\*) The indebtedness limits applicable to each local body, however, are those established under the Regulatory Act on Local Tax Offices, as approved by Royal Decree Act (RDL) 2/2001, taking into account those set out in Final Provision 30(a) of Act 17/2012, of 27 December, on General Budgets of the Central Government for 2013 regarding long-term credit transactions for funding investments and which are fixed at 75% of the current settled income.

According to the data published on 16 April, 2015 by the Ministry of Treasury and Public Authorities, the local bodies closed the 2014 financial year with a surplus of 0.53% of GDP, complying with the 0% target.

### 4.3 Barcelona City Council's consolidated budget in accordance with the LOEPSF. Public Authority Area

#### 4.3.1 Consolidation perimeter

The consolidation perimeter 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

- Institute of Childhood and the Urban World
- Campus Interuniversitari Diagonal-Besòs Consortium
- Barcelona Urban Ecology Agency
- Barcelona Local Energy Agency
- The Besòs Consortium
- Biblioteques de Barcelona Consortium
- Mercat de les Flors / Centre de les Arts de Moviment Consortium
- El Far, Centre de Treballs del Mar Consortium
- Localret Consortium
- Museu de Ciències Naturals Consortium

#### Foundations and other organisations

- Navegació Oceànica Barcelona Private Foundation
- Barcelona Cultura Foundation
- International Network of Educating Cities Association
- Caminos de Sefarad Network of Spanish Jewish Sites

The annual accounts of Barcelona City Council's subsidiary organisations, with the exception 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 Authority (IGAE) is responsible for classifying the bodies making up the public sector. The current consolidation perimeter corresponds to their classification as the City Council's subsidiary bodies and part of Public Authority, according to the definition and delimitation of the European System of National and Regional Accounts.

#### 4.3.2 Barcelona City Council's financial targets

The municipal government's strategic goal is to make Barcelona a city of the people, based on three basic tenets: economic recovery, caring for the people and urban regeneration.

The achievement of these targets must take into account the commitment to LOEPSF-derived targets and the municipal government's commitment to

maintaining the institution's solvency and liquidity as a guarantee to meeting the targets established under the Strategic Framework and the Road Map.

On the basis of these premises, the established financial targets are as follows:

- a) Meeting the LOEPSF-derived targets.
- b) Maintaining a level of gross savings from current revenue of above 15% in

national accounting terms, i.e., applying the criteria of the European System of National and Regional Accounts (ESA-10), which allow the funding of the planned investments.

- c) Establishing a level of indebtedness (in accordance with the Excessive Deficit Protocol [PDE]) of under 60% of the current revenue.

Table

**4** **2**

## Results from 2011-2014

Barcelona City Council's Public Authority Area. (under the LOEPSF)  
 (in thousands of euros)

	2011	2012	2013	2014
<b>Current (ordinary) result</b>				
(+) Current income	2,011,701	2,301,371	2,444,175	2,601,977
(-) Current expenses	1,886,366	1,867,947	1,965,540	1,959,515
<b>(=) Gross savings</b>	<b>125,335</b>	<b>433,423</b>	<b>478,635</b>	<b>642,462</b>
<b>% gross savings with respect to current income</b>	<b>6.2%</b>	<b>18.8%</b>	<b>19.6%</b>	<b>24.7%</b>
<b>Capital results (investments)</b>				
(+) Capital income	143,885	32,778	31,502	68,218
(-) Capital expenditure	661,814	399,095	370,320	679,043
<b>(=) Capital surplus (deficit)</b>	<b>(517,929)</b>	<b>(366,317)</b>	<b>(338,818)</b>	<b>(610,825)</b>
<b>Total non-financial income</b>	<b>2,155,586</b>	<b>2,334,149</b>	<b>2,475,677</b>	<b>2,670,195</b>
<b>Total non-financial expenditure</b>	<b>2,548,180</b>	<b>2,267,043</b>	<b>2,335,860</b>	<b>2,638,558</b>
<b>(=) CNF (Funding capacity [need])</b>	<b>(392,594)</b>	<b>67,106</b>	<b>139,817</b>	<b>31,637</b>
<b>% CNF with respect to non-financial income</b>	<b>-18.2%</b>	<b>2.9%</b>	<b>5.6%</b>	<b>1.2%</b>
<b>CNF funding sources</b>				
(-) Financial income (1)	36,094	167,251	52,187	7,417
(+) Financial expenses (1)	112,085	91,345	104,996	138,525
<b>(+) Net financial transactions</b>	<b>(75,991)</b>	<b>75,906</b>	<b>(52,808)</b>	<b>(131,108)</b>
<b>(=) Annual funding (deficit) surplus</b>	<b>(468,585)</b>	<b>143,012</b>	<b>87,008</b>	<b>(99,471)</b>
<b>Indebtedness</b>				
Indebtedness on 31/12 (EDP)(2)	1,090,101	1,165,101	1,101,376	971,680
<b>% debt with respect to current income</b>	<b>54.2%</b>	<b>50.6%</b>	<b>45.1%</b>	<b>37.3%</b>

(1) Includes income and expenses, respectively, for urban-development guarantees and "keep-clear" garage entrances,

(2) EDP, Indebtedness in accordance with the Excessive Deficit Protocol, Includes the indebtedness of Barcelona City Council and subsidiary bodies for the purposes of the LOEPSF,

### 4.3.3 Barcelona City Council's results in ESA terms

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

For the purposes of obtaining the funding capacity (need) (CNF) for the financial year in national accounting terms, i.e., by applying the ESA-10 criteria, a series of adjustments have to be made to the resulting magnitude of the non-financial budgetary surplus (deficit). The adjustments applicable to bodies subject to budgetary accounting have been

calculated in accordance with the Ministry of Finance and Public Authorities' Manual for Calculating Deficit in National Accounting Adapted to Local Corporations. On the other hand, the Ministry of Finance and Public Authorities Manual for Calculating National Accounting Deficit of Business Units Applying the General Plan of Private Accounting or One of its Sectorial Adaptations has been applied to the bodies included in the consolidation perimeter but which are not subject to budgetary accounting. The following table gives details of the adjustments carried out in each financial year:

Table

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#### ESA-10 Adjustments (in millions of euros)

	Settled 2011	Settled 2012	Settled 2013	Settled 2014
Cash accounting criteria for local taxation	-84.0	-112.3	-89.9	-85.9
Tax refunds	—	—	-0.1	—
Supplementary finance and tax-assignment fund	-285.6	53.0	22.8	-13.5
Criteria of paying body. Current and capital transfers	8.9	-31.9	-7.2	9.9
Dividends	-34.2	—	—	-0.2
Staff expenditure (1% provision)	—	—	-52.6	-0.3
Recognition criteria for financial expenditures	1.6	0.3	1.3	0.2
Investments. Purchases with deferred price and gross fixed capital formation	-29.2	19.4	-14.1	40.2
Investments made by the City Council	-24.9	24.9	—	—
Rights issues	-21.3	-10.9	-7.7	-9.8
<b>Total adjustments</b>	<b>-468.7</b>	<b>-57.5</b>	<b>-147.6</b>	<b>-139.8</b>

#### 4.3.4 Meeting LOEPSF-derived targets

Barcelona City Council met all the LOEPSF-derived targets in 2014 that were applicable to local corporations and established under an agreement reached by the Council of Ministers in July 2013.

The goal of budgetary stability was achieved, as the 2014 financial year closed with a budgetary surplus, understood as the capacity for funding under the European System of Accounting.

The target for public debt, while this was a comprehensive target for all the local corporations, was understood to have been met by a body where the indebtedness did not exceed 75% of settled current income. Barcelona City Council's indebtedness, for the purposes of the LOEPSF on 31 December, which was under 50% of the financial year's current income, met this target.

And for the target for the expenditure rule, Article 12 of the LOEPSF establishes that the variation in the eligible expenses of local corporations may not exceed the reference rate for medium-term GDP growth for the Spanish economy. For the purposes of evaluating compliance with the expenditure rule, the eligible settled expenses of the previous financial year must be obtained in advance. For the purposes of the expenditure rule, eligible expenditure was understood as non-financial expenses, excluding debt interest and the part of the expenditure financed by allocated funds. In this sense and in accordance with the target set by the Central Government, Barcelona City Council's eligible expenditure for the 2014 financial year could not exceed the previous year's eligible expenditure by more than 1.5%. The settled eligible expenditure in 2014, for all the bodies making up the City Council's Public-Authority sector, came to 2,196.5 million euros. That amount was below the 2,200.8 million euro limit that resulted from calculating the maximum increase of 1.5% applicable to the 2013 financial year's

settled eligible expenditure, which came to 2,134.5 million euros, plus the long-term increases in the 2014 financial year's revenue. In addition, given the implementation of the LOEPSF's Sixth Additional Provision, establishing the special rules for allocating the budgetary surplus, financially sustainable investments of 197.9 million euros were made, which enabled the City Council to raise its capacity for expenditure without affecting the calculation of the expenditure rule.

#### 4.4 Budgetary scenario for 2014-2017

Barcelona City Council's strategic framework for 2012-2015 contains the vision and goals that establish the route map for its current term of office. The municipal government's strategic goal for 2012-2015 is to make Barcelona a city of the people, based on three basic tenets: economic recovery, care for people and urban regeneration.

The achievement of these goals must take into account the commitment to LOEPSF-derived goals and the municipal government's commitment to maintaining the institution's solvency and liquidity as a guarantee for the realising the goals set out under the strategic framework and the route map.

In accordance with the established financial targets, the strategic framework includes the economic and budgetary framework for the period, which in turn includes the expected revenue for the coming years and forecast for expenses. These scenarios are reviewed annually and real data for the closed financial years and improved forecasts available for the following years are included. The latest update of the budgetary scenario for the 2014-2017 period is shown below, including the municipal budget approved for the 2015 financial year, by adding real data from the close of the 2014 financial year.

Table

4 4

## 2014-2017 budgetary situation

Barcelona City Council's Public Authority Area,  
(in accordance with the LOEPSF)(in thousands of euros)

	2014 (real)	2015 (forecast)	2016 (forecast)	2017 (forecast)
<b>Current (ordinary) result</b>				
(+) Current revenue	2,601,977	2,456,620	2,562,444	2,601,364
(-) Current expenditure (*)	1,959,515	2,088,885	2,156,001	2,197,892
<b>(=) Gross savings</b>	<b>642,462</b>	<b>367,736</b>	<b>406,443</b>	<b>403,472</b>
<b>% gross savings with respect to current revenue</b>	<b>24.7%</b>	<b>15.0%</b>	<b>15.9%</b>	<b>15.5%</b>
<b>Capital results (investments)</b>				
(+) Capital revenue	68,218	34,069	24,462	24,462
(-) Capital expenditure	679,043	387,567	391,949	397,425
<b>(=) Capital surplus (deficit)</b>	<b>(610,825)</b>	<b>(353,498)</b>	<b>(367,487)</b>	<b>(372,963)</b>
<b>Total non-financial income</b>	<b>2,670,195</b>	<b>2,490,689</b>	<b>2,586,906</b>	<b>2,625,826</b>
<b>Total non-financial expenditure</b>	<b>2,638,558</b>	<b>2,476,452</b>	<b>2,547,950</b>	<b>2,595,317</b>
<b>(=) CNF (funding capacity [need])</b>	<b>31,637</b>	<b>14,237</b>	<b>38,957</b>	<b>30,509</b>
<b>% CNF with respect to non-financial revenue</b>	<b>1.2%</b>	<b>0.6%</b>	<b>1.5%</b>	<b>1.2%</b>
<b>CNF funding sources</b>				
(-) Financial revenue (1)	7,417	171,421	171,550	167,900
(+) Financial expenditure (1)	138,525	175,805	184,534	182,800
<b>(+) Net financial transactions</b>	<b>(131,108)</b>	<b>(4,384)</b>	<b>(12,984)</b>	<b>(14,900)</b>
<b>(=) Annual funding surplus (deficit)</b>	<b>(99,471)</b>	<b>9,583</b>	<b>25,973</b>	<b>15,609</b>
<b>Indebtedness</b>				
Indebtedness on 31/12 (EDP)(2)	971,680	974,046	972,662	972,662
<b>% debt with respect to current revenues</b>	<b>37.3%</b>	<b>39.6%</b>	<b>38.0%</b>	<b>37.4%</b>

(\*) For 2015-2017, it includes the contingency fund.

(1) Includes income and expenses, respectively, for urban-development guarantees and "keep-clear" garage entrances.

(2) EDP, Indebtedness in accordance with the Excessive Deficit Protocol, Includes the indebtedness of Barcelona City Council and its subsidiary bodies, for the purposes of the LOEPSF.





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# Management report

The management report presents the consolidated data of the group made up by Barcelona City Council and its subsidiary bodies: in other words, the public bodies and trading companies in which it has a majority shareholding, irrespective of their funding sources.

More specifically, the organisations that are consolidated with Barcelona City Council, under its Municipal Charter, are as follows:

## Independent bodies

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

## Public business organisations

- Barcelona Institute of Culture
- Barcelona Municipal Parks and Gardens Institute
- Municipal Institute of the Mies van der Röhe Foundation
- Municipal Housing Trust (commercial entity)

## Trading Companies

- Barcelona d'Infraestructures Municipals, SA
- Informació i Comunicació de Barcelona, SA
- Barcelona Activa, SA, SPM
- SM Barcelona Gestió Urbanística, SA
- Foment de Ciutat, SA
- Barcelona Cicle de l'Aigua, SA
- Barcelona de Serveis Municipals Group (commercial entity)

## Current revenue structure

The current revenue for Barcelona City Council and its subsidiary bodies comes from taxes, both its own and others assigned by the Central Government; other tax revenue, mainly from charges on services and the use of the public domain; revenue from the sale of goods and provision of services, including public-sector charges; other daily-management income, which mainly includes fines, rents, concessions and special uses, late-payment interest, emergency charges and profit-sharing; current transfers and financial revenue.

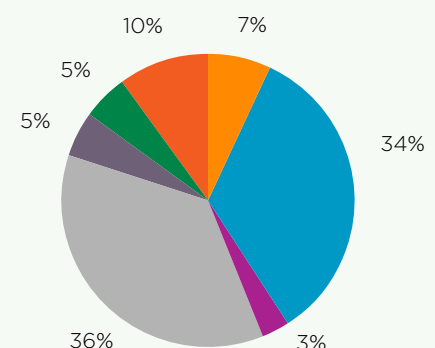
The breakdown of the current revenue is as follows:

Chart

**51**

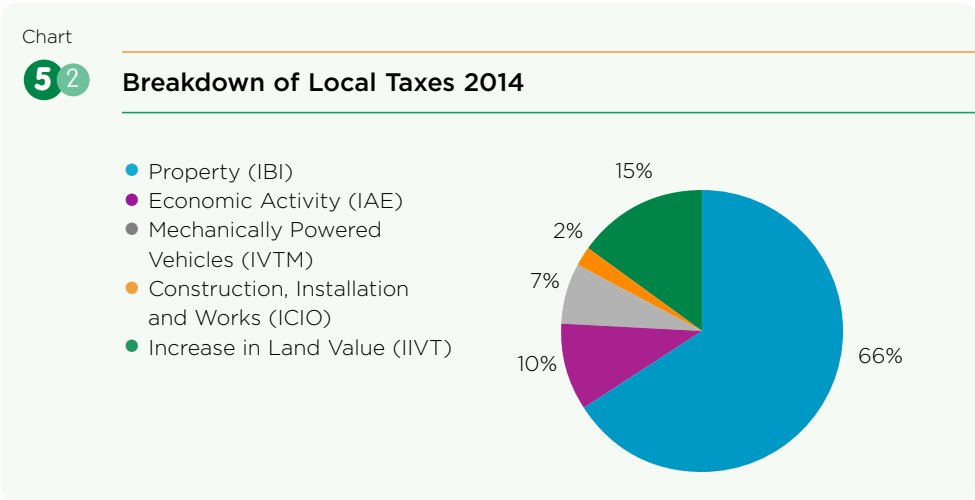
## Breakdown of Local Taxes 2014

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



Just under two thirds (65.9%) of local taxes come from the tax on property (IBI). The other local taxes are on: economic activity (IAE); increased land value (IIVT); motor vehicles (IVTM) and

the tax on construction, installation and building work (ICIO). Central Government allocates part of the revenue it obtains from a series of State taxes, once the amount payable to the



State's regional communities has been discounted. These allocated 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-allocated transfer that increases every year in line with the revenue collected by Central Government from the taxes that are assigned to local councils and it includes compensation for the loss of revenue caused by the amendment to the tax on economic activity.

The non-allocated resources provided by the Central Government represent 38.7% of current revenue.

The sale of goods and services, whether funded from taxes or from non-tax revenue and other ordinary income represent 21.9% of the current revenue.

The other current transfers basically correspond to allocated resources from other public authorities, mainly the Generalitat de Catalunya and local bodies, as well as private companies and non-profit organisations; these represent 5.2% of current revenue.

**Barcelona City Council's activities**

Barcelona City Council exercises the powers established under the Municipal Charter and current legislation on local government. The services it provides cover areas as diverse as public-road maintenance, social services, municipal markets and public transport. These services are offered through the organisational structure and are managed and coordinated by the Chief Executive. Barcelona City Council's executive administration is divided operationally into six sectors and territorially into ten districts, and from the point of view of operational specialisation, into a series of entities with their own legal personalities: local independent bodies, public business entities and trading companies. Both the sectors and the districts are run by managers appointed 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 health care and social care, 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:** territorial and urban-development planning and ordering; urban landscape; infrastructures; housing; environment and urban services (street-cleaning, refuse-collection and sanitation; maintenance; surfacing; public lighting and water; maintenance of parks, green spaces and beaches; energy-saving measures and renewable energy; environmental education and participation, and pollution monitoring and reduction).

**e) Economy, Enterprise and Employment:**

financial, tax, accounting and budgetary management and monitoring of investments; economic promotion of the city, employment and innovation, commerce, municipal market network, consumer affairs and tourism.

**f) Human Resources:** central authority; public participation and help and information; heritage; information and telecommunications systems; human resources and organisation.

The first four sectors cover, in addition to business and employment duties, operational services and action areas. The resources sectors and the economic duties group together the executive structure's corporate services.

The Chief Executive, besides coordinating the executive Municipal Authority, also coordinates the council's districts and municipal companies and entities.

The municipal companies that carry out commercial activities come under the Barcelona de Serveis Municipals Group. The group's area of action includes municipal car parks, leisure-area management (such as the zoo, Tibidabo, Montjuïc and the Fòrum area), as well as cemeteries, waste treatment and separation, and wholesale markets.

## Human Resources

The Barcelona City Council Group's average number of staff in 2014 was 12,583, up by 49 on the previous year. Even so, this variation was determined by the incorporation of Barcelona Cicle de l'Aigua, SA into the consolidation perimeter, a 100% municipally owned company that began its activity on 1 January 2014. On a like-for-like basis, excluding its ninety-five workers, the average number of municipal staff would have dropped by forty-six.

The distribution of the staff at Barcelona City Council, its public bodies and municipal companies was as follows:

Table

**5** <sup>3</sup>

### Average number of staff

	2010	2011	2012	2013	2014
City council	6,715	6,710	6,638	6,464	6,411
Public bodies and municipal companies	6,319	6,117	6,192	6,070	6,172
<b>Total</b>	<b>13,034</b>	<b>12,827</b>	<b>12,830</b>	<b>12,534</b>	<b>12,583</b>

The City Council's average number of staff went down by fifty-three as a result, basically, of retirements that were not completely offset with new incorporations, owing to the regulatory limit, which only allowed a general replacement rate of 10% in contrast to a 100% one for local police staff and the fire-prevention, extinction and rescue service.

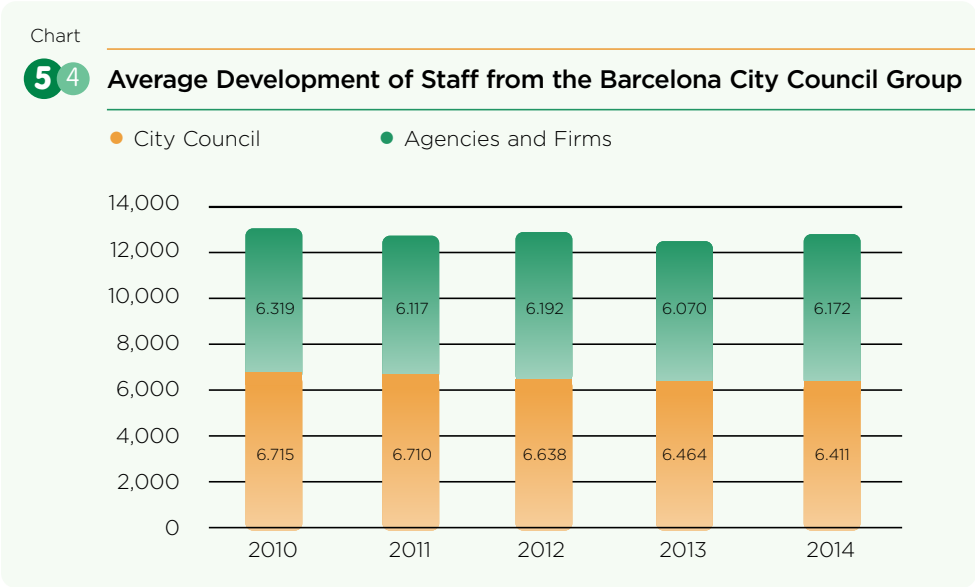
The average number of staff in independent bodies in 2014 came to 2,323, five fewer than in the previous year and also influenced by the fact that not all the retirees were replaced. Overall, all the independent bodies either maintained or reduced their staff numbers, with the exception of the Municipal Institute for Social Services, which increased its number of staff by fifteen, basically as it is protected thanks to its status as a priority activity. The same reason explained the reduction in staff numbers in the public business entities, whose average came to 1,394 in 2014.

Trading companies had an average of 2,455 staff members. That represented an increase, in absolute terms, of 172 compared to the previous year (2013).

Even so, on a like-for-like basis, discounting the effect of the Barcelona Cicle de l'Aigua, SA company's incorporation into the Barcelona City Council Group, the increase amounted to seventy-seven workers. This increase corresponded mainly to the variation in the average number of staff at the Barcelona de Serveis Municipals Group, with fifty-seven more in the parent company and twenty more than the average in the company managing the Tibidabo Amusement Park, due to the incorporation of the management of the La Masia restaurant.

In 2014, 2.50% of the total gross payroll was allocated to staff training. The granting of the subsidy under the framework of the Agreement for Employment in Public Authorities (AFEDAP) enabled the funding of sixty-five training initiatives in which 1,215 people took part.

In all, the City Council carried out 2,597 training activities, attended by 35,926 trainees, and totalling 310,292 teaching hours. A total of 8,166 people benefited from this training activity.



## Economic and Financial Trends in Barcelona City Council from 2010 to 2014

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

Table

55

### Resources generated (In thousands of euros)

	2010	2011	2012	2013	2014
(1) Current income before financial revenue	2,510,565	2,498,986	2,597,487	2,681,836	2,740,393
(2) Current expenses before financial expenditure	2,029,488	2,046,098	2,115,215	2,087,144	2,160,362
<b>(3) Primary Saving</b>	<b>481,077</b>	<b>452,888</b>	<b>482,272</b>	<b>594,692</b>	<b>580,031</b>
Financial income	1,640	5,536	5,234	8,816	7,886
Financial expenditure	33,930	41,787	42,219	40,794	37,010
<b>(4) Gross savings</b>	<b>448,787</b>	<b>416,637</b>	<b>445,287</b>	<b>562,714</b>	<b>550,907</b>
(5) Net Investments	632,189	419,066	408,418	336,137	629,343
<b>(6) Surplus (deficit)</b>	<b>(183,402)</b>	<b>(2,429)</b>	<b>36,869</b>	<b>226,577</b>	<b>(78,436)</b>
Variation in liquidity	(312,155)	115,553	(101,801)	(157,985)	246,992
<b>(7) Cash Surplus (deficit)</b>	<b>(495,557)</b>	<b>113,124</b>	<b>(64,932)</b>	<b>68,592</b>	<b>168,556</b>
Debt assumption	5,510	4,498	10,682	6,390	13,031
(8) Net debt variation	(490,047)	117,622	(54,249)	74,982	181,587
<b>(9) Total debt at year end</b>	<b>1,464,405</b>	<b>1,346,783</b>	<b>1,401,032</b>	<b>1,326,050</b>	<b>1,144,463</b>

Rows 1 to 4 of the table state how the gross saving was generated. These are accrual-accounting figures and the income and expenses were therefore allocated under the recognition criterion, including allowances for bad debts.

The financial year's surplus or deficit was obtained from the difference between gross saving and net investment. The financial year's cash surplus or deficit was then arrived at by adding the liquidity variations that covered the adjustments needed for passing current income and expenses

under the recognition principle to current revenue and expenses under the cash principle.

Finally, for the purposes of reconciling the net-debt variation with the cash surplus or deficit, this must also include, where necessary, the credit given by third parties to the City Council, which takes over the payment of the interest and the principal of the credit and vice versa such as the mortgage loans that the Municipal Housing Trust takes over from buyers of the flats that it sells or assigns through surface rights.

## Trends in current income

Barcelona City Council's current income increased at an annual accumulative rate of 1.8% over the last five years, with similar increases, all together, of local income and current transfers. Even so, this trend was influenced by the departure in 2011 of Serveis Funeraris de Barcelona, SA from

the consolidation perimeter, which had an impact on the trend in the sale of goods and provision of services, and other ordinary income, which showed an accumulated annual rate of -0.6% and -2.5% respectively over this period.

The current income in 2014 came to 2,748 million euros, up by 2.1% on 2013.

Table

56

<b>Current revenue</b> (In thousands of euros)	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Tax on Property	502,613	539,213	576,049	596,837	619,362
Tax on Economic Activity	97,871	98,556	95,640	91,686	91,431
Tax on Vehicles	71,288	69,243	64,355	63,154	61,471
Tax on Construction	26,058	23,799	31,910	21,573	21,671
Tax on Increased Land Value	101,678	83,447	94,148	113,647	146,047
<b>Subtotal of Council-levied Taxes</b>	<b>799,508</b>	<b>814,258</b>	<b>862,102</b>	<b>886,897</b>	<b>939,982</b>
Share in Income Tax, VAT and Special Taxes	84,798	86,061	74,644	85,880	85,694
<b>Total Local Taxes</b>	<b>884,306</b>	<b>900,319</b>	<b>936,746</b>	<b>972,777</b>	<b>1,025,676</b>
Other tax revenue: charges	173,748	165,131	153,382	146,633	140,335
Sale of goods and provision of services	306,260	253,015	260,945	262,476	282,265
Other ordinary income	185,710	180,590	181,144	178,180	171,128
<b>Total local income</b>	<b>1,550,024</b>	<b>1,499,055</b>	<b>1,532,217</b>	<b>1,560,066</b>	<b>1,619,404</b>
Supplementary Finance Fund	741,998	831,642	924,394	975,364	978,100
Other Current Transfers	218,543	168,289	140,876	146,406	142,889
<b>Total Current transfers</b>	<b>960,541</b>	<b>999,931</b>	<b>1,065,270</b>	<b>1,121,770</b>	<b>1,120,989</b>
Financial Income	1,640	5,536	5,234	8,816	7,886
<b>Total Current Revenue</b>	<b>2,512,205</b>	<b>2,504,522</b>	<b>2,602,721</b>	<b>2,690,652</b>	<b>2,748,279</b>

Taxes collected by the City Council rose by 6% in 2014. The main tax, the tax on property, rose by 3.7%. The rates applied in 2014 (with the exception of that for special property) went down by 10% compared to the previous year and remained set at 0.75% of the general property tax register value and by 1% for 10% of the non-residential properties with high property tax register values. So the current rates for the years 2012 and 2013 resulted from the implementation of Article 8 of Royal Decree 20/2011, under which the rates of the tax on properties were raised by 10% as exceptional measures. On the other hand, Act 16/2012 amended the Act on the Property Tax Register, by introducing the possibility of applying a new type of tax property register review through coefficients and having the percentage to be applied automatically updated by the Act on the State's General Budgets. This review method, which was applied by Barcelona City Council for 2014 and represented a 10% increase in tax property register values, proved to be incompatible with the notion of maintaining the 10% increased rates set by Royal Decree 20/2011. The increase in absolute value of 22.5 million euros in revenue collected in 2014 had a twofold explanation. Firstly, because of the 2.4% increase in the average net taxes payable, a result of the remittance effect caused by the application of buffers to the full assessed contributions. The buffer effect — between 4% and 6% for housing and between 10% and 20% for other uses — implied a deferred annual increase in the net tax payable until this coincided with the applicable full assessed contribution following the property tax register review that had been carried out in 2001 and the automatic review through coefficients applied in 2014. Secondly, the taxable items from the 2014 census subject to the tax on property increased by approximately 6,000 units compared to the previous year.

As for the special properties, the general rate applied was 0.638% while the specific rates for the regasification plant and the commercial port were 0.618% and 0.682% respectively, with no variations compared

to the previous year.

Revenue from the tax on economic activity dropped by 0.3% compared to the previous year. This variation can be explained by two factors. Firstly, the amounts collected corresponding to the domestic contributions of the tax went up by 4.5 million euros compared to the previous year, given that the revenue was collected corresponding to the 2014 financial year plus the amounts corresponding to the contributions from 2013 on the part of telephone mobile companies, not settled in the previous year owing to an appeal lodged by one of the companies. Secondly, the strong resilience of the tax involved a reduction of almost 4.5 million euros in the revenue collected corresponding to the 2014 census owing to the reduction in charges and their average amounts, as it was based on the turnover of taxpayers for 2012.

The 2.7% decrease in the tax on mechanically powered vehicles (IVTM) corresponded in part to a certain relocation owing to the census taking in second residences with more reduced contributions and to the fact that there were more vehicles taken off the register than entered in it, leading to the 2014 census presenting some 11,000 fewer tax collections than in the previous year.

As for the tax on constructions, installations and work, the settled amount in 2014 was slightly higher (0.5%) than that of the previous year, but with an increase of over 20% in collected revenue thanks to improvements in self-assessment tax payments.

As for the tax on increased urban-land value (IIVT), the 28.5% increase corresponded to the rise in the average number and value of conveyances presented during the 2014 financial year, for which a tax rate of 30% was applied, just as in the previous year. An explanation for this increase was that the property market continued to show signs of deflation, achieving figures for conveyances similar to those prior to the crisis. Even so, as in the previous year, the sharp rise in conveyances in the months of November and December could have been influenced by the effect caused by



the tax reforms in 2015, involving the future elimination of monetary updating coefficients and depreciation coefficients. The elimination of these tax benefits for conveyances carried out as of January 2015 will have a very significant impact on income tax returns and, especially as regards the sale of flats purchased before 1994.

Taxes transferred by Central Government dropped by 0.2% with respect to 2013, in accordance with the amounts paid by the Ministry of Finance and the Public Authorities. Of the total amount, 81.2 million euros corresponded to the advance payments made for the settlement for the 2014 financial year, with a 4.5% reduction with respect to the previous year, and 4.5 million euros from the final settlement for the 2012 financial year.

Overall charges were reduced in 2014 by 4.3%, although a distinction should be made between charges for sales of services, bringing in a revenue of 52.7 million euros in 2014, and a 0.9% increase with respect to the previous year; and charges for use of the public domain, which brought in a revenue of 87.7 million euros, down by 7.2% on the previous year. As for charges for sales of services, the revenue derived from charges for the granting of urban-planning and activities permits and licences, having increased by 20.1%, offset the maintenance or reduction of income from other charges such as those for cemeteries, sewers, towing and clamping. On the other hand, income from charges for use of the public domain, despite the stable flow of income from ground-level vehicle parking, “keep-clear” garage entrances and café terrace tables, was affected by the fall in income from the charges for private or special use of the municipal public domain. The 27.8 million euros paid under this heading meant a 12.8% drop compared to the settlement of the previous year, a fall due to two factors: a reduction of 2.1% in invoice declarations from large companies providing services of general interest corresponding to the 2013 financial year, the basis for settlements in 2014; and the return of 2.5 million euros to Gas Natural Comercialitzadora carried out in 2014 and

corresponding to restatements of the invoices declared in 2010.

The sale of goods and provision of services amounted to over 282 million euros, with a 7.5% variation. This increase results from a very wide range of cases given the diversity of services that Barcelona City Council provides directly or through its group of companies.

Income from services provided directly by Barcelona City Council at public-sector prices, of which commercial and selective waste collection stand out due to the volume, rose by 3.2% to 43.4 million euros. As for the revenue made under this heading contributed by the municipal group’s other members, it is necessary to note the trend in the sales of flats from the Municipal Housing Trust, which saw an increase in absolute terms of over 11 million euros. The Barcelona de Serveis Municipals group contributed a turnover in sales and provision of services of nearly 167 million euros, offering a wide range of activities such as waste processing and separation, management of wholesale markets, Barcelona’s cemeteries, the Tibidabo Amusement Park, management of the Olympic Ring’s facilities, Park Güell, Barcelona Zoo and car parks.

The remaining ordinary income, which included fines, rents and concessions, fell by 4%. This variation, of 7 million euros in absolute values, can be explained by a fall in the amount settled for fines, late-payment interest and emergency charges, offset in part by the rise of revenue from concessions and uses. All in all, local revenue, excluding taxes, rose by 1.1% in 2014.

There was an overall decrease of 0.1% in income from current transfers. Revenue under the heading of supplementary finance funding from the Central Government grew by 0.3% with respect to 2013. The 3.5% fall in advance payments for the settlement of the 2014 financial year, which came to a total of 940 million euros, was offset by the 38.1 million euros received as the final settlement of the 2012 financial year.

The other current transfers fell by 2.4%. Central Government’s contributions, not counting the Supplementary Finance Fund, basically correspond to the offset

Table

**57**

**Current revenue** (in percentages)

	2010	2011	2012	2013	2014
Tax on Property	20.0	21.5	22.1	22.2	22.5
Tax on Economic Activity	3.9	3.9	3.7	3.4	3.3
Tax on Vehicles	2.8	2.8	2.5	2.3	2.2
Tax on Construction	1.0	1.0	1.2	0.8	0.8
Tax on Increased Land Value	4.1	3.3	3.6	4.2	5.3
<b>Subtotal of Council-levied Taxes</b>	<b>31.8</b>	<b>32.5</b>	<b>33.1</b>	<b>33.0</b>	<b>34.2</b>
Share of Income Tax, VAT and Special Taxes	3.4	3.4	2.9	3.2	3.1
<b>Total Local Taxes</b>	<b>35.2</b>	<b>35.9</b>	<b>36.0</b>	<b>36.2</b>	<b>37.3</b>
Other Tax Revenue: charges	6.9	6.6	5.9	5.4	5.1
Sale of Goods and Provision of Services	12.2	10.1	10.0	9.8	10.3
Other Ordinary Income	7.4	7.2	7.0	6.6	6.2
<b>Total Local Revenue</b>	<b>61.7</b>	<b>59.9</b>	<b>58.9</b>	<b>58.0</b>	<b>58.9</b>
Supplementary Finance Fund	29.5	33.2	35.5	36.3	35.6
Other Current Transfers	8.7	6.7	5.4	5.4	5.2
<b>Total Current transfers</b>	<b>38.2</b>	<b>39.9</b>	<b>40.9</b>	<b>41.7</b>	<b>40.8</b>
Financial Income	0.1	0.2	0.2	0.3	0.3
<b>Total Current Revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

from local taxes. The 2.5 million euros received showed no variation in relation to the previous year.

On the other hand, the current transfers received from the Generalitat of Catalonia rose by 4.1% to 78.9 million euros, thanks, basically, to the non-allocated contribution corresponding to the Local Cooperation Fund, the SAD Dependència

and the Community-Development Plans.

The other current transfers included those allocated for the management of waste and the European Union's allocated contributions. The contributions from other local entities, totalling 57.3 million euros, fell by 10.4% and contributions from the European Union dropped by 28.6% to 1.7 million euros.

Table

58

**Current revenue** (variation rate)

	2010	2011	2012	2013	2014
Tax on Property	11.4	7.3	6.8	3.6	3.8
Tax on Economic Activity	(1.5)	0.7	(3.0)	(4.1)	(0.3)
Tax on Vehicles	(1.3)	(2.9)	(7.1)	(1.9)	(2.7)
Tax on Construction	7.4	(8.7)	34.1	(32.4)	0.5
Tax on Increased Land Value	8.6	(17.9)	12.8	20.7	28.5
<b>Subtotal of Council-levied Taxes</b>	<b>7.9</b>	<b>1.8</b>	<b>5.9</b>	<b>2.9</b>	<b>6.0</b>
Share of Income Tax, VAT and Special Taxes	(16.2)	1.5	(13.3)	15.1	(0.2)
<b>Total Local Taxes</b>	<b>5.0</b>	<b>1.8</b>	<b>4.0</b>	<b>3.8</b>	<b>5.4</b>
Other Tax Revenue: charges	5.3	(5.0)	(7.1)	(4.4)	(4.3)
Sale of Goods and Provision of Services	5.5	(17.4)	3.1	0.6	7.5
Other Operating Revenue	(4.6)	(2.8)	0.3	(1.6)	(4.0)
<b>Total Local Revenue</b>	<b>3.9</b>	<b>(3.3)</b>	<b>2.2</b>	<b>1.8</b>	<b>3.8</b>
Supplementary Finance Fund	(8.9)	12.1	11.2	5.5	0.3
Other Current Transfers	5.3	(23.0)	(16.3)	3.9	(2.4)
<b>Total Current transfers</b>	<b>(6.0)</b>	<b>4.1</b>	<b>6.5</b>	<b>5.3</b>	<b>(0.1)</b>
Financial Income	(60.3)	237.6	(5.5)	68.4	(10.5)
<b>Total Current Revenue</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>3.9</b>	<b>3.4</b>	<b>2.1</b>

## Trends in Current Expenses

The consolidated current expenditure has risen by an annual rate of 1.5% over the last five years. The areas of the current expenditure requiring more resources were generally public services, including: social care, education, culture, sport and public health; maintenance of public spaces, in other words, the maintenance of public roads, parks and gardens in the city, street-cleaning and waste-collection and treatment, as well as security and mobility:

The current expenses for 2014 grew by 3.3%, around 70 million euros in absolute values. This trend in current expenditure put the net savings at 551 million euros, down by 2.1% on the previous year.

Staff expenditure rose by 3.1%. There were several reasons for this variation, which involved an extra 19.3 million euros in absolute values. As for the expenditure from the City Council and independent bodies, which saw an overall rise of 10.6 million euros, the enforcement of a ruling compelled the City Council and its independent bodies to raise the overall payroll of its civil servants corresponding to the 2007 and 2008 financial years, with an impact of 6.7 million euros in 2014. The rest of the increase basically resulted from the staff-training expenditure made under this caption, from «the rewards agreed to by the fire-prevention and extinction services», from increased expenditure under the heading of social benefits charged to the company, despite the wage freeze implemented, under the provisions established in the General Budgets of the Central Government for 2014, and from several internal promotion processes brought about under the categories of general administration and the Guàrdia Urbana [city police], which involved professional improvements. As for staff expenditure

from the public business organisations and trading companies, these varied in line with the trend in their average numbers of staff. It should be noted that, in addition, there was an increase in staff expenditure caused by the entry into the consolidation perimeter of the company Barcelona Cicle de l'Aigua, SA. On a like-for-like basis, the variation in staff expenditure with respect to 2013 would have been 2.5%.

Work projects, supplies and external services rose by 5.8%. Efforts were made in 2014 to be able to tackle the increase in VAT in force since 2013 and the rise in electricity, water and fuel rates. Such efforts for optimising expenditure efficiency, especially the one supporting the organisation, were reflected in a containment of expenditure on not just rents but also maintenance, repairs and conservation, for building maintenance in particular, with the exception of expenses for repairing and conserving Municipal Housing Trust properties allocated for renting out. Therefore a good part of the increase could be explained by the fifteen million euros charged under the “Compensation and Rulings” caption corresponding to the caption's provision of allowances for contingencies and expenses, and to the increase in expenses charged to the Municipal Housing Trust's Profit and Loss Accounts corresponding to the costs of the promotions of flats allocated for sale and whose sale took place in the financial year.

Current transfers rose by 2.7% and came to a total of 511.7 million euros. With regard to the recipients of these transfers, it should be noted that there was a contribution of 147.5 million euros to the Barcelona Metropolitan Area (BMA), which included 55.3 million euros corresponding to the Metropolitan Waste Treatment Charge (TMTR), 74.3 million euros at 7.6% of the share in the revenue

Table

5<sup>9</sup>**Current expenses** (in thousands of euros)

	2010	2011	2012	2013	2014
Staff expenditure	636,432	624,011	628,604	613,147	632,421
Work projects, supplies and external services	908,563	875,434	868,858	868,079	918,302
Current transfers	419,888	452,607	502,595	498,359	511,726
Allowances	64,605	94,046	115,158	107,559	97,913
Financial expenditure	33,930	41,787	42,219	40,794	37,010
<b>Total current expenses</b>	<b>2,063,418</b>	<b>2,087,885</b>	<b>2,157,434</b>	<b>2,127,938</b>	<b>2,197,372</b>

Table

5<sup>10</sup>**Current expenses** (in percentages)

	2010	2011	2012	2013	2014
Staff expenditure	30.8	29.9	29.1	28.8	28.8
Work projects, supplies and external services	44.0	41.9	40.3	40.8	41.8
Current transfers	20.3	21.7	23.3	23.4	23.3
Allowances	3.1	4.5	5.3	5.1	4.5
Financial expenditure	1.6	2.0	2.0	1.9	1.7
<b>Total current expenses</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Table

5<sup>11</sup>**Current expenses** (variation rate)

	2010	2011	2012	2013	2014
Staff expenditure	3.2	(2.0)	0.7	(2.5)	3.1
Work projects, supplies and external services	5.6	(3.6)	(0.8)	(0.1)	5.8
Current transfers	(12.1)	7.8	11.0	(0.8)	2.7
Allowances	39.0	45.6	22.4	(6.6)	(9.0)
Financial expenditure	(0.4)	23.2	1.0	(3.4)	(9.3)
<b>Total current expenses</b>	<b>1.4</b>	<b>1.2</b>	<b>3.3</b>	<b>(1.4)</b>	<b>3.3</b>

from the State which the City Council paid, 17 million euros derived from the 2012-2015 agreement with BMA and 0.9 million euros to offset the transport subsidies for people over the age of 60. The 2.6% reduction in overall contributions to the BMA was basically due to the 4.1-million-euro decrease in the revenue raised by TMTR and which was transferred to the BMA. In addition, 90.2 million euros were allocated to the Metropolitan Transport Authority (MTA) to cover expenses on the use of the passenger transport system, with a 12.5% increase with respect to 2013. This increase resulted from the approval of the Four-Year Plan for 2014-2017 and the undertaking to fund the transport system for the 2014-2031 period between the Generalitat of Catalonia, Barcelona City Council, the Barcelona Metropolitan Area and Barcelona Area's Metropolitan Transport Authority; 64.3 million euros to the Educació de Barcelona Consortium, up 3.5% on the previous year; 52.5 million euros for cultural bodies; 20.3 million euros for the Sanitari de Barcelona Consortium through, basically, the Barcelona Public Health Agency and the Institute for the Provision of Medical Care (PAMEM); and 5 million euros to the Barcelona Mobile World Capital Foundation, an amount representing, among other things, the annual commitment to contributions following Barcelona's selection as the host city for the Mobile World Congress until 2018.

Provision for allowance for bad debt was determined by applying the collection-expectancy percentages, calculated on the basis of real historical series, on the payments made to each of the tax figures, to the tax receivables in the enforcement period and the receivables from fines in the voluntary and enforcement period, on an individual basis and for each specific financial year. In addition, non-tax receivables regarded as bad debt were also provided. The allocation of the provisions for 2014 fell

by 9% with respect to the previous year, although it was thanks to the provision that the degree of cover for the generic allowance of tax and fine insolvency reached 72.1% of the total pending receipt under this heading on 31 December 2014.

Consolidated financial expenses came to 37 million euros, down by 9.3% on the previous year. This trend was made possible thanks to the reduction in indebtedness, which dropped by 13.7% in 2014. As a result of this reduction in indebtedness, the average balance drawn in 2014 was 9.5% less than in the previous year, so offsetting the slight increase in the average cost of the debt, which was positioned at 2.79% as compared to 2.68% in the previous year.

Given its purpose, the current expenditure for 2014 supplemented the targets set in the establishment of the budgets for strengthening Barcelona as a city of the people, by prioritising social expenditure on care for the more vulnerable individuals and on the city's economic reflation, and by promoting positive community interaction in a quality public space. The following chart compares the distribution of the current expenditure for the 2011-2014 period by area of expenditure.

Finally, the area of expenditure on public debt consisted of the expenses for interest on debt and other related financial services.

The area relating to basic public services included the expenses for public safety and mobility; housing and urban planning; community welfare, which included the collection, disposal and treatment of waste, street cleaning, cemeteries and public lighting; and expenses for environmental projects, which principally involved expenditure on parks and gardens.

The area for social protection and promotion initiatives included expenditure on social services and promotion and the promotion of jobs.

Table

5<sup>12</sup>**Current expenses** (in percentages)

	2011	2012	2013	2014
Public debt	1.4	1.3	1.4	1.2
Basic public services	42.4	41.7	41.1	40.6
Social protection and promotion initiatives	10.6	12.2	12.6	12.7
Priority public assets	19.4	19.7	20.0	19.3
Economic initiatives	10.4	9.3	8.6	10.8
General initiatives	15.7	15.7	16.3	15.5
<b>Total current expenses</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

As for the area for priority public-asset production, all the expenses relating to teaching, culture, sport and health-related public initiatives were entered in the accounts.

The area for economic initiatives included expenditure relating to commerce and trade, tourism and business development, to wholesale and retail markets and to public transport.

Finally, as to the area covering general initiatives, expenditure on government bodies, general administration, public participation and citizen information and help, financial and tax administration and transfers to other public authorities (essentially, contributions to the Barcelona Metropolitan Area) were entered in the accounts.

## Investments

The consolidated capital expenditure exceeded 3,000 million euros over the last five years. Of that total, 2,825 million euros were allocated to direct investments and the rest to capital transfers, mainly to cultural facilities and rights issues, basically to Fira 2000, S.A.

Table

**5** 13

### Capital revenue and expenditure (in thousands of euros)

	2010	2011	2012	2013	2014
Direct investments	814,036	569,980	434,742	357,530	648,744
Capital transfers	29,835	29,427	28,060	13,148	51,851
Financial investments	7,999	4,163	10,875	7,800	9,882
<b>Capital expenses</b>	<b>851,870</b>	<b>603,570</b>	<b>473,677</b>	<b>378,478</b>	<b>710,477</b>
Capital transfers	189,353	101,305	32,184	22,180	47,045
Assets management	30,328	83,199	33,076	20,161	34,090
<b>Capital revenue</b>	<b>219,681</b>	<b>184,504</b>	<b>65,259</b>	<b>42,341</b>	<b>81,134</b>
<b>Net investment</b>	<b>632,189</b>	<b>419,066</b>	<b>408,418</b>	<b>336,137</b>	<b>629,343</b>

Capital revenue from asset transfers and management came to 593 million euros, enabling the funding of 19.6% of the capital expenditure for that period. As for capital revenue from the 2014 financial year, this was nearly twice the amount of the previous year. Of the 47 million euros received as capital transfers, 80% corresponded to allocated transfers received by Barcelona City Council itself, basically coming the Generalitat of Catalonia, the Barcelona Provincial Council, the BMA and the European Union's ERDF (European Regional Development Fund). As for asset management, of the 34 million euros received, 67% corresponded to the sales made by the Municipal Housing Trust; 21% to the latest annual payment for the transfer to the Generalitat of Catalonia, through the establishment of a census, of the property located on Carrer de Girona, 16; and the rest corresponded to different concepts, such as the sale of car park places and the assignment of user rights

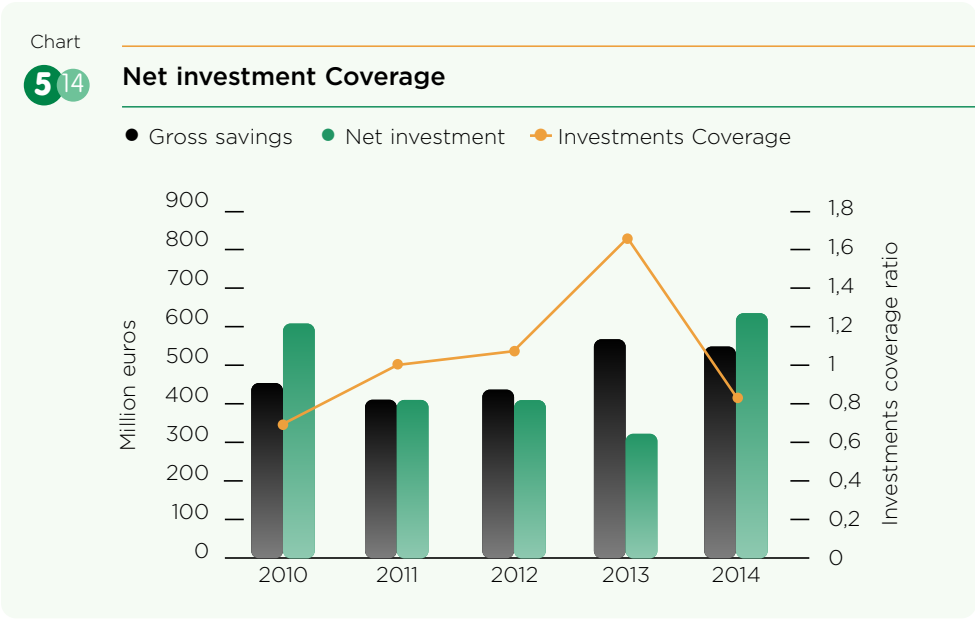
by Barcelona de Serveis Municipals, SA, and the sale of land by Barcelona City Council itself.

The investment coverage for the entire period, measured as gross savings over net investments, stood at 0.99. The gross savings in 2014 covered 88% of the net investments.

Barcelona City Council's investment programme was implemented in a series of initiatives of various types, among which four in the sphere of economic investment stood out: initiatives within the sphere of public spaces (roads, water and sewerage, parks, car parks, infrastructures, etc.), initiatives relating to municipal facilities (sport, culture, social, educational, commercial, administrative etc.), initiatives associated with land management (purchasing, demolition, expropriation and re-plotting) and, finally, housing.

As for annual payment in 2014, and the provisions established in the above-mentioned investments programme, a





97.35% level of performance was achieved, in contrast to the 83.22% average achieved over the period 2008-2011.

In the sphere of public spaces, besides the Comprehensive Maintenance Plan being carried out in each district for running the city, the financial year's most representative urban-planning projects were as follows: the urbanisation of Avinguda Diagonal (the section stretching from Plaça de Francesc Macià to Passeig de Gràcia); the completion of the urbanisation through the transformation of the Trinitat Nova neighbourhood; the urbanisation of Carrer d'Antoni Capmany; the urbanisation of Carrer de Balmes (between Gran Via and Carrer d'Aragó); the completion of the urbanisation of Plaça de Gal·la Placídia; as well as projects relating to Plaça de les Glòries Catalanes, such as the removal of the ring and the urbanisation of Gran Via, as a continuation of the transformation being implemented in the square, to turn it into the city's new social, economic and cultural centre.

Within the sphere of public spaces and with regard to mobility, improvements were made to promote a change in the cycling model and to make the growth of this kind of transport sustainable and safe; the introduction of the new bus network in the city continued and improvements

were made to traffic safety, involving changes to traffic lights, signage and traffic flows.

As for mobility, Barcelona de Serveis Municipals made a notable investment in building car parks. The new underground Badajoz car park was built and up and running by January 2014, offering 423 places distributed over three levels. Building work on the underground car park in Plaça de la Gardunya, which officially opened in 2013, was also finished during the year, putting a logistics area for the Mercat de la Boqueria into service in the -1 underground level, as well as a loading and unloading area boasting 20 places for lorries and ninety-six for vans; Hospital del Mar's car park was structurally adapted while preliminary studies and a final plan were made for the Jardins Menéndez Pelayo-Güell car park. In addition, improvements were made in currently existing car park facilities and initiatives were continued for the installation of a free parking place detection system, new video surveillance-entry phone systems, automatically opening and closing doors for remote management, and the completion of the installation of electric-vehicle charging points (cars, motorcycles and bicycles), the aim being to promote the use of electric vehicles in the city.

As for municipal facilities within the cultural arena in 2014, it should be noted that the new Joan Maragall Library, in the Sant Gervasi-La Bonanova neighbourhood, was completed, and a new World Cultures Centre was established, through structural-restoration and conditioning, interior-architecture and museography initiatives at Palau Llió and Palau Nadal.

As for investment in administrative facilities, one of the main initiatives involved the building of a new Business Advice Office, created as a benchmark in the city offering added-value information, accompaniment and advice in strategic areas for responding to the needs of the businesses.

When it came to investment in social facilities, the main initiatives consisted of: the building of the Baró de Viver Civic Centre; the construction of the Alchemika residence within this multi-facility, and the redevelopment of the Lleialtat Santsenca building.

As for work projects carried out on the city's commercial facilities, it should be noted that there was continued remodelling work on Sant Antoni Market, remodelling of Ninot Market, which was in its final stage, and work carried out on Boqueria Market, within the Plaça de la Gardunya area, where the Massana School was being built.

It should also be noted that for main investments in educational facilities, in addition to the maintenance and improvement work carried out on several of the city's schools, there was comprehensive revamping and completion of the Roquetes institute-school and the Encants School was built.

As regards sports facilities, in addition to the general improvement and maintenance work on municipal sports centres, the redevelopment work was completed on the Virrei Amat Sports Centre and there was improvement and redevelopment work on a series of football pitches, including the layout of the Narcís Sala football pitch.

As for land management, the principal activities carried out in 2014 were as follows: on the matter of acquiring properties intended for facilities or social-

rented housing, there was acquisition of the Ateneu Flor de Maig, the Pere Pruna Cultural Centre, and facilities offering educational activities set in a sea setting; as for the acquisition of land for reclaiming more public spaces, note the acquisition of the Can Batlló Building on Carrer de Mossèn Amadeu Oller; the acquisition of the old Model [prison]; and the acquisition of the Building on Via Laietana, nº 8-10. Meanwhile, the Empenta Plan continued, as did the redistribution work on the pavement layout along Via Augusta.

As regards housing policy, one of the most important programmes implemented in 2014 was the 100 x 1,000 Programme, whose main aim was to mobilise empty or permanently unoccupied homes in the city, to expand the stock of public social-rented housing and meet the growing demand for housing at affordable prices.

The Barcelona Municipal Housing Trust (PMH), one of the main driving forces behind social housing with services, completed the construction of 150 flats in 2014, and had a further 250 under construction for the end of the financial year. The promotion initiative led to the signing of contracts and deeds, involving the handing over of 552 homes, the allocation of 85 car park places and 6 commercial premises. What is more, by the end of the financial year, the PMH had 525 flats under study or at the project-drafting stage. The PMH had a stock of 6,124 flats allocated for renting out and 418 commercial premises as of 31 December 2014.

With regard to the initiatives performed by the Barcelona de Serveis Municipals Group, in addition to those relating to mobility, there were investment initiatives activities carried out for improving facilities in the zoo in Ciutadella Park and Tibidabo Amusement Park, for the investments made by Mercabarna, abattoir management and central markets, as well as the activities carried out by Tersa regarding its waste treatment and separation activity, with improvements to the Sant Adrià de Besòs Energy Recovery Plant and Treatment Centre.

## Funding

Barcelona City Council's consolidated indebtedness as of 31 December 2014 had climbed to 1,145 million euros, a reduction of 181.6 million euros with respect to the previous year. Of this total, 971.7 million euros corresponded to the City Council and 172.8 million euros to its commercial entities, i.e., the Municipal Housing Trust and the Barcelona de Serveis Municipals Group. The consolidated debt represents 2.1 times the gross savings made.

Table

515

### Consolidated financial indebtedness (in thousands of euros)

	2010	2011	2012	2013	2014
Public Authority	1,200,101	1,090,101	1,165,101	1,101,376	971,680
Commercial Entities	264,304	256,681	235,931	224,674	172,783
<b>Total Indebtedness</b>	<b>1,464,405</b>	<b>1,346,783</b>	<b>1,401,032</b>	<b>1,326,050</b>	<b>1,144,463</b>

### Public Authority

Barcelona City Council's indebtedness fell from 1,101 million euros at the end 2013 to 972 million euros as of 31 December 2014, representing a reduction of 11.8%. All the indebtedness was long-term.

The variation in the scale of the indebtedness resulted from the contractual redemption of 129.7 million euros corresponding to the financial year's maturities. No new transactions were formally entered into throughout 2014.

The public bodies and subsidiary trading companies making up the public authority had no indebtedness as of 31 December 2014.

### Commercial Entities

The commercial entities' debt rose to 172.8 million euros on 31 December 2014, down by 23.1% on the previous year. Of this total, 99.4% consisted of long-term operations at origin.

With respect to 2013, the commercial entities' indebtedness was reduced by 51.9 million euros. The Municipal Housing Trust's indebtedness fell by 19.1 million euros to 165 million euros; and the Barcelona de Serveis Municipals Group's debt fell by 32.7 million euros to a total of 7.8 million euros.

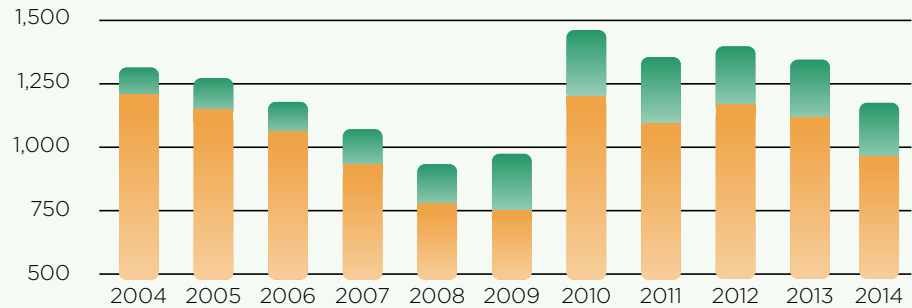
Barcelona City Council's financial aims are: stability, as measured by the non-creation of deficit; sustainability, as

Chart

**5**<sup>16</sup>

### Financial Debt (in millions of euros)

● Public sector ● Commercial Entities



Table

**5**<sup>17</sup>

### Consolidated financial indebtedness (in thousands of euros)

	12.31.10	12.31.11	12.31.12	12.31.13	12.31.14
Banking system	1,074,405	1,050,058	1,201,032	1,121,635	1,004,463
Private Placements	290,000	290,000	200,000	200,000	140,000
Public Offerings	100,000	0	0	0	0
<b>Total Indebtedness</b>	<b>1,464,405</b>	<b>1,346,783</b>	<b>1,401,032</b>	<b>1,326,050</b>	<b>1,144,463</b>
Long-term Indebtedness	1,455,914	1,340,058	1,392,688	1,321,635	1,143,397
Short-term Indebtedness	8,491	6,725	8,344	4,415	1,067

Table

**5**<sup>18</sup>

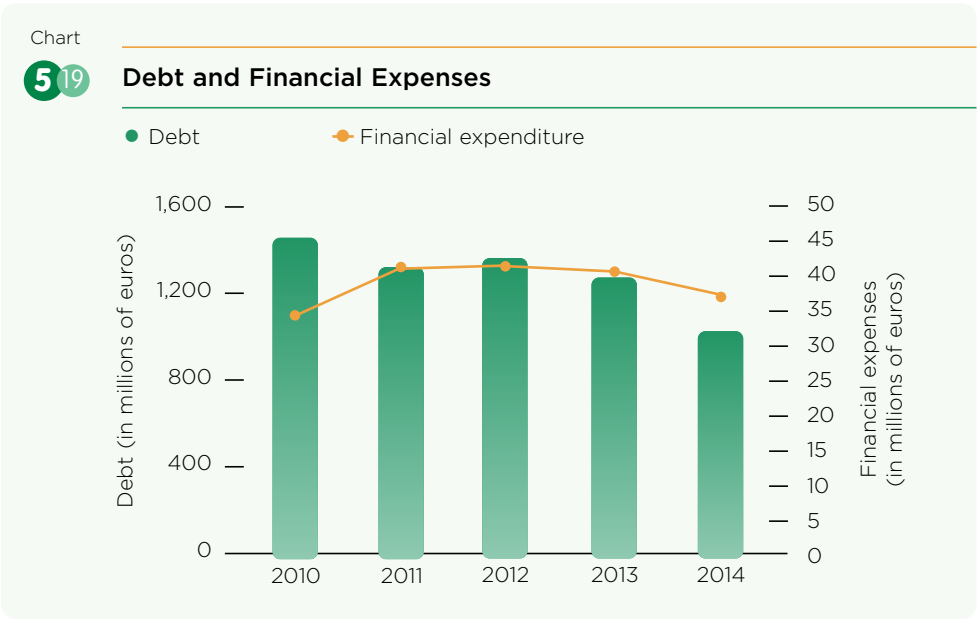
### Consolidated financial indebtedness (In percentages)

	12.31.10	12.31.11	12.31.12	12.31.13	12.31.14
Banking system	73.4	78.5	85.7	84.9	87.8
Private Placements	19.8	21.5	14.3	15.1	12.2
Public Offerings	6.8	0.0	0.0	0.0	0.0
<b>Total Indebtedness</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Long-term indebtedness	99.4	99.5	99.4	99.7	99.9
Short-term indebtedness	0.6	0.5	0.6	0.3	0.1

measured by levels of indebtedness below 60% of current income; investment capacity, as measured by obtaining gross savings of over at least 15% of current income, and liquidity, as measured by compliance with an average supplier-payment period of under thirty days. The financial strategy was therefore based on providing access to capital markets by offering timely financial advice; controlling the growth of financial expenses, while assuming a reasonable level of financial risk; using

short-term indebtedness solely for covering temporary cash-flow needs; improving the debt profile according to maturities, by maintaining annual contractual debt redemptions below the gross savings generated, and diversifying the interest rate risk.

Barcelona City Council's indebtedness is originated in the euro zone. On 31 December 2014, 45.5% of the indebtedness was entered in the accounts at a fixed rate and 54.5% at a variable rate.

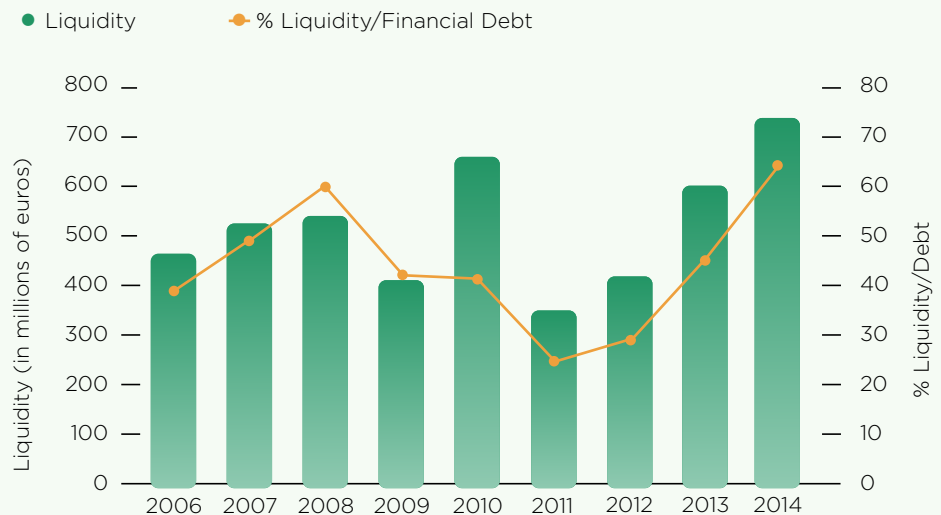


Given that liquidity is one of the City Council's financial goals, the following table shows the results, on 31 December of each financial year, of the cash balances and their percentages with respect to the volume of financial indebtedness.

Chart

**5** 20

### Liquidity and percentage in relation to financial debt



Given that the Central Government's resources from the Supplementary Finance Fund and from tax assignments represented 38.7% of the City Council's consolidated current revenue, the State's resulting credit rating constituted, according to the rating agencies' criteria, the upper limit of the credit rating that Barcelona City Council would be able to achieve. The improvement in the credit rating for the Central Government's public debt enabled an automatic positive revision of Barcelona City Council's credit rating, also supported by the positive trend in its ratios. This rating was as follows in April 2015:

Table

**5** 21

### 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

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



# 6

## **2014 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.*

## INDEPENDENT AUDITOR'S REPORT ON ANNUAL ACCOUNTS

To the Mayor-President of the Barcelona City Council,

We have audited the accompanying annual accounts of Barcelona City Council, which comprise the balance sheet as at December 31, 2014, and the income statement, the budget reconciliation statement and related notes for the year then ended.

### *Directors' Responsibility for the Annual Accounts*

The corporation's directors are responsible for the preparation of these annual accounts, so that present fairly the equity, financial position and financial performance of Barcelona City Council, in accordance with the financial reporting framework applicable to the entity in Spain, as identified in Note 1.1.a to the accompanying annual accounts, and for such internal control as directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Av. Diagonal, 640  
08017 Barcelona



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

Balmes, 89-91  
08008 Barcelona

*Opinion*

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of Barcelona City Council as at December 31, 2014, and the results of its operations as reflected in the income statement and budget reconciliation statement 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

April 30, 2015

Gabinete Técnico  
de Auditoría y Consultoría, S.A.

Jordi Vila López

**City of Barcelona**  
**Balance sheet as of December 31, 2014 and 2013**  
(thousands of euros)

Table

61

**Assets****As of December 31,  
2014****As of December 31,  
2013**

	Note		
<b>Fixed assets</b>		<b>7,880,728</b>	<b>7,592,897</b>
Intangible fixed assets	3	44,429	31,507
Tangible fixed assets	3	8,077,414	7,876,656
Public land assets	3	547,968	517,732
Tangible fixed assets assigned to municipal agencies and third parties	3 and 9	(680,709)	(616,221)
Fixed assets pending classification and in progress	3	638,537	630,237
Investments in infrastructures and assets for public use	3	7,781,415	7,489,008
Investments assigned for public use	3 and 9	(7,781,415)	(7,489,008)
Accumulated depreciation	3	(1,138,890)	(1,043,427)
Long-term financial investment	4	383,484	186,577
Long-term off-budget receivables	5	8,495	9,836
<b>Deferred expenses</b>	<b>6</b>	<b>564</b>	<b>637</b>
<b>Current assets</b>		<b>999,138</b>	<b>952,322</b>
On budget receivables	7.1	809,649	880,689
Allowance for bad debt	7.1	(511,605)	(507,638)
		298,044	373,051
Other off-budget receivables	7.2	55,241	58,789
Public administrations receivables	15	1,079	1,343
Short-term financial investment	8	350,000	50,000
Cash	8	294,774	469,139
<b>Total assets</b>		<b>8,880,430</b>	<b>8,545,856</b>

Notes 1 to 21 of the attached report form an integral part of the balance sheet as of December 31, 2014.

**City of Barcelona**  
**Balance sheet as of December 31, 2014 and 2013**  
 (thousands of euros)

Table

**6.2**

**Liabilities**

		<b>As of December 31, 2014</b>	<b>As of December 31, 2013</b>
	<b>Note</b>		
<b>Equity</b>	<b>9</b>	<b>5,724,583</b>	<b>5,821,195</b>
City of Barcelona equity		7,787,674	7,780,415
Property assigned to municipal agencies and third parties		(680,709)	(616,221)
Property delivered for public use		(7,781,415)	(7,489,008)
Property assigned by municipal agencies and third parties		35,728	35,728
Results of previous fiscal years		6,110,281	5,710,557
Results of fiscal year		253,024	399,724
<b>Deferred income</b>		<b>1,027,557</b>	<b>657,624</b>
Capital transfers and other capital income	10	574,581	556,046
Other deferred income	11	452,976	101,578
<b>Provisions for contingencies and expenses</b>	<b>12</b>	<b>104,254</b>	<b>107,034</b>
<b>Long-term liabilities</b>		<b>1,144,115</b>	<b>1,269,975</b>
Long-term loans and debentures	13	814,046	971,680
Long-term guarantees and deposits		28,930	28,335
Other long-term payables	14	301,139	269,960
<b>Short-term liabilities</b>		<b>879,921</b>	<b>690,028</b>
Short-term payables for loans and debentures	13	157,634	129,696
On-budget payables		549,701	398,715
Public administration payables	15	30,238	28,418
Other off-budget payables	16	98,759	121,455
Accrued expenses	17	24,127	9,104
Amounts pending application		19,462	2,640
<b>Total liabilities</b>		<b>8,880,430</b>	<b>8,545,856</b>

Notes 1 to 21 of the attached report form an integral part of the balance sheet as of December 31, 2014.

**City of Barcelona**  
**Statements of revenues and expenses for the fiscal years ended as of December 31,**  
**2014 and 2013** (see Note 18) (thousands of euros)

Table

63

Expenses	2014	2013	Revenues	2014	2013
<b>Personnel expenses</b>	<b>351,758</b>	<b>342,676</b>	<b>Sale of goods and services</b>	<b>43,418</b>	<b>42,058</b>
Wages and salaries	269,034	262,672	Sale of goods	144	396
Compensation for services	2,882	2,615	Charges on services	8,654	9,339
Social security expenses	77,687	76,193	Public prices for sale of services	34,620	32,323
Other welfare expenses	2,155	1,196			
<b>Welfare benefits</b>	<b>692</b>	<b>783</b>	<b>Other operating revenues</b>	<b>166,468</b>	<b>182,486</b>
			Interest	5,737	6,840
			Profit sharing	470	10,939
			Surcharge on collection proceedings	9,107	10,623
<b>Financial expenses</b>	<b>29,505</b>	<b>32,056</b>	Late payment surcharge	7,463	8,622
			Fines	88,897	96,804
			Rents, concessions and special uses	41,190	34,482
<b>Taxes</b>	<b>358</b>	<b>700</b>	Other	13,604	14,176
<b>Works, supplies and subcontracted services</b>	<b>557,932</b>	<b>530,958</b>	<b>Taxes</b>	<b>1,030,516</b>	<b>977,515</b>
Rent	21,140	22,017	Property tax (IBI)	623,600	601,194
Maintenance and repairs	15,247	14,857	Tax on economic activity (IAE)	91,547	91,839
Supplies	33,657	33,542	Tax on motor vehicles (IVTM)	61,923	63,188
Communications	4,113	4,632	Tax on construction, installations and works (ICIO)	21,671	21,573
Subcontracted work	416,887	409,507	Tax on the increase in land values (IIVT)	146,081	113,841
Miscellaneous expenses	66,888	46,403	Assignment of Central Government taxes	85,694	85,880
<b>Current transfers</b>	<b>966,835</b>	<b>927,096</b>	<b>Other tax revenues</b>	<b>142,164</b>	<b>146,644</b>
To municipal agencies and firms	547,186	522,684	Charges on services	52,668	52,206
To autonomous communities, metropolitan areas and consortia	348,301	336,912	Charges on use of public domain	89,496	94,441
Other current transfers	71,348	67,500	Replaced taxes	0	(3)
<b>Provision to allowance for bad debt</b>	<b>89,081</b>	<b>93,129</b>	<b>Current transfers</b>	<b>1,107,179</b>	<b>1,106,185</b>
			Supplementary Finance Fund	974,303	975,364
			Other Central Government agencies	6,283	2,401
			From the Generalitat of Catalonia	66,759	64,066
			From local entities	58,243	62,295
			From foreign transfers	1,224	1,781
			Other	367	278
<b>Total operating expenses</b>	<b>1,996,161</b>	<b>1,927,398</b>	<b>Total operating revenues</b>	<b>2,489,745</b>	<b>2,454,888</b>
<b>Operating result (before capital transfers)</b>	<b>493,584</b>	<b>527,490</b>			
<b>Capital transfers</b>	<b>126,352</b>	<b>24,207</b>			
<b>Operating result (after capital transfers)</b>	<b>367,232</b>	<b>503,283</b>			
<b>Negative extraordinary expenses</b>	<b>178,754</b>	<b>115,365</b>	<b>Positive extraordinary revenue</b>	<b>171,609</b>	<b>112,657</b>
<b>Provision for depreciation</b>	<b>101,293</b>	<b>94,817</b>			
<b>Financial investment provisions</b>	<b>5,770</b>	<b>6,034</b>			
<b>Result for the year</b>	<b>253,024</b>	<b>399,724</b>			
<b>Total</b>	<b>2,661,354</b>	<b>2,567,545</b>	<b>Total</b>	<b>2,661,354</b>	<b>2,567,545</b>

Notes 1 to 21 of the attached report form an integral part of the statement of revenues and expenses as of December 31, 2014.



## Integral report of the annual accounts corresponding to the fiscal year ending December 31, 2014

### 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 2014 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, ECO/2829/2012 and ECO/2876/2014 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. (Note 4).

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 27, 2015. 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 2014 and 2013 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.

### 1.6. Plan for Transition to New Accounting Regulations

The Entity has been implementing the Transition Plan for its adaptation to the new accounting regulations to be applied under Order HAP/1781/2013, of 20

September, approving the Guidelines of the Local Standard Accounting Model, which repeals, with effect from 1 January 2015 on, the Guidelines of the Local Standard Accounting Model approved by Spanish Ministry of Finance and Economy Order EHA/4041/2004, of 23 November. This Transition Plan includes, among other things, an analysis of the differences in accounting criteria and standards and the selection of criteria and standards to be applied in the transition as well as an evaluation of the necessary amendments to the information procedures and systems, for the purposes of supplementing the information requirements to be included in the annual accounts. Notwithstanding that, the process was still incomplete on the date that these annual accounts were drawn up and there was insufficient information to be concluded from the results of this analysis.

## 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 during the 2014 financial year, 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:

Table

**6** 4

### 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



- 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 centres 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 programmes.
- 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 include 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 with the criteria described in note 2.1. Subsequent additions are valued at their purchasing price.

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, 2014, 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

6 5

	As of December 31, 2013	Additions	Retirements	Transfers	As of December 31, 2014
<b>Intangible fixed assets</b>	<b>31,507</b>	<b>54</b>	<b>–</b>	<b>12,868</b>	<b>44,429</b>
Assets of historical, artistic and cultural heritage	1,646	–	–	–	1,646
Land	319,256	1,435	(923)	(15,487)	304,281
Buildings	6,542,293	90,671	(84,018)	127,350	6,676,296
Fixed assets assigned to municipal agencies and third parties	616,221	64,661	–	(173)	680,709
Vehicles	18,725	–	(8)	–	18,717
Machinery, equipment, installations and tools	117,340	2,117	–	438	119,895
Data-processing equipment	198,937	110	–	11,745	210,792
Office furniture and equipment	55,449	1,836	–	–	57,285
Others	6,789	1,004	–	–	7,793
<b>Tangible fixed assets</b>	<b>7,876,656</b>	<b>161,834</b>	<b>(84,949)</b>	<b>123,873</b>	<b>8,077,414</b>
<b>Public land assets</b>	<b>517,732</b>	<b>13,626</b>	<b>(1,440)</b>	<b>18,050</b>	<b>547,968</b>
Tangible fixed assets assigned to municipal agencies and third parties	(616,221)	(64,661)	–	173	(680,709)
Fixed assets pending classification	630,237	471,642	(22,556)	(440,786)	638,537
Investments in infrastructure and assets for public use	7,489,008	6,427	(15)	285,995	7,781,415
Investments assigned for public use	(7,489,008)	(6,427)	15	(285,995)	(7,781,415)
<b>Gross tangible and intangible fixed assets and infrastructure</b>	<b>8,439,911</b>	<b>582,495</b>	<b>(108,945)</b>	<b>(285,822)</b>	<b>8,627,639</b>
<b>Accumulated depreciation</b>	<b>(1,043,427)</b>	<b>(101,293)</b>	<b>5,830</b>	<b>–</b>	<b>(1,138,890)</b>
<b>Net tangible and intangible fixed assets and infrastructure</b>	<b>7,396,484</b>	<b>481,202</b>	<b>(103,115)</b>	<b>(285,822)</b>	<b>7,488,749</b>

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 2,628,323 thousand euros as of

December 31, 2014 and 2,599,507 thousand euros as of December 31, 2013, corresponding to the value of lands on which the buildings are constructed.

Additions during the fiscal year include the following concepts:

Table

6 6

Investments carried out directly by the City of Barcelona	105,432
Cancellation of BSM car-park-management projects	25,930
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	343,347
• Investments carried out by third parties	34,072
Investments financed by third parties	18,549
Assets received in free assignment	50,645
Assets received in exchange	4,520
<b>Total</b>	<b>582,495</b>

As for the City Council's cancellation of the management projects for fifteen BSMSA car parks during the 2014 financial year, worth 32,323 thousand euros (note 4), 25,930 thousand euros were entered in the accounts as buildings within the City Council's assets, whereas 6,393 thousand euros were recorded as investments allocated for general use, given their nature.

Investments realised by third parties included the 30,000 thousand euros that the Mar Parc de Salut de Barcelona Consortium was to invest in the Hospital del Mar, payable by the City Council under

an agreement reached by the two parties.

Collections of receivables in kind included 45,000 thousand euros corresponding to the offset of the values appraised from the purchase of three properties from the Generalitat of Catalonia, resulting from the signing of the partnership agreement between the City Council and the above-mentioned authority aimed at launching debt-reducing initiatives.

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

Table

**6** **7**

By sale	1,543
By exchange operations	832
By assignment of assets to municipal bodies (note 9)	64,661
On completion of investment activities (pending classification assets not inventoried)	36,079
<b>Total</b>	<b>103,115</b>

Assets were assigned to the Museu Picasso Foundation under its foundation charter.

Write-offs for the completion of non-inventory investor actions are offset in the extraordinary income of the fixed asset

for 36,096 thousand euro (negative), and property delivered for general use (positive) for 17 thousand euros.

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

Table

**6** **8**

Delivered property assigned by third parties (note 9)	(173)
Property delivered for public use (note 9)	285,995
<b>Total</b>	<b>285,822</b>

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

Table

**6** **9**

Thoroughfares	3,983,953
Parks and forests	1,793,513
Systems	644,963
Property for public use: HOLSA	628,125
Mixed	499,666
Municipal assets of an artistic nature	112,439
Urban furniture	73,225
Public facilities	36,207
Buildings	9,324
<b>Total</b>	<b>7,781,415</b>

Items totally written off and in use as of 31 December 2014 are the following:

Table

610

Vehicles	18,584
Machinery, equipment, installations and tools	24,310
Data-processing equipment	141,289
Office furniture and equipment	40,402
Others	23,553
<b>Total</b>	<b>248,138</b>

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 2014 were as follows:

Table

611

	As of December 31, 2013	Additions	Retirements	Transfers	As of December 31, 2014
Financial investments	150,121	537,720	(403,742)	–	284,099
Long-term credits AMB	18,505	–	–	(1,088)	17,417
Sale of long-term fixed assets and future PMS property exchanges	30,080	65,149	–	(671)	94,558
Long-term deposits and guarantees	287	–	–	5,000	5,287
Provision for depreciation of financial fixed assets	(12,416)	(5,770)	309	–	(17,877)
<b>Total</b>	<b>186,577</b>	<b>597,099</b>	<b>(403,433)</b>	<b>3,241</b>	<b>383,484</b>

The added entries in financial investments refer to:

- The amount subscribed to and paid out by the City Council in the rights issue launched by Fira 2000, S.A. for the value of 7,822 thousand euros, raising the City Council's holding from 19.50% to 20.39%.
- The incorporation of the company Barcelona d'Aparcaments Municipals, SA (BAMSA) for the value of 397,912 thousand euros through a financial contribution of 61 thousand euros and a non-financial contribution consisting of exploitation and management rights over

the car parks located in the central perimeter, valued at 397,851 thousand euros.

During its Full Municipal Council Meetings of 28 February 2014 and 3 October 2014, the City Council approved the change in the form of management of its municipally owned car parks located in Barcelona's city centre (Central Perimeter).

The change in management led to the cancellation of fifteen direct-management projects under which the company Barcelona de Serveis Municipals, SA

(BSMSA) had been awarded the management of these car parks, which, together with other car parks in the same perimeter, came to be indirectly managed, under a concession agreement, by a mixed-economy public limited company called Barcelona d'Aparcaments Municipals, SA.

- The rights issue subscribed to and paid up by Barcelona de Serveis Municipals, SA (BSMSA) for the value of 126,842 thousand euros, through a non-financial contribution of 1,944 "class A" shares in the new mixed company BAMSA.

- The distribution in favour of Barcelona City Council through the first issue of shares in the company Barcelona d'Infraestructures Municipals, SA (BIMSA), for the value of 5,144 thousand euros, through the delivery of 51,000 shares in Foment de Ciutat, SA, presently owned by BIMSA.

The financial-investment write-offs refer to:

A non-financial payment, through the contribution of 1,944 "class A" shares in the company BAMSA, for BSMSA's subscribed and paid-up rights issue, described above, for the value of 126,842 thousand euros.

A non-financial payment, through the contribution of 496 "class A" shares in the company BAMSA, from the cancellation of the management projects for BSMSA of fifteen car parks in the above-mentioned central perimeter, for the value of 32,323 thousand euros (note 3), an amount that corresponds to BSMSA's net book accounting value of cancelled direct-management projects.

The awarding of the ownership of 60% of the shares in BAMSA to the company Saba Aparcamientos, SA for the value of 238,747 thousand euros.

The Full Municipal Council Meeting of 28 February 2014 gave final approval to, among other things, the terms and conditions of the open process for selecting the shareholder that would own the "class B" shares of the incorporated

company BAMSA, representing 60% of its share capital.

The Full Municipal Council Meeting of 25 July 2014 awarded the ownership of 60% of the shares in the company BAMSA to the company Saba Aparcamientos, SA (SABA).

The reduction in value of the BIMSA shares for distribution, in favour of the City Council, through the first issue of its shares for the value of 5,144 thousand euros.

The cancellation of shares in the company Clavegueram de Barcelona, SA for the value of 686 thousand euros for its dissolution.

Long-term credit with the Barcelona Metropolitan Area (BMA) refers to the loans maturing in over a year that the latter had to pay Barcelona City Council back, corresponding to the negative settlements of the financial years 2008 and 2009 of its share in Spain's Central Government taxes.

The added entries for sale of long-term fixed assets included 60,000 thousand euros corresponding to the amount pending collection, during the twenty-five year term of the concession, and under the terms and conditions of payment and specific interest, through the awarding of 60% of the shares in the company Saba Aparcamientos, SA.

The transfers correspond entirely to short-term reclassifications, such as non-budgetary receivables, instalments maturing on 2015, for 671 thousand euros.

The transfers of the long-term deposits refer to a deposit made in a bank in 2013.

The added entries in provision for depreciation of financial fixed assets correspond to the adjusted values entered because of negative earnings from the companies Fira 2000, SA, Nauta Tech Invest SCR, Foment de Ciutat SA and Barcelona Emprèn, SCR, SA.

The financial investments of the City of Barcelona as of 31 December 2014 are summarized in the following table:

Table

612

**Long-term financial investments** (Data as of December 31, 2014)

Name	Interest held %	Equity as of 31 December/ Net Equity 2014 prior to results (1)	Fiscal year results 2014 (1)	Recoverable value 12.31.14 (1)	Net book value of the investment 12.31.14 (*)
<b>Autonomous agencies</b>					
Municipal Agency for Persons with Disabilities	100	835	200	1,035	–
Municipal Agency of Urban Landscape and Quality of Life	100	6,786	1,312	8,098	–
Municipal Agency for Education	100	373	113	486	–
Municipal Agency for IT Services	100	327	312	639	–
Municipal Agency for Town Planning	100	1,331	127	1,458	–
Municipal Agency for Taxes	100	2,585	328	2,913	–
Municipal Agency for Markets	100	4,283	271	4,554	–
Municipal Agency for Barcelona Sports	100	3,693	845	4,538	–
Municipal Agency for Social Services	100	667	255	922	–
<b>Public business entities</b>					
Municipal Agency for Housing	100	238,671	977	239,648	–
Municipal Agency for Culture	100	4,900	12	4,912	–
Municipal Agency for Parks and Gardens	100	5,772	726	6,498	–
Municipal Agency Mies Van der Rohe Foundation	100	9,855	41	9,896	–
<b>Total</b>		<b>280,078</b>	<b>5,519</b>	<b>285,597</b>	<b>–</b>
<b>Municipal firms</b>					
Barcelona de Serveis Municipals, SA Group	100	404,928	21,449	426,377	195,965
Barcelona Infraestructures Municipals, SA	100	15,349	(91)	15,258	7,806
Foment de Ciutat, SA	100	5,136	1	5,137	5,138
Informació i Comunicació de Barcelona, SA	100	1,165	7	1,172	1,172
Barcelona Activa, SA, SPM	100	12,457	117	12,574	2,013
SM Barcelona Gestió Urbanística, SA	100	811	132	943	60
Barcelona Cicle de l'Aigua, SA	100	60	2	62	60
<b>Total</b>		<b>439,906</b>	<b>21,617</b>	<b>461,523</b>	<b>212,214</b>
<b>Interest of less than 50%</b>					
Barcelona Sagrera Alta Velocitat, SA	25.00	150	0	150	150
Barcelona Emprèn SCR, SA	24.06	2,085	(448)	1,637	1,637
Barcelona Regional, SA	17.65	328	1	329	270
Fira 2000, SA	20.39	52,843	(4,762)	48,081	48,081
Port Fòrum Sant Adrià, SL	5.00	13	0	13	13
Nauta Tech Invest, SCR	4.78	1,994	238	2,232	2,232
Acquisition of shares (increase in capital underway Nauta Tech Invest, SCR)					1,625
<b>Total</b>		<b>57,413</b>	<b>(4,971)</b>	<b>52,442</b>	<b>54,008</b>
<b>Financial investments</b>					<b>266,222</b>
<b>Long-term surface rights</b>					<b>60,060</b>
<b>Long-term guarantees and deposits</b>					<b>5,287</b>
<b>Long-term disposal of fixed assets</b>					<b>95</b>
<b>Future assets swaps and exchanges</b>					<b>34,403</b>
<b>Long-term credits AMB</b>					<b>17,417</b>
<b>Total Long-term financial investments</b>					<b>383,484</b>

(\*) Appears in the individual financial statement of the City of Barcelona as of 31 December 2014.

(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.

The breakdown for the Barcelona de Serveis Municipals Group are as follows:

Table

**6** 13

Name (data as of December 31, 2014)	Interest held %	Net equity as of 31 December 2014 prior to results (1)	Results of the fiscal year 2014 (1)	Net equity as of 12.31.14 (1)
<b>Barcelona de Serveis Municipals Group</b>				
Barcelona de Serveis Municipals, SA	100	336,598	18,046	354,644
Parc d'Atraccions Tibidabo, S,A,	100	36,367	1,475	37,842
Cementiris de Barcelona, SA	100	6,998	2,786	9,784
Tractament i Selecció de Residus, SA	58.64	33,052	1,590	34,642
Selectives Metropolitanes, SA (2)	58.64	1,179	20	1,199
Solucions Integrals por als Residus, SA (2)	58.64	741	73	814
Mercados de Abastecimientos de Barcelona, SA	50.69	39,234	2,297	41,531

(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 balance sheet and the statement of revenues and expenses for the fiscal year 2014 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** 14

	<b>City of Barcelona Consolidated</b>	
Fixed assets	7,881,292	8,491,936
Current assets	999,138	1,268,568
<b>Total assets</b>	<b>8,880,430</b>	<b>9,760,504</b>
Equity before results	5,471,559	5,860,303
Result of the fiscal year	253,024	368,146
Other long-term liabilities	2,275,926	2,594,865
Current liabilities	879,921	937,190
<b>Total liabilities</b>	<b>8,880,430</b>	<b>9,760,504</b>
Ordinary revenues	2,489,745	2,748,279
Ordinary expenses	(2,229,576)	(2,373,549)
Extraordinary results	(7,145)	(6,584)
<b>Results of fiscal year</b>	<b>253,024</b>	<b>368,146</b>

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** 15

	Current and capital transfers	Other expenses	Revenues	Accounts receivable	Accounts payable
Municipal agencies	492,720	1,086	5,402	61	209,727
Municipal firms	161,038	90	9,903	656	76,348
Firms in which the City holds an interest	5,538	0	0	0	21
<b>Total</b>	<b>659,296</b>	<b>1,176</b>	<b>15,305</b>	<b>717</b>	<b>286,096</b>

### 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:

The allocation to results as financial

Table

**6** 16

	Loan arrangement expenses
<b>Balance as of December 31, 2013</b>	<b>637</b>
Expenses for arranging new operations	-
Allocation to results as financial expenses	(73)
<b>Balance as of December 31, 2014</b>	<b>564</b>

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, 2014 are classified according to their nature, as shown below:

Table

**6** 17

Concept	Receivables
Direct taxes	253,731
Indirect taxes	27,192
Charges and other revenues	382,433
Current transfers	74,046
Capital gains	21,295
Disposal of real investments	944
Capital transfers	50,008
<b>Total receivable</b>	<b>809,649</b>

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

Table

**6** 18

<b>Balance as of December 31, 2013</b>	<b>507,638</b>
Amount charged to statement of revenues and expenses	89,081
Application of bad debts written off or collections (note 18.6)	(85,114)
<b>Balance as of December 31, 2014</b>	<b>511,605</b>

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, 2014 is as follows:

Table

**6** 19

Deferred payments and instalments	17,514
Recognised income receivables	28,773
Amounts receivable short-term for asset transactions	1,571
Output VAT receivables	3,603
Other non-budgetary receivables	3,780
<b>Other short-term off-budget receivable</b>	<b>55,241</b>

## Note 8 – Short-term financial investment and cash

The balance of this section consists of a total of 90 bank accounts that have submitted the following global movement:

Table

6<sup>20</sup>

Balance as of 12.31.13	Colletions	Payments	Balance as of 12.31.14
519,139	2,970,451	(2,844,816)	644,774

## Note 9 – Equity

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

Table

6<sup>21</sup>

	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
<b>Initial balance</b>	<b>7,780,415</b>	<b>(616,221)</b>	<b>(7,489,008)</b>	<b>35,728</b>	<b>5,710,557</b>	<b>399,724</b>	<b>5,821,195</b>
2014 results	-	-	-	-	-	253,024	253,024
Allocation of 2013 results	-	-	-	-	399,724	(399,724)	-
Change in property assigned to and by third parties (note 3)	-	(64,488)	-	-	-	-	(64,488)
Transfer of capital transfers and other capital income (note 2.6 and 10)	7,259	-	-	-	-	-	7,259
Delivery of assets for general use by transfer (note 3)	-	-	(285,995)	-	-	-	(285,995)
Financial year's write-offs delivered for general use (note 3)	-	-	15	-	-	-	15
Financial year's added entries delivered for general use (note 3)	-	-	(6,427)	-	-	-	(6,427)
<b>Final balance</b>	<b>7,787,674</b>	<b>(680,709)</b>	<b>(7,781,415)</b>	<b>35,728</b>	<b>6,110,281</b>	<b>253,024</b>	<b>5,724,583</b>

## Note 10 – Capital transfers and other capital income

The movements in this account are as follows:

Table

**6**<sup>22</sup>

Balance as of 12.31.13	Transfers and other income received	Transfers to equity (note 9)	Transfers to results (note 18.6)	Balance as of 12.31.14
556,046	38,143	(7,259)	(12,349)	574,581

The balance at year end includes 47,563 thousand euros corresponding to revenue from urban development operations and 527,018 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**<sup>23</sup>

Central Government	197,906
Autonomous Community	171,959
EU Institutions	54,428
Local Entities	90,493
Others	12,232
<b>Total</b>	<b>527,018</b>

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 2014 are as follows:

Table

**6**<sup>24</sup>

<b>Balance as of 31 December 2013</b>	101,578
Additions in the fiscal year	393,262
Transfers to accrued revenues (note 17)	(18,660)
Transfers to results	(23,204)
<b>Balance as of 31 December 2014</b>	<b>452,976</b>

The financial year’s added entries refer to income for distribution derived from non-financial contributions for the incorporation of the mixed-economy company BAMSA and the subsequent awarding of the ownership of 60% of the shares in that company to the company Saba Aparcamientos, SA.


The transfers to results include 20,574 thousand euros that were charged against extraordinary income (note 18.6) and which refer to the extinction of a surface right owing to the sale of the property over which the right had been established.

The balance as of December 31, 2014 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		
	<b>Balance as of 31 December 2013</b>	107,034
	Provisions charged to the various expenses caption	15,417
	Cancellation of the provision registered in extraordinary results (note 18.6)	(18,197)
	<b>Balance as of 31 December 2014</b>	<b>104,254</b>

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.

Act 36/2014, of 26 December, on General Budgets of the Central Government for 2015, under the twelfth additional provision, section 1(1), establishes that every Public Authority, within its jurisdiction, may approve the crediting of amounts as recovery of extraordinary payments and specific additional payments or equivalent additional payments. Where Barcelona City Council’s competent body approves the crediting of these amounts, the equivalent sum to be credited shall be the one established under the twelfth additional provision, section 1(2) of the above-mentioned Act.

Similarly, 52,963 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, 2014, corresponding to long-term loans and debentures subscribed by the City of Barcelona, can be broken down as follows:

The part of the long-term debt which

Table

**6** 26

Loans and debentures	Outstanding Amount as of 12.31.2014	Long-term	Short-term
Banking system	831,680	754,046	77,634
Private placements	140,000	60,000	80,000
<b>Total debt</b>	<b>971,680</b>	<b>814,046</b>	<b>157,634</b>

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 2014 fiscal year are as follows:

Table

**6** 27

<b>Balance as of 31 December 2013</b>	<b>1,101,376</b>
New operations	0
Contractual amortizations	(129,696)
Early amortization and assignment	0
<b>Balance as of 31 December 2014</b>	<b>971,680</b>

As of 31 December 2014 no short-term credit policy had been taken out.  
 The debt profile by maturities as of December 31, 2014 is as follows:

Table

**6** 28

Year of maturity	Amount
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	7,333
2024	3,333
2025 and onwards	86,668
<b>Total</b>	<b>971,680</b>

The average interest rate during the 2014 fiscal year was 2.86%, and the average life stood at 4.2 years.

All financial debts are in euro. For interest rate risk management, Barcelona City Council has taken out seven interest-rate swap operations for a total face value of 421,000 thousand euros, each assigned to an underlying operation in accordance with the implementation basis for budgets. As of 31 December 2014, 53.6%

of the City of Barcelona's financial debt had a fixed interest rate, and 46.4% had a floating interest rate.

**Note 14 –Other long-term payables**

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

Table	
<b>6</b> <sup>29</sup>	
Central Government – final settlement of the share of State taxes for 2008	49,273
Central Government – final settlement of the share of State taxes for 2009	200,470
Central Government - final settlement of the Supplementary Finance Fund for 2013	51,396
<b>Balance as of 31 December, 2014</b>	<b>301,139</b>

The total amount for the final negative settlement of the share in Spain's Central Government taxes corresponding to the 2008 financial year came to 93,487 thousand euros, whereas the figure for the 2009 financial year was also negative by 304,284 thousand euros. In accordance with the provisions set down in Act 2/2012, of 29 June, on the General Budgets of the State for the financial year 2012, the term up to December 2014 for offsetting these negative settlements was for 120 monthly instalments. The sole additional provision in Royal Decree Act 12/2014, of 12 September, establishes amendments to the procedure for paying receivables to the Public Treasury arising from final settlements of shares in Spain's Central Government taxes for the financial years 2008 and 2009, as regulated by Act 2/2012, of 28 June, on the State's budgets for the year 2012, and allows, as of January 2015 and subject to authorisation, extensions to the terms for paying the above-mentioned receivables during 120 additional monthly instalments. The negative settlement for 2008 matures during the 2011-2031 period while the negative settlement for 2009 matures during the 2012-2031 period. The amount

maturing in the 2015 financial year is entered in the accounts under the "Other short-term off-budget liabilities" caption (note 16).

According to the communiqué from the Secretariat-General for Regional and Local Coordination at the Secretariat of State for Public Authorities, the settlement provision for the Supplementary Finance Fund for the financial year 2013, discounting the total amount of the advances transferred, is negative for the value of 51,396 thousand euros (note 18.6). The tenth additional provision of the Royal Decree Act 17/2014, of 26 December, on financial sustainability measures for the regional communities and local and other economic entities, defines a special a special system for reimbursing these settlements to be paid to the Central Government, divided up into 120 monthly instalments as from 1 January 2016.

**Note 15 –Public administrations**

The breakdown of these accounts is as follows:

Table

**6** <sup>30</sup>

	Receivable	Payable
Value added tax	–	–
Personal income tax	(45)	8,471
Social security	1,124	21,767
<b>Balance as of 31 December, 2014</b>	<b>1,079</b>	<b>30,238</b>

## Note 16 - Other off-budget payables

The balance for this account as of December 31, 2014 is as follows:

Table

**6** <sup>31</sup>

Central Government – short-term maturity of final settlement of the share of State taxes for 2008 and 2009 (note 14)	15,609
Deposits and guarantees received	22,571
Payable to administrations for IAE and IBI surcharges	21,650
Bonus payments to personnel	18,522
Suppliers of short-term fixed assets	10,276
Other payables	8,360
Other accrued expenses	1,771
<b>Other short-term off-budget payables</b>	<b>98,759</b>

Movements regarding fixed asset short-term suppliers during the fiscal year 2014 are as follows:

Table

**6** <sup>32</sup>

<b>Balance as of 31 December, 2013</b>	<b>8,334</b>
Financial year's added entries	2,092
Long-term transfers	4,608
Payments in the fiscal year	(4,758)
<b>Balance as of 31 December, 2014</b>	<b>10,276</b>

## Note 17 - Accrued expenses

This concept reflects liabilities of the City of Barcelona at December 31, 2014, in accordance with its accreditation period and independent of the payment or obligation date. It is made up by the following:

Table

**6** <sup>33</sup>

Accrued interest receivable	5,467
Transfer to short-term other deferred incomes (note 11)	18,660
<b>Total</b>	<b>24,127</b>



## Note 18 - Statement of results for the 2014 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 2014 fiscal year comprised 6,411 workers (33.1% women and 66.9% men).

### 18.2. Welfare benefits

Welfare benefits basically include the amounts paid by the City of Barcelona in 2014 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 692 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

<b>6</b> <sup>34</sup>	Autonomous local agencies (City of Barcelona)	234,629
	Municipal public business entities (City of Barcelona)	156,924
	Municipal Firms (City of Barcelona)	155,632
	Metropolitan Area of Barcelona	147,594
	Consortia	100,672
	Public entities	5,861
	Not-for-profit organizations	61,166
	Metropolitan Transport Authority	90,174
	Autonomous Community	4,000
	Others	10,183
	<b>Total</b>	<b>966,835</b>

## 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

**6** 35

Autonomous local agencies (City of Barcelona)	7,829
Municipal public business entities (City of Barcelona)	93,338
Municipal Firms (City of Barcelona)	5,406
Consortia	3,249
Metropolitan Area of Barcelona	5,558
Others	10,972
<b>Total</b>	<b>126,352</b>

## 18.6. Extraordinary results

Extraordinary results can be broken down as follows:

Table

**6** 36

	Expenses	Revenues
From fixed assets	36,538	27,429
Modification of receivables, payables and provisions	90,819	108,179
Capital transfers and other capital incomes allocated to results (note 10)	-	12,349
Cancellation of surface right (note 11)	-	20,574
Negative settlement of Supplementary Finance Fund 2013 (note 14)	51,396	-
Other extraordinary results	1	3,078
<b>Net extraordinary results</b>	<b>178,754</b>	<b>171,609</b>

Income from changes in rights, obligations and allowances includes 85,114 thousand euro from the application of the allowance for coverage of difficult to implement rights (note 7.1) and 18,197 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, 2014 there is no guarantee provided by the City of Barcelona to cover credit operations.

Securities received on deposit amount to 315,674 thousand euros as of December 31, 2014 and are as follows:

Table

637

	Balance as of 12.31.13	Received	Canceled	Balance as of 12.31.14
Guarantees received	96,641	9,776	(54,420)	51,997
Deposited securities	238,496	46,372	(25,317)	259,551
Securities in custody	4,280	736	(1,207)	3,809
Deferrals and adjournments	317	–	–	317
<b>Total</b>	<b>339,734</b>	<b>56,884</b>	<b>(80,944)</b>	<b>315,674</b>

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 2014 amount to 450 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, 2014 and 2013.

Table

**6** 38

	Current Fiscal Year (2014)		Last Fiscal Year (2013)	
	Amount (in euros)	%	Amount (in euros)	%
Payments within the legally established time limit	339,363,132	57.74	385,163,437	70.35
Difference	248,374,242	42.26	162,280,624	29.65
<b>Total payments within fiscal year</b>	<b>587,737,374</b>	<b>100</b>	<b>547,444,061</b>	<b>100</b>
Weighted average days past due date	8.58		10.40	
Adjournments that at date overshoot the maximum legal due date	2,370,863		7,444,153	

Under the above-mentioned Act 15/2010, the time limit for payments as from 1 January 2013 is set at 30 days. The average payment period was 27.4 days for the 2014 financial year.

## Note 20 - Statement of source and application of funds for the fiscal years 2014 and 2013

Table

639

Application of funds	Fiscal year 2014	Fiscal year 2013	Source of funds	Fiscal year 2014	Fiscal year 2013
Tangible fixed asset acquisitions (1)	562,298	308,366	Funds generated from operations	328,231	496,463
Financial fixed asset acquisitions	202,288	3,085	Sale of tangible and financial fixed assets (1)	3,232	197
Long-term off-budget payables	-	803	Transfers of fixed assets to off-budget receivables	1,759	9,648
Amortization and transfers to short-term of long-term loans and debentures	157,634	129,696	Long-term off-budget receivables	1,341	-
Cancellation and short-term transfers of capital transfers and other capital income	-	336	Net long-term variation of guarantees and deposits	595	(88)
Revenues transfers to short-term liabilities	18,660	3,389	Long-term loans and debentures	-	40,000
Transfer to short-term of suppliers of fixed assets	4,608	4,758	Provision for settling the Supplementary Finance Fund	51,396	-
Short-term transfer and cancellation settlement of share in Central Government taxes	15,609	37,907	Income for distribution	431,466	23,930
<b>Total applied funds</b>	<b>961,097</b>	<b>488,340</b>	<b>Total funds obtained</b>	<b>818,020</b>	<b>570,150</b>
Sources of funds in excess of applications of funds (increase in working capital)	-	81,810	Application of funds in excess of sources of funds (decrease in working capital)		143,077 -
<b>Total</b>	<b>961,097</b>	<b>570,150</b>	<b>Total</b>	<b>961,097</b>	<b>570,150</b>

Table

640

Change in working capital	2014		2013	
	Increase	Decrease	Increase	Decrease
Accounts receivable	-	78,819	1,704	-
Short-term financial investments	300,000	-	34,800	-
Cash	-	174,365	102,942	-
Adjustments for prepayments	-	189,893	-	-
Accounts payable			-	57,636
<b>Total</b>	<b>300,000</b>	<b>443,077</b>	<b>139,446</b>	<b>57,636</b>
<b>Increase in working capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,810</b>
<b>Decrease in working capital</b>	<b>143,077</b>	<b>-</b>	<b>-</b>	<b>-</b>

Funds obtained from operations are as follows:

Table

**6** <sup>41</sup>

	2014	2013
<b>Net results for the fiscal year</b>	<b>253,024</b>	<b>399,724</b>
Provision for depreciation (note 3)	101,293	94,817
Variation provision for depreciation of financial assets (note 4)	5,461	6,034
Deferred expenses (note 6)	73	72
Allocation of long-term provisions (note 12)	15,417	59,260
Net result of fixed assets (note 18.6)	9,109	(12,643)
Other extraordinary results (note 3)	(2,396)	7,785
Financial revenue (receipt of dividends in kind)	-	(10,939)
Deferred income transferred to results (notes 10 and 11)	(35,553)	(19,233)
Cancellation of long-term provisions (note 12)	(18,197)	(28,414)
<b>Funds generated through operations</b>	<b>328,231</b>	<b>496,463</b>

(1) Basically, this includes sales and investment of assets with budget effects, originated in the same fiscal year.

## Note 21 – Budgetary information

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

Table

**6** <sup>42</sup>

Caption	Initial budget	Final budget	Net receivables	Receipts
1 Direct taxes	879,467	879,467	975,496	916,490
2 Indirect taxes	49,164	49,163	55,987	53,799
3 Charges and other revenues	269,303	269,659	310,330	226,508
4 Current transfers	1,084,174	1,095,570	1,054,771	1,016,205
5 Capital gains	31,113	31,113	214,332	198,867
6 Disposal of real property	7,522	7,522	11,137	10,229
7 Capital transfers	15,957	27,007	37,474	16,217
8 Financial assets	106,500	211,823	-	-
9 Financial liabilities	130,800	130,800	1,754	1,754
<b>Total</b>	<b>2,574,000</b>	<b>2,702,124</b>	<b>2,661,281</b>	<b>2,440,069</b>

## 21.2. Summary of status of revenue account budget – closed fiscal years

Table

6<sup>43</sup>

Caption	Initial balance	Corrections, reversals and cancellations	Net receivables	Receipts
1 Direct taxes	237,429	(13,663)	223,766	29,042
2 Indirect taxes	25,957	131	26,088	1,085
3 Charges and other revenues	406,193	(78,281)	327,912	29,300
4 Current transfers	130,864	(33,634)	97,230	61,749
5 Capital gains	22,501	349	22,850	17,019
6 Disposal of real property	1,443	–	1,443	1,407
7 Capital transfers	56,302	(14,080)	42,222	13,473
8 Financial assets	–	–	–	–
9 Financial liabilities	–	–	–	–
<b>Total</b>	<b>880,689</b>	<b>(139,178)</b>	<b>741,511</b>	<b>153,075</b>

## 21.3. Summary of status of expenses account budget – current fiscal year

Table

6<sup>44</sup>

Caption	Initial budget	Final budget	Net payables	Paid
1 Personnel expenses	347,527	346,631	344,312	343,465
2 Current goods and services expenses	563,672	562,930	545,821	440,706
3 Financial expenses	41,584	39,284	29,699	29,656
4 Current transfers	922,194	970,176	965,666	828,755
5 Contingency fund	24,854	627	–	–
6 Investment	400,993	466,780	454,767	288,653
7 Capital transfers	25,297	164,311	158,424	36,150
8 Financial assets	116,383	19,889	17,447	17,447
9 Financial liabilities	131,496	131,496	130,855	130,720
<b>Total</b>	<b>2,574,000</b>	<b>2,702,124</b>	<b>2,646,991</b>	<b>2,115,552</b>

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

Table

6 45

Caption	Initial balance	Corrections	Payables	Paid
1 Personnel expenses	7,178	–	7,178	5,087
2 Current goods and services expenses	114,186	–	114,186	114,130
3 Financial expenses	1	–	1	–
4 Current transfers	127,187	(1,850)	125,337	116,476
6 Investment	133,014	–	133,014	127,400
7 Capital transfers	15,245	–	15,245	14,618
8 Financial assets	1,625	–	1,625	625
9 Financial liabilities	148	–	148	136
<b>Total</b>	<b>398,584</b>	<b>(1,850)</b>	<b>396,734</b>	<b>378,472</b>

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

Table

6 46

Caption	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	Successive fiscal years
1 Personnel expenses	212	159	–	–
2 Current goods and services expenses	419,362	318,002	264,964	475,239
3 Financial expenses	–	–	–	–
4 Current transfers	175,618	161,321	143,204	7,162
6 Investment	25,148	–	516	–
7 Capital transfers	10,670	300	300	–
8 Financial assets	7,822	19,326	14,955	49,738
9 Financial liabilities	–	–	–	–
<b>Total</b>	<b>638,832</b>	<b>499,108</b>	<b>423,939</b>	<b>532,139</b>

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



## 21.6. Budget result

Table

6<sup>47</sup>

<b>Non-financial operations</b>	
Revenues (caption 1 to 7)	2,659,527
Expenses (caption 1 to 7)	2,498,690
<b>Surplus before financial operations</b>	<b>160,837</b>
<b>Financial assets</b>	
Revenues (caption 8)	0
Expenses (caption 8)	17,446
<b>Change in financial assets (caption 8)</b>	<b>(17,446)</b>
<b>Financial liabilities</b>	
Revenues (caption 9)	1,754
Expenses (caption 9)	130,855
<b>Change in financial liabilities (caption 9)</b>	<b>(129,101)</b>
<b>Budget result</b>	<b>14,290</b>
<b>Adjustments</b>	
Positive financial deviations	(11,303)
Negative financial deviations	12,041
Payables financed with budget reserves	100,000
<b>Adjusted budget result</b>	<b>115,028</b>

## 21.7. Budget reserves

Table

6<sup>48</sup>

<b>1. (+) Cash funds</b>	<b>644,774</b>
<b>2. (+) Receivables pending</b>	<b>795,351</b>
(+) from current budget	221,213
(+) from previous budgets	588,436
(+) from off-budget operations	5,164
(-) collections pending definitive application	19,462
<b>3. (-) Payables pending</b>	<b>632,520</b>
(+) from current budget	531,440
(+) from previous budgets	18,261
(+) from off-budget operations	82,819
(-) pending payments definitive application	0
<b>I. Total budget reserves (1+2-3)</b>	<b>807,605</b>
<b>II. Bad debts outstanding</b>	<b>511,605</b>
<b>III. Affected financing excess</b>	<b>10,539</b>
<b>IV. Budget reserves for general expenses (I-II-III)</b>	<b>285,461</b>

The Municipal Manager of Barcelona City Council, on 30 April 2015, 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 74 to 104, corresponding to the financial year ending on 31 December 2014.

# 7

## **2014 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.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Mayor-President of the Barcelona City Council,

We have audited the accompanying consolidated annual accounts of Barcelona City Council and its autonomous local agencies, municipal agencies and city-owned companies, which comprise the consolidated balance sheet as at December 31, 2014, the consolidated income statement and related notes for the year then ended.

### *Directors' Responsibility for the Consolidated Annual Accounts*

The parent corporate's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Barcelona City Council and its autonomous local agencies, municipal agencies and city-owned companies, in accordance with the financial reporting framework applicable to the Group in Spain, as identified in Note 2.1.a to the accompanying consolidated annual accounts, and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent corporate's directors' preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Av. Diagonal, 640  
08017 Barcelona



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

Balmes, 89-91  
08008 Barcelona

*Opinion*

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Barcelona City Council and its autonomous local agencies, municipal agencies and city-owned companies as at December 31, 2014, and the consolidated results of its operations as reflected in the consolidated income statement 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

April 30, 2015

Gabinete Técnico  
de Auditoría y Consultoría, S.A.

Jordi Vila López

**City of Barcelona Group**  
**Consolidated balance sheets as of December 31, 2014 and 2013**  
(thousands of euros)

Table

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**Assets****As of December 31,  
2014****As of December 31,  
2013**

	Note		
<b>Fixed assets</b>		<b>8,491,936</b>	<b>8,207,898</b>
<b>Intangible fixed assets</b>	<b>4 a)</b>	<b>26,331</b>	<b>16,446</b>
Intangible fixed assets		73,731	58,211
Provisions and depreciations		(47,400)	(41,765)
<b>Tangible fixed assets and infrastructures</b>	<b>4 b)</b>	<b>8,098,068</b>	<b>8,031,528</b>
Tangible fixed assets		9,073,957	8,868,809
Public land assets		547,968	517,732
Fixed assets assigned to municipal agencies and third parties		(656,861)	(592,373)
Fixed assets in progress and pending classification		654,806	664,104
Investments in infrastructure and assets for public use		7,781,415	7,489,008
Investment assigned for public use		(7,781,415)	(7,489,008)
Accumulated depreciation and provisions		(1,521,802)	(1,426,743)
<b>Long-term financial investments</b>		<b>340,125</b>	<b>130,523</b>
Interests held in associated firms	5	171,445	8,507
Other financial investments	6	168,680	122,016
<b>Long-term trade receivables</b>	<b>3.7</b>	<b>25,383</b>	<b>27,300</b>
<b>Deferred expenses</b>	<b>7</b>	<b>2,029</b>	<b>2,101</b>
<b>Current assets</b>		<b>1,268,568</b>	<b>1,217,252</b>
Inventories	3.6	98,771	102,108
Provisions		(3,210)	(253)
		95,561	101,855
Accounts receivable	8	948,587	1,029,713
Provisions	8	(529,483)	(526,043)
		419,104	503,670
Public administrations receivable	16	15,359	13,317
Short-term financial investments	3.4	391,866	91,763
Cash		342,214	503,615
Adjustments for prepayments		4,464	3,032
<b>Total assets</b>		<b>9,760,504</b>	<b>9,425,150</b>

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2014.

**City of Barcelona Group**  
**Consolidated balance sheets as of December 31, 2014 and 2013**  
(thousands of euros)

Table

**7 2**

**Liabilities**

		<b>As of December 31, 2014</b>	<b>As of December 31, 2013</b>
<b>Equity</b>	<b>Note</b>	<b>6,228,449</b>	<b>6,205,521</b>
City of Barcelona group equity	9.1	5,523,477	5,466,110
City of Barcelona group equity		13,936,786	13,522,524
Property Assigned		(656,861)	(592,373)
Property delivered for public use		(7,781,415)	(7,489,008)
Property in cession		24,967	24,967
Income allocable to the City of Barcelona	9.2	368,146	401,438
Consolidated results		370,071	402,538
Results attributed to minority interests	10	(1,925)	(1,100)
Consolidated reserves	9.3	271,090	272,298
Minority interests	10	65,736	65,675
<b>Deferred income</b>		<b>1,138,761</b>	<b>759,488</b>
Capital transfers and other capital income	11	631,357	611,596
Other deferred income	12	507,404	147,892
<b>Long-term liabilities</b>		<b>1,456,104</b>	<b>1,619,578</b>
Provisions for contingencies and expenses	13	121,504	125,392
Long-term loans and debentures	14	978,855	1,167,243
Long-term guarantees and deposits		28,930	28,985
Other long-term payables	15	326,815	297,958
<b>Current liabilities</b>		<b>937,190</b>	<b>840,563</b>
Short-term payables for loans and debentures	14	165,608	158,807
Trade accounts payable		417,602	337,592
Public administration payables	16	62,592	58,150
Other non-trade accounts payables	17.1	205,844	216,034
Accrued expenses	17.2	85,544	69,980
<b>Total liabilities</b>		<b>9,760,504</b>	<b>9,425,150</b>

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2014.

**City of Barcelona Group**  
**Consolidated statement of revenues and expenses as of December 31,**  
**2014 and 2013**  
(thousands of euros)

Table

73

	Note	2014	2013		Note	2014	2013
Personnel expenses	18.1	632,421	613,147	Taxes	18.4	1,025,676	972,777
Works, supplies and subcontracted services	18.2	912,610	867,875	Other tax revenues	18.5	140,335	146,633
Financial expenses		37,010	40,794	Sale of services	18.6	282,265	262,476
Current transfers	18.3	511,726	498,359	Other operating revenues	18.7	148,535	155,842
Provision to allowance for bad debts and others	8	97,913	107,559	Current Transfers	18.8	1,120,989	1,121,770
				Financial revenues		7,886	8,816
				Other revenues		22,592	22,336
Share in operating result of firms consolidated by the equity method	2.2	5,692	204	Share in operating result of firms consolidated by the equity method	2.2	1	2
<b>Total operating expenses</b>		<b>2,197,372</b>	<b>2,127,938</b>	<b>Total operating revenues</b>		<b>2,748,279</b>	<b>2,690,652</b>
<b>Operating result before capital transfers</b>		<b>550,907</b>	<b>562,714</b>				
Capital transfers	18.3	39,547	20,284				
<b>Operating result before capital transfers</b>		<b>511,360</b>	<b>542,430</b>				
Provision for depreciation of fixed assets	4	136,669	130,191				
Extraordinary expenses	18.9	180,365	115,908	Extraordinary revenues	18.9	173,781	113,997
<b>Pre-tax consolidated results</b>		<b>368,107</b>	<b>410,328</b>				
Tax on profits	3.13	(1,964)	7,790				
<b>Consolidated results</b>		<b>370,071</b>	<b>402,538</b>				
Results allocated to minority interests	10	1,925	1,100				
<b>Results allocated to the City of Barcelona</b>		<b>368,146</b>	<b>401,438</b>				
<b>Total</b>		<b>2,922,060</b>	<b>2,804,649</b>	<b>Total</b>		<b>2,922,060</b>	<b>2,804,649</b>

Notes 1 to 20 of the attached report form an integral part of the consolidated statement of revenues and expenses as of December 31, 2014.



## The City of Barcelona Group

### Report on the consolidated annual statement for the fiscal year 2014

#### 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 consolidated annual accounts have been prepared by using subsidiarily the consolidation methodology and procedures stipulated in Order HAP/1489/2013 of July 18, 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, ECO/2829/2012 and ECO/2876/2014 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 27, 2015. 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 2014 and 2013 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.

#### 2.1. c) Plan for Transition to New Accounting Regulations

The Barcelona City Council Group has been implementing the Transition Plan for its adaptation to the new accounting regulations to be applied under Order HAP/1781/2013, of 20 September, approving the Guidelines of the Local Standard Accounting Model, which repeals, with effect from 1 January 2015 on, the Guidelines of the Local Standard Accounting Model approved by Spanish Ministry of Finance and Economy Order EHA/4041/2004, of 23 November. This Transition Plan includes, among other things, an analysis of the differences in accounting criteria and standards and the selection of criteria and standards to be applied in the transition as well as an evaluation of the necessary amendments to the information procedures and systems, for the purposes of supplementing the information requirements to be included in the consolidated annual accounts. Notwithstanding that, the process was still incomplete on the date that these consolidated annual accounts were drawn up and there was insufficient information to be concluded from the results of this analysis.

## 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, 2014 prior to results (1)	Fiscal year results 2014 (1)	Technical book value 12.31.14 (1)	Net book value of the holding investment 12.31.14 (*)
<b>Municipal agencies</b>					
Municipal Agency for Persons with Disabilities	100	835	200	1035	–
Municipal Agency for Urban Landscape and Quality of Life	100	6,786	1,312	8,098	–
Municipal Agency for Education	100	373	113	486	–
Municipal Agency for IT Services	100	327	312	639	–
Municipal Agency for Town Planning	100	1,331	127	1,458	–
Municipal Agency for Taxes	100	2,585	328	2,913	–
Municipal Agency for Markets	100	4,283	271	4,554	–
Municipal Agency for Barcelona Sports	100	3,693	845	4,538	–
Municipal Agency for Social Services	100	667	255	922	–
<b>Public business entities</b>					
Municipal Agency for Housing	100	238,671	977	239,648	–
Municipal Agency for Culture	100	4,900	12	4,912	–
Municipal Agency for Parks and Gardens	100	5,772	726	6,498	–
Municipal Agency Mies Van der Rohe Foundation	100	9,855	41	9,896	–
<b>Subtotal municipal agencies</b>		<b>280,078</b>	<b>5,519</b>	<b>285,597</b>	<b>–</b>
<b>Municipal firms</b>					
Barcelona de Serveis Municipals, SA Group	100	381,362	21,449	402,811	195,965
Barcelona Infraestructures Municipals, SA	100	15,349	(91)	15,258	7,806
Foment de Ciutat, SA	100	5,136	1	5,137	5,138
Informació i Comunicació de Barcelona, SA	100	1,165	7	1,172	1,172
Barcelona Activa, SA, SPM	100	12,457	117	12,574	2,013
SM Barcelona Gestió Urbanística, SA	100	811	132	943	60
Barcelona Cicle de l'Aigua, SA	100	60	2	62	60
<b>Subtotal municipal firms</b>		<b>416,340</b>	<b>21,617</b>	<b>437,957</b>	<b>212,214</b>
<b>Total</b>		<b>696,418</b>	<b>27,136</b>	<b>723,554</b>	<b>212,214</b>

(\*) Included in the individual financial statements of the City of Barcelona as of December 31, 2014.

(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.

The 2014 financial year saw Foment de Ciutat Vella, SA reduce its share capital by 541 thousand euros for the purposes of returning Barcelona Provincial Council's contributions.

Under the agreement adopted by Barcelona City Council's Full Municipal Council, Barcelona d'infraestructures Municipals, SA distributed the issue premium to its sole shareholder by delivering the shares in Foment de Ciutat Vella, SA for the value of 5,144 thousand euros, corresponding to underlying book value of the company's equity at the time of the transfer.

During that same meeting on 25 July, Barcelona City Council's Full Municipal Council resolved to give final approval to the justification report for the change in

management form, the amendments to its articles of association and the change in company name to Foment de Ciutat, SA.

Foment de Ciutat, SA's current share capital consists of 51,000 shares with a total nominal value of 3,065 thousand euros owned by Barcelona City Council.

The transfer of the shares in Foment de Ciutat, SA to Barcelona City Council led to the full dissolution of the Barcelona d'infraestructures Municipals, SA group, a process that had started with the merger, towards the end of 2012, of the subsidiary companies 22 ArrobaBcn, SA, Agència de Promoció del Carmel i Entorns, SA, Pro Nou Barris, SA and ProEixample, SA.

The breakdown of the consolidated annual accounts of Barcelona de Serveis Municipals group is shown as follows:

Table

75

**Corporate name**

(Data as of December 31, 2014)

	<b>Interest held %</b>	<b>Net equity as of 12.31.14 prior to results (1)</b>	<b>Result of the financial year 2014 (1)</b>	<b>Net equity as of 12.31.14 (1)</b>
<b>Barcelona de Serveis Municipals Group</b>				
Barcelona de Serveis Municipals, SA	100	335,827	18,046	353,873
Parc d'Atraccions Tibidabo, SA	100	36,367	1,475	37,842
Cementiris de Barcelona, SA,	100	6,998	2,786	9,784
Tractament i Selecció de Residus, SA	58.64	33,052	1,590	34,642
Selectives Metropolitanes, SA(2)	58.64	1,179	20	1,199
Solucions Integrals per als Residus, SA (2)	58.64	741	73	814
Mercados de Abastecimientos de Barcelona, SA	50.69	39,234	2,297	41,531

(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 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 %	Net equity as of 12.31.14 prior to results (1)	Result of the financial year 2014 (1)	Net equity as of 12.31.14 (1)
Mediacomplex, SA (2) (3)	33.30	6,340	(347)	5,993
Barcelona Emprèn, SCR, SA (4)	26.04	2,257	(485)	1,772
Barcelona d'Aparcaments Municipals, SA	40.00	115,163	(98)	115,065
Fira 2000, SA	20.39	52,843	(4,762)	48,081
Barcelona Sagrera Alta Velocitat, SA(2)	25.00	150	–	150
Barcelona Regional, SA (2) (5)	20.63	383	1	384
<b>Total</b>		<b>177,136</b>	<b>(5,691)</b>	<b>171,445</b>

(1) Adjusted according to interest held, Regarded as the net equity corrected by adjustments due to changes in fair value,

(2) Fiscal year 2014 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%,

As regards the previous financial year, there was an additional entry for two entities consolidated under the equity method:

The General Meeting of Shareholders of the company Fira 2000, SA resolved to increase its share capital, with Barcelona City Council's shareholding rising from 19.50% to 20.39%.

Final approval was given at the Full Municipal Council Meeting of 28 February 2014, among other issues, for:

The change in management form of the public service for municipally owned car parks located in Barcelona's central perimeter, so that they could be managed indirectly by a mixed economy company incorporated as a public limited company and called Barcelona d'Aparcaments Municipals, SA (BAMSA), which involved the cancellation of fifteen direct-management projects under which the company Barcelona de Serveis Municipals, SA (BSMSA) had been awarded the management of these car parks.

BAMSA's incorporation and fully subscribed and paid-up share capital through the financial contribution of 61,000 euros and a non-financial

contribution consisting of exploitation and management rights of the car parks located in Barcelona's central perimeter, including the ones cancelled with BSMSA, valued at 397,851 thousand euros.

The terms and conditions of the open process for selecting the shareholder that would own the "class B" shares of the incorporated company BAMSA, representing 60% of its share capital.

The Full Municipal Council Meeting of 25 July 2014 awarded the ownership of 60% of the shares in the company BAMSA to the company Saba Aparcamientos, SA (SABA).

As a result of the City Council's cancellation of the management projects with BSMSA for the fifteen car parks in the above-mentioned perimeter and valued 32,323 thousand euros, according to BSMSA's net book accounting value, the City Council made a non-financial payment consisting of a contribution of 496 "class A" shares in the company BAMSA, equivalent to 8.12% of its share capital.

Approval was given at the Full Municipal Council Meetings of 28 February 2014 and 3 October 2014 respectively to raise

BSMSA's capital by the amount of 126,842 thousand euros (including share capital and issue premium) through the issue and allotment of 9,000 new registered shares, with a total value of 5,400 thousand euros and an issue premium of 121,442 thousand euros. This rights issue was subscribed to and paid up by the City Council through a non-financial contribution of 1,944 "class A" shares in the new company BAMSA, corresponding to 31.88% of its share capital.

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.

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

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

- 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, 2014, is 10,610 thousand euros, entailing a charge to the "Provision for depreciation of fixed assets" account in the 2014 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

**77**

#### 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 rose to 221,573 thousand euros during the 2014 financial year, 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, 2014 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 2,626 and 8,050 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:  
 The elements totally written off as of December 31, 2014 are the following:

Table

**7** 8

	12.31.13	Additions	Retirements	Transfers	12.31.14
Research and development expenses	587	0	0	0	587
Concessions	1,283	0	0	0	1,283
Patents, licenses and trademarks	1,230	0	(2)	2	1,230
Data-processing applications	48,744	1,760	(55)	13,814	64,263
Others	6,367	5	0	0	6,372
Loans	0	0	0	(4)	(4)
<b>Intangible fixed assets</b>	<b>58,211</b>	<b>1,765</b>	<b>(57)</b>	<b>13,812</b>	<b>73,731</b>
<b>Accumulated depreciation</b>	<b>(41,765)</b>	<b>(5,719)</b>	<b>58</b>	<b>26</b>	<b>(47,400)</b>
<b>Net intangible fixed assets</b>	<b>16,446</b>	<b>(3,954)</b>	<b>1</b>	<b>13,838</b>	<b>26,331</b>

### b) Tangible fixed assets and infrastructures

Table

**7** 9

Data-processing applications	36,983
Others	260
<b>Total</b>	<b>37,243</b>

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

Table

710

	12.31.13	Additions	Retirements	Transfers	12.31.14
Assets of historical, artistic and cultural heritage	11,992	0	0	0	11,992
Land	333,925	1,435	(923)	(15,487)	318,950
Constructions	7,184,101	71,460	(108,857)	148,487	7,295,191
Fixed assets assigned to municipal agencies and third parties	592,373	64,661	0	(173)	656,861
<b>Land and properties</b>	<b>8,122,391</b>	<b>137,556</b>	<b>(109,780)</b>	<b>132,827</b>	<b>8,282,994</b>
Vehicles	18,737	0	(8)	0	18,729
Machinery, equipment, installations and tools	445,000	6,314	(11,927)	34,756	474,143
Data-processing equipment	208,606	235	(1)	11,745	220,585
Office furniture and equipment	62,105	2,005	(37)	0	64,073
Other	11,970	1,464	0	0	13,434
<b>Other fixed assets</b>	<b>746,418</b>	<b>10,018</b>	<b>(11,973)</b>	<b>46,501</b>	<b>790,964</b>
<b>Total tangible fixed assets</b>	<b>8,868,809</b>	<b>147,574</b>	<b>(121,753)</b>	<b>179,328</b>	<b>9,073,957</b>
<b>Public land assets</b>	<b>517,732</b>	<b>13,626</b>	<b>(1,440)</b>	<b>18,050</b>	<b>547,968</b>
<b>Tangible fixed assets assigned to municipal agencies and third parties</b>	<b>(592,373)</b>	<b>(64,661)</b>	<b>0</b>	<b>173</b>	<b>(656,861)</b>
<b>Fixed assets pending classification</b>	<b>664,104</b>	<b>502,434</b>	<b>(23,101)</b>	<b>(488,631)</b>	<b>654,806</b>
<b>Infrastructures and assets for public use</b>	<b>7,489,008</b>	<b>6,427</b>	<b>(15)</b>	<b>285,995</b>	<b>7,781,415</b>
<b>Investments assigned for public use</b>	<b>(7,489,008)</b>	<b>(6,427)</b>	<b>15</b>	<b>(285,995)</b>	<b>(7,781,415)</b>
<b>Gross tangible fixed assets and infrastructures</b>	<b>9,458,272</b>	<b>598,973</b>	<b>(146,294)</b>	<b>(291,081)</b>	<b>9,619,870</b>
<b>Accumulated depreciation and provisions</b>	<b>(1,426,744)</b>	<b>(130,950)</b>	<b>35,682</b>	<b>215</b>	<b>(1,521,802)</b>
<b>Net tangible fixed assets and infrastructures</b>	<b>8,031,528</b>	<b>468,023</b>	<b>(110,612)</b>	<b>(290,866)</b>	<b>8,098,068</b>

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 2,681,524 thousand euros as of December 31, 2014 and 2,652,439 thousand euros as of December 31, 2013 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	105,432
Investments carried out by decentralized entities pursuant to the terms of the decree issued by the Mayor's office on January 30, 2012	343,347
Investments carried out by third parties	34,072
Investments realised by third parties	18,549
Collections of receivables in kind	50,645
Assets received in exchange	4,520
Other investments carried out by dependent entities	42,408
<b>Total</b>	<b>598,973</b>

Investments realised by third parties included the 30,000 thousand euros that the Mar Parc de Salut de Barcelona Consortium was to invest in the Hospital del Mar, payable by the City Council under an agreement reached by the two parties.

Collections of receivables in kind included 45,000 thousand euros corresponding to the offset of the values appraised from the purchase of three properties from the Generalitat of Catalonia, resulting from the signing of the partnership agreement between the City Council and the above-mentioned authority aimed at launching debt-reducing initiatives.

The main components of the "Other investments realised by subsidiary entities" caption corresponded to:

- The Work for adapting and running the Business Support Office and Barcelona Space (DRC Showroom) and for the mStartUp Barcelona accelerator, as well as the purchase and renovation of technological machinery and installations

for both projects. It includes other adaptation work, a notable example being Barcelona Activa, SA's connection of the Glòries Business Incubator to the Districlima network.

- The building of flats courtesy of the Municipal Housing Trust.
- The building of a car park and other installations and adaptations of car parks already in existence, courtesy of Barcelona de Serveis Municipals, SA.
- The restoration and revamping of cemeteries and related services managed by Cementiris de Barcelona, SA.
- The adaptation and optimisation of the energy recovery plant to the new municipal waste management model being developed by Tractament i Selecció de Residus, SA.
- Investments in several facilities managed by Mercados de Abastecimientos de Barcelona, SA.

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

Table

**7** **12**

For sales	1,543
By exchange transactions	998
On completion of investment activities (pending classification assets not inventoried)	36,079
By assignment of assets to municipal bodies (note 9.1)	64,661
Others	7,331
<b>Total</b>	<b>110,612</b>

Assets were assigned to the Museu Picasso Foundation under its foundation charter. Write-offs for the completion of non-inventoriable investor initiatives were offset by extraordinary income from fixed assets (negative) for 36,096 thousand euros and Property delivered for general use (positive) for 17 thousand euros.

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

Table		
<b>7</b> <sup>13</sup>	Property delivered for public use	285,995
	Property assigned to third parties	(173)
	Others	5,044
	<b>Total</b>	<b>290,866</b>

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

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

Table		
<b>7</b> <sup>14</sup>	Thoroughfares	3,983,953
	Parks and forests	1,793,513
	Systems	644,963
	Property for public use: Holsa	628,125
	Mixed	499,666
	Municipal assets of an artistic nature	112,439
	Urban furniture	73,225
	Equipments	36,207
	Buildings	9,324
	<b>Total</b>	<b>7,781,415</b>

Elements totally written off and in use as of December 31, 2014 are the following:

Table		
<b>7</b> <sup>15</sup>	Data-processing equipment	149,943
	Machinery, equipment, installations and tools	177,779
	Office furniture and equipment	46,822
	Vehicles	18,654
	Buildings	2,992
	Others	7,774
	<b>Total</b>	<b>403,964</b>

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

Barcelona Aparcaments Municipals, SA	115,065
Mediacomplex, SA	5,993
Fira 2000, SA	48,081
Barcelona Emprèn, SCR, SA	1,772
Barcelona Regional, AMDUI, SA	384
Barcelona Sagrera Alta Velocitat, SA	150
<b>Total</b>	<b>171,445</b>

## 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	14,152
Deposits and guarantees	7,707
Long-term financial investments	23,500
Other long-term credits	123,321
<b>Total</b>	<b>168,680</b>

The investment portfolio can be broken down as follows:

Table

718

	Firm's owner (*)	% Interest	Investment cost	Provisions	Net book value 12.31.14
Port Fòrum Sant Adrià, SL	AB	5.00	15	(2)	13
Nauta TechInvest III, SCR de régimen simplificado, SA	AB	4.78	3,414	(1,182)	2,232
Ongoing acquisition of shares (Nauta TechInvest III)	AB	-	1,625	-	1,625
GL Events CCIB, SL	BSM	12.00	241	-	241
Ecoenergíes Barcelona Sud, Zona Franca					
i Gran Via de 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)	-
<b>Financial investment portfolio</b>			<b>15,347</b>	<b>(1,195)</b>	<b>14,152</b>

(\*) 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:

- 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 cancellation of shares in the company Clavegueram de Barcelona, SA for the value of 686 thousand euros for its dissolution.

- The General Meeting of Shareholders of the company Fira 2000, SA resolved to increase its share capital, with Barcelona City Council's shareholding rising from 19.50% to 20.39%. An entity consolidated under the equity method.

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

Table

719

Long-term surface rights	60,000
Sales of long-term assets and PMS	34,558
Long-term credits AMB	17,417
Others	11,346
<b>Total</b>	<b>123,321</b>

The balance of "Long-term credits with AMB" corresponds to amounts that Barcelona Metropolitan Area (AMB) 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.

The "Long-term surface rights" for 60,000 thousand euros corresponding to the amount pending collection, during the twenty-five year term of the concession, and under the terms and conditions of payment and specific interest, through the awarding of 60% of the shares in BAMSA to the company Saba Aparcamientos, SA.

## 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** <sup>20</sup>

<b>a) The City of Barcelona</b>	<b>864,890</b>
Direct taxes	253,731
Indirect taxes	27,192
Charges and other revenues	382,433
Current transfers	74,046
Capital gains	21,295
Disposal of real investments	944
Capital transfers	50,008
Others	55,241
<b>b) Municipal agencies and firms</b>	<b>83,697</b>
<b>Total receivable</b>	<b>948,587</b>

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

Table

**7** <sup>21</sup>

<b>Balance as of December 31, 2013</b>	<b>526,043</b>
Amount charged to the statement of revenues and expenses	90,984
Application due to write-off of unrecoverable receivables and collections	(2,120)
Application to extraordinary results	(85,424)
<b>Balance as of December 31, 2014</b>	<b>529,483</b>



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, 90,984 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 6,929 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

7<sup>22</sup>

	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
<b>Initial balance</b>	<b>13,522,524</b>	<b>(592,373)</b>	<b>24,967</b>	<b>(7,489,008)</b>	<b>5,466,110</b>
City of Barcelona adjusted results 2013	399,724	-	-	-	399,724
Transfer from capital subsidies	14,538	-	-	-	14,538
Change in property assigned to third parties and in cession	-	(64,488)	-	-	(64,488)
Property delivered for public use by transfer	-	-	-	(285,995)	(285,995)
Financial year's write-offs delivered for general use	-	-	-	15	15
Current-year additions delivered for public use	-	-	-	(6,427)	(6,427)
<b>Final balance</b>	<b>13,936,786</b>	<b>(656,861)</b>	<b>24,967</b>	<b>(7,781,415)</b>	<b>5,523,477</b>

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

7<sup>23</sup>

Results of the City of Barcelona	253,024
Aggregate result of municipal agencies and firms	27,138
Result of share by equity method	(5,691)
Consolidation adjustments	95,600
Consolidated results	370,071
Results allocable to minority interests before interim dividends (note 10)	(1,925)
<b>Results allocable to the City of Barcelona</b>	<b>368,146</b>

### 9.3 – Consolidation reserves

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

Table

724

	Balance as of 12.31.13	Results 2013 (a)	Transfers and others	Balance as of 12.31.14
<b>Fully consolidated</b>	<b>273,009</b>	<b>10,267</b>	<b>(12,071)</b>	<b>271,206</b>
Municipal Agency of Housing	45,910	815	(333)	46,392
Municipal Institute for Persons with Disabilities	949	56	23	1,028
MA Mies Van der Rohe Foundation	1,688	36	–	1,724
Municipal Agency of IT Services	4,997	30	–	5,027
Municipal Agency of Town Planning	1,164	168	–	1,332
Municipal Agency of Finances	4,628	201	178	5,007
Municipal Agency of Markets	7,060	695	–	7,755
Municipal Agency of Parks and Gardens	5,613	517	(261)	5,869
Municipal Agency of Education	1,639	(775)	392	1,256
Municipal Barcelona Culture Agency	4,670	67	–	4,737
Municipal Barcelona Sports Agency	3,190	762	(6)	3,946
Municipal Agency of Urban Landscape and Quality of Life	6,307	478	1,000	7,785
Municipal Agency of Social Services	(200)	867	–	667
Barcelona de Serveis Municipals Group (b)	161,306	5,960	(8,375)	158,891
Barcelona d'Infraestructures Municipals	7,474	1,943	(1,873)	7,544
Foment de Ciutat, SA	56	6	(63)	(1)
Informac. i Comunicac. de Barcelona, SA	2,032	(1,635)	(371)	26
Barcelona Activa, SA	13,780	30	(2,340)	11,470
SM Barcelona Gestió Urbanística, SA	747	46	(42)	751
Barcelona Cicle de l'Aigua, SA	–	–	–	–
<b>By the Equity Method</b>	<b>(711)</b>	<b>(202)</b>	<b>797</b>	<b>(116)</b>
Barcelona Sagrera Alta Velocitat, SA	–	–	–	–
Barcelona Emprèn, SCR, SA	98	(113)	500	485
Barcelona d'Aparcaments Municipals, SA	–	–	–	–
Fira 2000, SA	–	–	–	–
Barcelona Regional, AMDUI, SA	21	2	–	23
Mediacomplex, SA	(830)	(91)	297	(624)
<b>Total</b>	<b>272,298</b>	<b>10,065</b>	<b>(11,273)</b>	<b>271,090</b>

(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 Metropolitanas, SA i Solucions Integrals per als Residus, 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 2014 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 whose details can be broken down as follows:

Table

725

	Capital	Reserves	Fiscal result for the year	Interim dividends	Grants, donations and bequests	Total
<b>BSM Group:</b>						
- TERSA Group	5,973	19,668	(310)	–	–	25,331
- Mercabarna, SA	6,996	30,670	2,235	–	504	40,405
<b>Total</b>	<b>12,969</b>	<b>50,338</b>	<b>1,925</b>	<b>–</b>	<b>504</b>	<b>65,736</b>

## Note 11 – Capital transfers and other capital income

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

Table

726

<b>Balance as of December 31, 2013</b>	<b>611,596</b>
Additions	47,713
Transfers to equity (note 9.1)	(14,538)
Transfers to results (note 18.9)	(13,822)
Others	408
<b>Balance as of December 31, 2014</b>	<b>631,357</b>

The balance at year end includes 47,563 thousand euros corresponding to revenue from urban development operations and 583,794 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

727

Central Government	197,906
Autonomous Community	217,488
EU Institutions	54,428
Local Entities	90,493
Others	23,479
<b>Total</b>	<b>583,794</b>

## Note 12 – Other deferred income

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

Table

**7** <sup>28</sup>

<b>Balance as of December 31, 2013</b>	<b>147,892</b>
Additions	401,074
Transfer to revenues for the year	(26,043)
Transfer to short-term (note 17)	(20,266)
Others	4,747
<b>Balance as of December 31, 2014</b>	<b>507,404</b>

By nature, 503,348 thousand euros correspond to revenues received in advance for the usage of assets under municipal ownership and 4,056 thousand euros to income from the provisions 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 important additions correspond to income for distribution derived from non-financial contributions for the incorporation of the mixed-economy company BAMSA and the subsequent

awarding of the ownership of 60% of the shares in that company to the company Saba Aparcamientos, SA.

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 2015 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, 2014 (see note 17).

## Note 13 – Provisions for contingencies and expenses

The movement in this account is as follows:

Table

**7** <sup>29</sup>

<b>Balance as of December 31, 2013</b>	<b>125,392</b>
Additions charged to extraordinary results	15,737
Cancellation of provisions with credit to extraordinary results (note 18,9)	(19,414)
Others	(211)
<b>Balance as of December 31, 2014</b>	<b>121,504</b>

The balance of the provision is aimed at covering the economic costs of the contingent or probable obligations.

This caption includes, among others, the amounts 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 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 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.

Act 36/2014, of 26 December, on General Budgets of the Central Government for 2015, under the twelfth additional provision, section 1(1), establishes that every Public Authority, within its jurisdiction, may approve the crediting of amounts as recovery of extraordinary payments and specific additional payments or equivalent

additional payments. Where Barcelona City Council's competent body approves the crediting of these amounts, the equivalent sum to be credited shall be the one established under the twelfth additional provision, section 1(2) of the above-mentioned Act.

Similarly, 52,963 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 the 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, 2014 corresponding to debentures and loans, both short and long-term, can be broken down as follows:

Table

730

Description	Outstanding amount 12.31.2014	Long term	Short term
<b>European Union</b>			
Banking system	1,003,396	918,855	84,541
Private placements	140,000	60,000	80,000
<b>Total long-term debt</b>	<b>1,143,396</b>	<b>978,855</b>	<b>164,541</b>
<b>Total short-term debt</b>	<b>1,067</b>	<b>–</b>	<b>1,067</b>
<b>Total debt</b>	<b>1,144,463</b>	<b>978,855</b>	<b>165,608</b>

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 2014 fiscal year are as follows:

Table

**7** <sup>31</sup>

<b>Balance as of December 31, 2013</b>	<b>1,321,635</b>
Additions:	
- New operations	21,199
Retirements:	
- Contractual repayments	150,678
- Early amortization and assignment	48,760
<b>Balance as of December 31, 2014</b>	<b>1,143,396</b>

The long-term debt profile by maturities as of December 31, 2014 is as follows (in thousands of euros):

Table

**7** <sup>32</sup>

<b>Maturity</b>	<b>Amount</b>
2015	164,541
2016	179,326
2017	174,794
2018	100,752
2019	89,336
2020	82,623
2021	74,682
2022	63,935
2023	14,193
2024	10,395
2025 and onwards	188,819
<b>Total</b>	<b>1,143,396</b>

As of December 31, 2014 there were stand-by credit lines for a total of 11,500 thousand euros, of which 1,067 thousand euros have been executed.

The average interest rate during the 2014 fiscal year was 2.79%, and the average life stood at 4.8 years.

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

City Council has taken out seven interest-rate swap operations for a total face value of 421,000 thousand euros, each assigned to an underlying operation in accordance with the implementation basis for budgets. As of December 31, 2014, 45.5% of the consolidated long-term financial debt had a fixed interest rate, and 54.5% had a floating interest rate.

## Note 15 – Other long-term payables

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

Table

**7** **33**

Central Government – final settlement of the share of State taxes for 2008	49,273
Central Government – final settlement of the share of State taxes for 2009	200,470
Central Authority of the Spanish State – final settlement of the Supplementary Finance Fund for 2013	51,396
Others	25,676
<b>Balance as of December 31, 2014</b>	<b>326,815</b>

The total amount for the final negative settlement of the share in Spain's Central Government taxes corresponding to the 2008 financial year came to 93,487 thousand euros, whereas the figure for the 2009 financial year was also negative by 304,284 thousand euros. In accordance with the provisions set down in Act 2/2012, of 29 June, on the General Budgets of the State for the financial year 2012, the term up to December 2014 for offsetting these negative settlements was for 120 monthly instalments. The sole additional provision in Royal Decree Act 12/2014, of 12 September, establishes amendments to the procedure for paying receivables to the Public Treasury arising from final settlements of shares in Spain's Central Government taxes for the financial years 2008 and 2009, as regulated by Act 2/2012, of 28 June, on the State's budgets for the year 2012, and allows, as of January 2015 and subject to authorisation, extensions to the terms for paying the above-mentioned receivables during 120 additional monthly instalments. The negative settlement for

2008 matures during the 2011-2031 period while the negative settlement for 2009 matures during the 2012-2031 period. The amount maturing in the 2015 financial year is entered in the accounts under the "Other short-term off-budget liabilities" caption (note 17.1).

According to the communiqué from the Secretariat-General for Regional and Local Coordination at the Secretariat of State for Public Authorities, the settlement provision for the Supplementary Finance Fund for the financial year 2013, discounting the total amount of the advances transferred, is negative for the value of 51,396 thousand euros (note 18.9). The tenth additional provision of the Royal Decree Act 17/2014, of 26 December, on financial sustainability measures for the regional communities and local and other economic entities, defines a special a special system for reimbursing these settlements to be paid to the Central Government, divided up into 120 monthly instalments as from 1 January 2016.

## Note 16 – Public Administrations

The breakdown of these accounts is as follows:

Table  
**7** <sup>34</sup>

Concept	Debit Balance	Credit Balance
Social security	1,150	27,696
Value added tax – IVA	7,937	19,748
Personal income tax – IRPF	(42)	14,099
Corporate tax	6,297	175
Grants	17	17
Others	–	857
<b>Total</b>	<b>15,359</b>	<b>62,592</b>

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 had established a provision for a shortfall of 6,179 thousand euros and a provision for taxes of 2,073 thousand euros. There was provision for the amount of 2,862 thousand euros in the 2014 financial year, offset in provisions for 59 thousand euros and deteriorating the amount pending tax collection by the tax office for 2,803 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 had established a provision for part of the share differential claimed by the Tax Agency, for 1,627 thousand euros. The provision corresponding to the financial year 2009 was reduced in 2014, given the expiry of the Tax Agency's right in that financial year.

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, 2014 is as follows:

Table  
**7** <sup>35</sup>

Urban development fees for urban development actions	35,967
Central Government – Short-term maturity of final settlement of the share of State taxes for 2008 and 2009 (note 15)	15,609
Bonds and deposits received	26,589
Credit administrations for economic-activity-tax (IAE) and property-tax (IBI) charges	21,650
Extraordinary staff payments	35,177
Short-term accounts payable	21,983
Other payables	47,052
Other recognised expenses	1,817
<b>Other short-term, non-budget creditors</b>	<b>205,844</b>



## 17.2. Accrued expenses

This account reflects the Group's definite liabilities as of December 31, 2014, 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<sup>36</sup>

Capital and current transfers	16,326
Assigned land pending allocation to revenues	27,011
Urban development quotas	243
Transfers to short-term revenues (note 12)	20,266
Concessions for kiosks in parks	238
Annual users' fees	5,352
Concessions for graves	501
Fees for private-use concessions	128
Other advanced revenues	10,012
Unmatured accrued interests	5,467
<b>Total</b>	<b>85,544</b>

## Note 18 – Statement of results for the fiscal year 2014

### 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 2014 fiscal year was 12,583 workers (42% women and 58% 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

7<sup>37</sup>

<b>Current Transfers</b>	<b>511,726</b>
Consortia and foundations	170,518
Barcelona Metropolitan Area	147,594
Metropolitan Transport Authority	90,174
Non-profit organizations	70,308
Other public agencies	5,924
Autonomous community	4,247
Firms	2,438
Others	20,523
<b>Capital Transfers</b>	<b>39,547</b>
Consortia and foundations	8,442
Barcelona Metropolitan Area	5,558
Autonomous community	13,040
Others	12,507
<b>Total</b>	<b>551,273</b>

#### 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	619,362
Tax on economic activities	91,431
Tax on the increase in land value	61,471
Assignment of Central Government taxes	85,694
Tax on motor vehicles	146,047
Tax on construction, installations and works	21,671
<b>Total</b>	<b>1,025,676</b>

#### 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	88,897
Concessions and special uses	38,840
Late payment surcharges and surcharges on collection proceedings	16,571
Profit sharing	470
Others	3,757
<b>Total</b>	<b>148,535</b>

### 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

740

Central Government	980,646
Generalitat of Catalonia	78,910
Local entities	57,323
Foreign transfers	1,667
Other entities	2,443
<b>Total</b>	<b>1,120,989</b>

### 18.9. Extraordinary results

Extraordinary results can be broken down as follows:

Table

741

	Expenses	Incomes
Fixed assets	37,252	27,711
Modification of receivables, payables and provisions	90,976	104,838
Capital transfers allocated to the results	–	13,822
Negative settlement of Supplementary Finance Fund 2013 (note 15)	51,396	–
Cancellation of surface right		20,574
Other extraordinary results	741	6,836
<b>Total</b>	<b>180,365</b>	<b>173,781</b>
<b>Net positive extraordinary result</b>	<b>6,584</b>	

Income from changes in rights, obligations and allowances includes 85,424 thousand euros from the application of the allowance for coverage of difficult to implement rights and 19,414 thousand euros from the application of the allowance for liabilities and charges.

## Note 19 – Other Information and posterior issues

As of December 31, 2014, the guarantees provided by the Group to cover credit operations amount to 2,734 thousand euros.

The fees to be received by the temporary consortium PriceWaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred in the provision thereof in the 2014 fiscal year amount to 450 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.

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, 2014 and 2013:

Table

**7** 42

	Fiscal year 2014		Fiscal year 2013	
	Amount	(%)	Amount	(%)
Payments within the legally established time limit	800,428	66%	755,682	73%
Difference	406,241	34%	274,641	27%
<b>Total payments within fiscal year</b>	<b>1,206,782</b>	<b>100%</b>	<b>1,030,323</b>	<b>100%</b>
Weighted average past due date (days)	9.98		14.60	
Adjournments that at date overshoot the maximum legal due date	3,631		8,441	

Under the above-mentioned Act 15/2010, the time limit for payments as from 31 December 2014 was set at 30 days. In the case of Barcelona City Council, the average payment period was 27.4 days for the 2014 financial year.

## Note 20 – Table of financing for the 2014 and 2013 fiscal years

Table

7<sup>43</sup>

Applications	Fiscal year 2014	Fiscal year 2013	Sources	Fiscal year 2014	Fiscal year 2013
			Funds obtained	484,148	541,173
Acquisitions of fixed assets::			Sale of assets:		
- Tangible and intangible	594,313	343,385	- Tangible and intangible	2,546	197
- Financial	216,144	7,368	- Retirements of financial assets	686	3,805
Transfers of fixed assets	–	8,550			
Transfer of deferred income to short-term	20,266	3,749	Transfers of fixed assets	1,759	9,648
			Long-term trade receivables	1,917	5,908
Long-term guarantees and deposits	55	89	Deferred income	405,821	7,202
Short-term transfer and cancellation settlement of share in Central Government taxes	15,609	37,907	Capital transfers and other capital revenues	48,121	25,336
Amortization and transfers to short-term of long-term debentures	209,587	163,283	Long-terms loans	21,199	57,603
			Provisional settlement of share in Central Government taxes	51,396	–
Other long-term liabilities	6,930	–	Other long-term payables	–	1,095
<b>Total applications</b>	<b>1,062,904</b>	<b>564,331</b>	<b>Total sources</b>	<b>1,017,593</b>	<b>651,967</b>
Changes in working capital (increase)	–	87,636	Changes in working capital (decrease)	45,311	–
<b>Total</b>	<b>1,062,904</b>	<b>651,967</b>	<b>Total</b>	<b>1,062,904</b>	<b>651,967</b>

Table

**7** 44

Change in working capital	2014		2013	
	Increase	Decrease	Increase	Decrease
Inventories	-	6,294	-	7,465
Accounts receivable	-	81,092	-	8,060
Short-term financial investments	300,103	-	46,200	-
Cash	-	161,401	92,064	-
Accounts payable	-	96,627	-	35,103
<b>Total</b>	<b>300,103</b>	<b>345,414</b>	<b>138,264</b>	<b>50,628</b>
<b>Increase in working capital</b>	<b>-</b>	<b>-</b>	<b>87,636</b>	<b>-</b>
<b>Decrease in working capital</b>	<b>-</b>	<b>45,311</b>	<b>-</b>	<b>-</b>

Funds obtained from operations include the following:

Table

**7** 45

	Note	2014	2013
<b>Result of the fiscal year</b>	<b>-</b>	<b>368,146</b>	<b>401,438</b>
Net results on fixed assets	18.9	9,541	(11,359)
Provision for depreciation	4	136,669	130,191
Provisions for contingencies and expenses	13	15,737	64,191
Deferred expenses	-	73	73
Cancellation long-term provisions	13	(19,625)	(28,668)
Deferred income transferred to statement of revenues and expenses	12	(26,043)	(2,178)
Capital grants transferred to results	11	(13,822)	(19,851)
Changes in provisions for financial investments	6	5,856	6,034
Result of minority interests	10	1,925	1,100
Share by the equity method	2.2	5,691	202
<b>Funds from operations</b>		<b>484,148</b>	<b>541,173</b>

The Municipal Management of Barcelona City Council, on 30 April 2015, 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 108 to 141, corresponding to the financial year ending on 31 December 2014.



8

Five-year data



Table

8 1

## City of Barcelona (2010-2014)

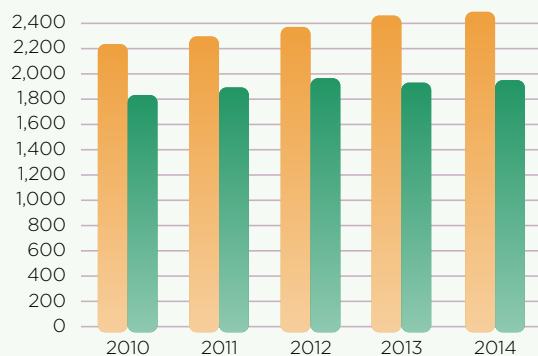
	2010	2011	2012	2013	2014	Annual growth (%)
<b>Personnel (on average)</b>	<b>6,715</b>	<b>6,710</b>	<b>6,638</b>	<b>6,464</b>	<b>6,411</b>	<b>-2.0%</b>
<b>Economic Position</b> (thousands of euros)						
Current Revenue	2,217,997	2,291,600	2,362,803	2,454,888	2,489,745	2.3%
Current Expenses	1,842,501	1,882,470	1,948,596	1,927,398	1,996,161	2.3%
Gross Saving	375,496	409,130	414,207	527,490	493,584	2.5%
Net Investments	575,557	451,190	398,683	313,483	574,462	0.8%
Cash Surplus (Deficit)	-450,000	110,000	-75,000	63,725	129,696	
<b>Total Debt as of 12/31</b>	<b>1,200,101</b>	<b>1,090,101</b>	<b>1,165,101</b>	<b>1,101,376</b>	<b>971,680</b>	<b>5.3%</b>
<b>Ratios</b>						
Gross Saving / Current Revenue (%)	16.9	17.9	17.5	21.5	19.8	
Interest Coverage (x)	18.7	16.1	15.2	21.9	21.8	
Capital Expenditure Coverage (x)	0.7	0.9	1.0	1.7	0.9	
Capital Expenditure / Total Expenses (%)	29.3	22.7	18.3	15.1	0.0	
Debt / Current Revenue (%)	54.1	47.6	49.3	44.9	39.0	
Debt / Primary Saving (x)	3.0	2.5	2.6	2.0	1.9	
Average Life of Long Term Debt (years)	5.9	5.4	5.2	4.6	4.2	

Chart

8 2

## Current revenue and expenses (millions of euros)

● Current revenue ● Current expenses

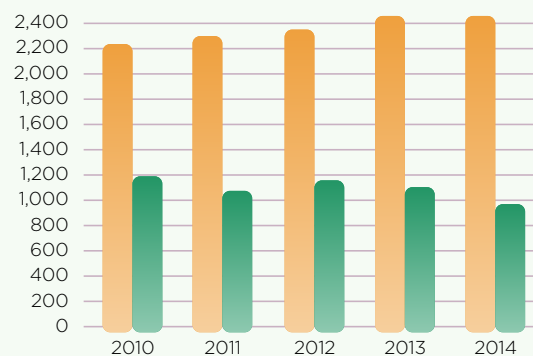


Chart

8 3

## Current revenue and total debt (millions of euros)

● Current revenue ● Total debt as of 12/31

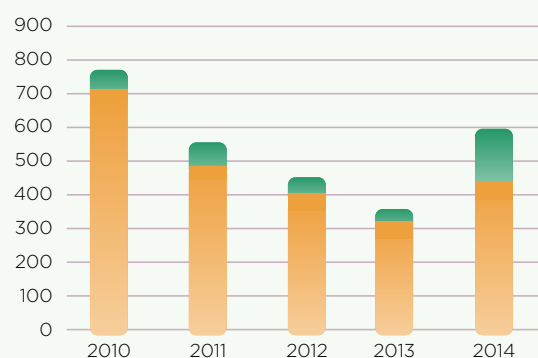


Chart

8 4

## Direct and indirect capital expenditures (millions of euros)

● Direct capital expenditure ● Indirect capital expenditure



## Debt ratings at 04.30.15

**Fitch:** BBB+ st (03/2015)

**Moody's:** Baa2 pos (03/2015)

**Standard & Poor's:** BBB st (01/2015)

Table

8 5

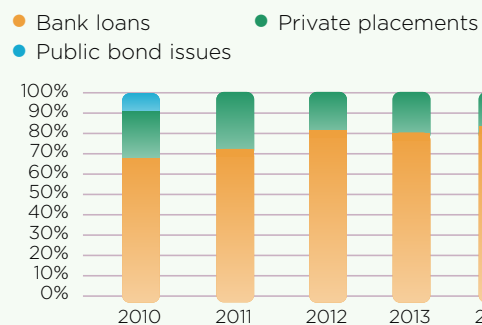
### City of Barcelona (2010-2014)

Balance summary (thousands of euros)	2010	2011	2012	2013	2014	Annual growth (%)
Intangible Fixed Assets	8,266	7,439	6,949	10,359	19,843	14.3%
Tangible Fixed Assets and Infrastructures	7,318,077	7,628,895	7,492,339	7,386,125	7,468,906	0.0%
Long-term Financial Investments	236,329	216,678	202,239	186,577	383,484	13.4%
Long-term Off-budget Receivables	4,666	2,955	9,033	9,836	8,495	23.8%
Deferred Expenses	983	810	709	637	564	-13.8%
<b>Fixed Assets</b>	<b>7,568,321</b>	<b>7,856,777</b>	<b>7,711,269</b>	<b>7,593,534</b>	<b>7,881,292</b>	<b>0.5%</b>
Accounts Receivable	364,502	428,913	431,479	433,183	354,364	-1.7%
Cash	581,486	270,014	381,397	519,139	644,774	11.6%
<b>Current Assets</b>	<b>945,988</b>	<b>698,927</b>	<b>812,876</b>	<b>952,322</b>	<b>999,138</b>	<b>5.7%</b>
<b>Total Assets</b>	<b>8,514,309</b>	<b>8,555,704</b>	<b>8,524,145</b>	<b>8,545,856</b>	<b>8,880,430</b>	<b>1.0%</b>
City of Barcelona Equity	5,531,692	5,798,720	5,726,736	5,821,195	5,724,583	-1.5%
Subsidies and Other Capital Income	592,281	607,785	594,366	556,046	574,581	0.7%
<b>Net Equity</b>	<b>6,123,973</b>	<b>6,406,505</b>	<b>6,321,102</b>	<b>6,377,241</b>	<b>6,299,164</b>	<b>-1.3%</b>
Deferred Income	98,763	99,507	101,405	101,578	452,976	38.2%
Provisions for Contingencies and Expenses	90,595	85,063	76,188	107,034	104,254	3.7%
Long-term Loans and Debentures	1,200,101	1,090,101	1,165,101	1,101,376	971,680	5.3%
Other Long-term Liabilities	430,432	337,623	331,682	298,295	330,069	20.4%
<b>Long-term Liabilities</b>	<b>1,819,891</b>	<b>1,612,294</b>	<b>1,674,376</b>	<b>1,608,283</b>	<b>1,858,979</b>	<b>11.9%</b>
Short-term Payables for Loans and Debentures	0	0	0	0	0	-
Payables and Others	558,322	526,342	518,349	551,228	698,160	1.6%
Accrued Expenses	12,123	10,563	10,318	9,104	24,127	18.8%
<b>Current Liabilities</b>	<b>570,445</b>	<b>536,905</b>	<b>528,667</b>	<b>560,332</b>	<b>722,287</b>	<b>1.9%</b>
<b>Total Liabilities</b>	<b>8,514,309</b>	<b>8,555,704</b>	<b>8,524,145</b>	<b>8,545,856</b>	<b>8,880,430</b>	<b>1.0%</b>

Chart

8 6

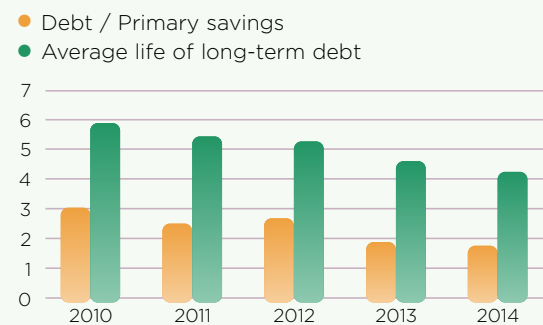
### Breakdown of debt by markets



Chart

8 7

### Repayment capacity and average life of debt



Table

8 8

### Public administration debt according to the excess deficit protocol (2010-2014)

Debt (millions of euros)	2010	2011	2012	2013	2014	Annual growth (%)
Central Government	551,557	624,238	762,104	838,070	895,852	12.9%
Regional Government	123,419	145,086	188,406	209,761	236,747	20.7%
Local Authorities	35,453	36,819	44,007	42,115	38,363	2.0%
Spanish Municipalities	28,925	28,976	36,377	34,843	31,811	2.1%
City of Barcelona (1)	1,202	1,090	1,178	1,110	978	5.4%

Source: Bank of Spain ([www.bde.es](http://www.bde.es)) and *Boletín Estadístico*

(1) Includes consorcia and foundations consolidated for the purposes of the Organic Law of Budgetary Stability and Financial Sustainability

Table

8.9

## City of Barcelona group (2010-2014)

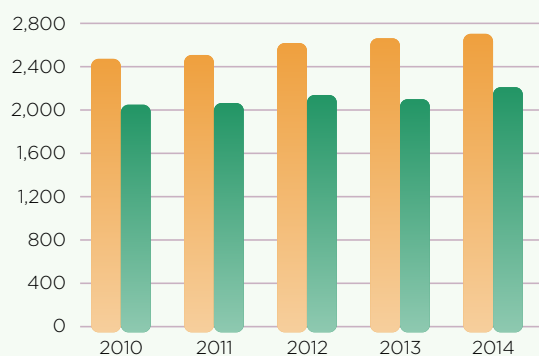
	2010	2011	2012	2013	2014	Annual growth (%)
<b>Personnel (on average)</b>	<b>13,034</b>	<b>12,827</b>	<b>12,830</b>	<b>12,534</b>	<b>12,583</b>	<b>-0.2%</b>
<b>Economic Position</b> (thousands of euros)						
Current Revenue	2,512,205	2,504,522	2,602,721	2,690,652	2,748,279	1.8%
Current Expenses	2,063,418	2,087,885	2,157,434	2,127,938	2,197,372	1.5%
Gross Saving	448,787	416,637	445,287	562,714	550,907	2.7%
Net Investments	632,189	419,066	408,418	336,137	629,343	0.0%
Cash Surplus (Deficit)	-495,557	113,124	-64,932	68,592	168,556	
<b>Total Consolidated Debt as of 12/31</b>	<b>1,464,405</b>	<b>1,346,783</b>	<b>1,401,032</b>	<b>1,326,050</b>	<b>1,144,463</b>	<b>3.3%</b>
<b>Ratios</b>						
Gross Saving / Current Revenue (%)	17.9	16.6	17.1	20.9	20.0	
Interest Coverage (x)	14.9	12.5	13.0	18.6	19.9	
Capital Expenditure Coverage (x)	0.7	1.0	1.1	1.7	0.9	
Capital Expenditure / Total Expenses (%)	29.2	22.4	18.0	15.1	24.4	
Debt / Current Revenue (%)	58.3	53.8	53.8	49.3	41.6	
Debt / Primary Saving (x)	3.0	3.0	2.9	2.2	2.0	
Average Life of Long Term Debt (years)	6.6	6.4	6.1	7.1	4.8	

Chart

8.10

## Current revenue and expenses (millions of euros)

● Current revenue ● Current expenses



Chart

8.11

## Current revenue and total debt (millions of euros)

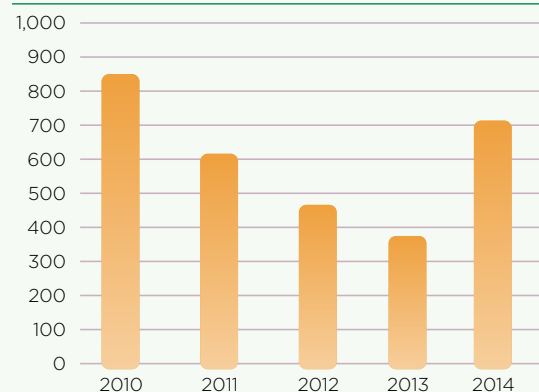
● Current revenue ● Total consolidated debt as of 12/31



Chart

8.12

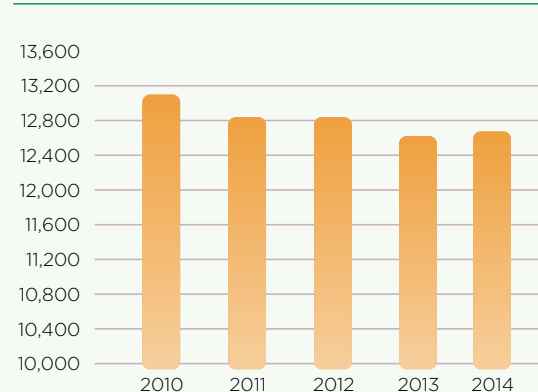
## Consolidated gross capital expenditure (millions of euros)



Chart

8.13

## City of Barcelona group personnel (on average)



Table

814

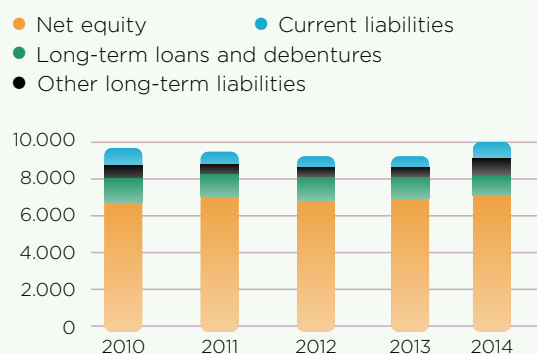
### City of Barcelona group (2010-2014)

Balance Summary (thousands of euros)	2010	2011	2012	2013	2014	Annual growth (%)
Intangible Fixed Assets	19,528	13,761	12,993	16,446	26,331	4.1%
Tangible Fixed Assets and Infrastructures	7,990,897	8,276,663	8,119,984	8,031,528	8,098,068	0.0%
Financial Intangible Assets	191,839	164,623	147,592	130,523	340,125	18.9%
Accounts Receivable for Long-term Trade Operations	29,514	27,435	33,208	27,300	25,383	-6.1%
Deferred Expenses	2,630	2,275	2,174	2,101	2,029	-6.5%
<b>Fixed Assets</b>	<b>8,234,408</b>	<b>8,484,757</b>	<b>8,315,950</b>	<b>8,207,898</b>	<b>8,491,936</b>	<b>0.4%</b>
Inventories	107,236	127,868	109,320	101,855	95,561	-2.0%
Accounts Receivable	507,056	525,655	525,720	516,987	434,463	-1.7%
Cash	657,369	348,902	457,114	595,378	734,080	10.7%
Accrued Expenses	2,851	12,054	2,359	3,032	4,464	0.8%
<b>Current Assets</b>	<b>1,274,512</b>	<b>1,014,479</b>	<b>1,094,513</b>	<b>1,217,252</b>	<b>1,268,568</b>	<b>4.4%</b>
<b>Total assets</b>	<b>9,508,920</b>	<b>9,499,236</b>	<b>9,410,463</b>	<b>9,425,150</b>	<b>9,760,504</b>	<b>0.9%</b>
Equity	5,792,056	6,052,895	6,016,490	6,138,846	6,162,713	-0.8%
Minority Interests	86,322	69,549	66,407	65,675	65,736	-4.3%
Subsidies and Other Capital Income	681,119	724,658	648,739	611,596	631,357	-0.3%
<b>Net Equity</b>	<b>6,559,497</b>	<b>6,847,102</b>	<b>6,731,636</b>	<b>6,816,117</b>	<b>6,859,806</b>	<b>-0.8%</b>
Other Deferred Income	141,862	145,022	146,617	147,892	507,404	31.2%
Provisions for Contingencies and Expenses	95,958	87,433	89,869	125,392	121,504	5.6%
Long-term Loans and Debentures	1,455,914	1,340,057	1,392,688	1,321,635	1,143,397	3.5%
Other Long-term Liabilities	466,864	368,694	363,844	326,943	355,745	16.6%
<b>Long-term Liabilities</b>	<b>2,160,598</b>	<b>1,941,206</b>	<b>1,993,018</b>	<b>1,921,862</b>	<b>2,128,050</b>	<b>9.5%</b>
Short-term Payables for Loans and Debentures	8,491	6,725	8,344	4,415	1,067	-38.6%
Accounts Payable	673,416	613,337	594,952	611,776	686,037	-2.4%
Accrued Expenses	106,918	90,866	82,513	69,980	85,544	1.7%
<b>Current Liabilities</b>	<b>788,825</b>	<b>710,928</b>	<b>685,809</b>	<b>686,171</b>	<b>772,648</b>	<b>-2.2%</b>
<b>Total Liabilities</b>	<b>9,508,920</b>	<b>9,499,236</b>	<b>9,410,463</b>	<b>9,424,150</b>	<b>9,760,504</b>	<b>0.9%</b>

Chart

815

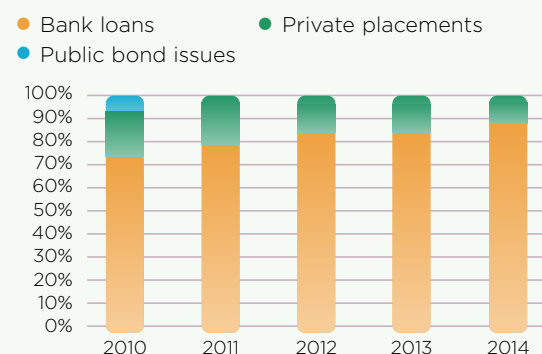
### Composition of liabilities (millions of euros)



Chart

816

### Breakdown of consolidated debt by markets



Table

817

### Consolidated debt of the City of Barcelona: public administration and commercial entities (2010-2014)

Consolidated debt (in millions of euros)	2010	2011	2012	2013	2014	Annual growth (%)
Public Administration	1,200	1,090	1,165	1,101	972	5.3%
Commercial Entities	264	257	236	225	173	-5.1%
<b>Total Debt</b>	<b>1,464.4</b>	<b>1,346.8</b>	<b>1,401.0</b>	<b>1,326.1</b>	<b>1,144.5</b>	<b>3.3%</b>

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