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Unaudited  
**Statement  
of Accounts**

**2005/2006**



Coventry City Council

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## **Section 1.**

### **Explanatory Foreword**

The City Council is required (by legislation) to present and publish its year-end accounts and Balance Sheet in its Statement of Accounts.

The purpose of this foreword is to:

- Explain what the main information contained in the statement of accounts shows.
- Give an overview of the Council's financial performance in 2005/2006

#### **Explanation of the statements**

This statement of accounts summarises the City Council's finances for the financial year 2005/2006 (1st April 2005 to 31st March 2006).

The statement includes the following information:

- The Consolidated Revenue Account and Associated Notes

This section shows how much the Council has spent throughout the year on its services. It also shows how much of that expenditure has been funded from Council Tax, National Non Domestic Rates and Central Government via the Revenue Support Grant. The notes to the account are intended to give more detail about specific items included in the figures.

- The Consolidated Balance Sheet and Associated Notes

This statement is a snap shot of the Council's financial position as at 31st March 2006. It shows the Council's assets, liabilities, balances and reserves as at that date. Assets include the Council's land and buildings, investments and monies owed to the Council. Liabilities include money owed to creditors and long-term loans. The notes to the account are intended to give more detail about specific items included in the figures.

- The Statement of Total Movement in Reserves and Associated Notes

This shows the movement on all of the Council's reserves, both capital and revenue, and the total reserves available to the City Council at the end of the year. The notes to the statement are intended to give more detail about specific items included in the figures.

- The Cash Flow Statement and Associated Notes

This shows actual cash received and spent by the Council as a result of revenue and capital transactions with third parties.

- The Collection Fund and Associated Notes

The Council is required to maintain a separate fund that shows the transactions the City Council undertakes in relation to the collection and distribution of Council Tax and National Non Domestic Rates. The statement and notes included in these accounts show the income and expenditure for the financial year 2005/2006. Expenditure consists of payments to the City Council's General Fund where the costs of its own services are recorded, together with payments to the West Midlands Police Authority and the West Midlands Fire and Civil

Defence Authority. The notes to the account are intended to give more detail about specific items included in the figures.

- Group Accounts

These statements consolidate the City Council's accounts with its subsidiaries (North Coventry Holdings Ltd and Coventry North Regeneration Ltd) and its joint venture (the Coventry and Solihull Waste Disposal Company).

- The Statement of Accounting Policies

This section explains the main accounting policies the City Council used to produce the figures in the accounts. The general principles applied are those recommended by CIPFA (Chartered Institute of Public Finance and Accountancy). They are called 'proper accounting practices' and comply with legislation. They ensure accounts from different public sector organisations are consistent and comparable.

## Section 2.

### An overview of the Council's financial performance in 2005/06

Council expenditure is divided into two broad categories: revenue and capital. Revenue is day to day expenditure on such items as salaries and wages, heating and lighting, and the purchase of materials and equipment. Capital expenditure is incurred on major items such as the construction of roads and buildings.

#### 1. Revenue

Before the beginning of the year Cabinet approved a budget of £382.3 million for the 2005/2006 financial year. This is compared to the outturn below:

	Original Budget £m	Outturn £m	Difference £m
Net Cost of Services	382.3	386.2	3.9
Income Government Grants & Local Tax Payers	(382.3)	(382.3)	0.0
<b>Deficit for the year</b>	<b>0.0</b>	<b>3.9</b>	<b>3.9</b>

Within the overall financial bottom line there were a number of variations, the most significant of which were:

Lower costs or increased income:	£m
An overspend within Central Budgets is due to a variety of factors including the need to make provisions for a number of ongoing legal claims being taken against the Council.	6.7
Lower costs on support services, such as finance, personnel and legal support	(1.2)
Additional income and reduced costs across City Development, City Services, Community Services Directorates.	(1.6)
<b>Deficit for the year</b>	<b>3.9</b>

#### 2. Balances and Reserves

Overall during 2005/2006 there was a net contribution from revenue reserves and balances of £16.7m. The balance on reserves at 31st March 2006 was £60.1m. Of this, £16.9m is earmarked to support capital programme commitments and associated expenditure proposals. More information is detailed in the Statement of Total Movements in Reserves.

### 3. Capital

The original capital budget for 2005/06 was £120.9m. During the year there has been a net reduction to the programme of £11.4m resulting in a final revised budget for the year of £109.5m.

	£m
Revised Budget	109.5
Capital Spending	106.9
<b>Variance</b>	<b>2.6</b>

This variance comprises net slippage of £6.8m into 2006/07 and a net overspending of £4.2m.

	£m
<b>Urban Regeneration</b> , including the Arena project, City Centre and other regeneration schemes.	20.8
<b>Children's Services</b> , including schools projects and other children's services.	23.9
<b>Transportation</b> , including maintenance of roads and bridges and other transport schemes.	26.8
<b>Adult Education, Libraries, Sport &amp; Leisure</b> , including investment in museums, parks and library refurbishments.	9.6
<b>Health &amp; Housing</b> , including social housing grants and private sector renewal schemes.	7.5
<b>Community Services</b> , including adult services.	1.9
<b>Other Services</b>	16.4
<b>Total Expenditure</b>	<b>106.9</b>

### 4. FRS 17

Local authorities have to account for pension schemes in line with Financial Reporting Standard 17 (FRS 17 Retirement Benefits) following its full implementation into the accounting code of practice for 2004/05. The effects of FRS 17 are shown within the consolidated revenue account and consolidated balance sheet. There is no effect on council tax from the introduction of this standard. The figures disclosed in these accounts represents a snapshot in time. At present the accounts show that there is a significant shortfall between the forecast cost of future pensions and the current level of assets built up in the pension fund. However, these forecast pension payments will be paid out over a period of many years during which time the assets will continue to generate returns towards funding them. All other councils are also experiencing this issue. Further details can be found in notes 14 and 15.



## 5. Arena

The Arena is a mixed-use regeneration project, including a 32,000 seat football stadium, regional casino, conferencing and banqueting suites, hotel, offices, fitness studios and community space. The Arena achieved practical completion on 19<sup>th</sup> August 2005.

The Council's interests in the Arena are held by three companies:

### **North Coventry Holdings Ltd (NCH)**

This is a wholly owned company of the Council. It holds shares in the following companies:

#### **Coventry North Regeneration Ltd (CNR)**

This company is wholly owned by NCH and has undertaken the construction of the Arena.

On 22<sup>nd</sup> March 2006 CNR sold 3 shares of nominal value £3 to Coventry City Council for £30m. The consideration for these shares had been transferred during the year ended 31<sup>st</sup> March 2005 from Coventry City Council to CNR in the form of a capital contribution.

On the 23<sup>rd</sup> March 2006, NCH undertook a share swap with Coventry City Council of 3 additional shares in CNR (nominal value £3) for £30m, in return for NCH issuing 3 shares to Coventry City Council (nominal value £3) for £30m.

#### **Arena Coventry Ltd (ACL)**

This company is a joint venture between NCH and Football Investors Ltd (a company owned by the Alan Edward Higgs Charity). The company is engaged in the management of the Arena. On practical completion, the Arena development was leased by ACL from CNR for a term of 50 years less 3 days. A number of tenants and sponsorship agreements were already contracted for when the Arena opened.

The rent payable under the agreement was £1.9m per annum. A premium of £21m could be paid at any time to extinguish the rent of £1.9m per annum at which time super rent would have become payable to CNR. As a post balance sheet event, on 2<sup>nd</sup> June 2006 ACL exercised their right to pay the £21m lease premium to CNR, thus enabling CNR to repay their loan from Coventry City Council.

Following the delay to the full completion of certain parts of the Arena, the rent due to CNR from ACL between 19<sup>th</sup> August 2005 and 31 January 2006 was waived to compensate for the impact of the delay on the ACL business plan. CNR have also agreed to provide time limited cashflow assistance of up to £1m to ACL at a commercial rate of interest. An amount of £0.558m has been provided during the year ended 31<sup>st</sup> March 2006 and this has in turn been funded by cashflow assistance from Coventry City Council at a commercial rate of interest.

During 2005/06 the Council gave CNR the balance of the agreed loan to fund construction (£11.9m). At 31 March 2006, CNR had drawn down £21.0m of the loan facility and repaid £0.3m.

Coventry City Council provided capital contributions to the Company (total £1.1m, of which £0.9m related to the rent abatement period). At the time the capital contributions were paid, it was the Company's intention that these sums should be applied in paying up shares to be issued to the Council. The administrative process of issuing the shares has been delayed to the forthcoming financial year when the capital requirements are finalised.

In addition, the Council has provided funding to CNR in respect of company fees and interest charged on loans from the Council (£0.4m).

## 6. New Homes for Old

In March 2006, the City Council entered into a 25 year Private Finance Initiative (PFI) contract with Anchor Trust for the provision of community care services comprising two specialist dementia residential homes each providing 40 beds, including 10 respite beds, and three extra care units each providing 40 tenanted homes with domiciliary care support.

The Council have been allocated PFI Credits of totalling £21.65m from the ODPM and DoH, which equates to approximately £1.74m per annum in revenue grant over the life of the contract.

## 7. Future Developments

The Council set its revenue & capital budgets for 2006/07 on the 21<sup>st</sup> February 2006. Funding of the approved revenue budgets and the capital programme is as follows:

<b>Revenue</b>	<b>£m</b>
Revenue Support Grant (RSG)	130.2
Use of Collection Fund	1.5
Council Tax	102.0
<b>Total Revenue Budget</b>	<b>233.7</b>

<b>Capital</b>	<b>£m</b>
Borrowing	35.1
Revenue	1.3
Capital Receipts	35.1
Grants and Contributions	44.1
<b>Total Capital Programme</b>	<b>115.6</b>

## **Section 3. Statement of responsibilities**

### **1. Coventry Council's responsibilities**

The City Council is required to manage its financial affairs effectively including:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its employees has the responsibility for the administration of those affairs. In the case of the City Council, that employee is the Director of Finance and ICT;
- to manage its affairs to secure economical, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts.

### **2. The Director of Finance and ICT's responsibilities**

The Director of Finance and ICT is responsible for the preparation of the City Council's Statement of Accounts. In accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), the accounts are required to present fairly the financial position of the City Council at the accounting date and the income and expenditure for the year (ended 31st March 2006).

In preparing this statement of accounts, the Director of Finance and ICT has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting
- applied the accounting concept of a 'going concern' by assuming that the Council's services will continue to operate for the foreseeable future.

The Director of Finance and ICT has also:

- kept proper accounting records, which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **3. Certification of the accounts**

I certify that the Statement of Accounts presents fairly the position of Coventry City Council at 31st March 2006 and its income and expenditure for the year ended 31st March 2006, and that the accounts are authorised for issue.



Angie Ridgwell, CPFA  
Director of Finance and ICT  
June 2006

## **Section 4.**

### **Statement on system of internal control**

#### **1. Scope of responsibility**

Coventry City Council must conduct its business in accordance with the law and ensure proper standards; safeguard public money and account for it properly; and use it economically, efficiently and effectively so as to achieve value for money. It must also, under the Local Government Act 1999, make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of its functions including arrangements for risk management.

#### **2. The purpose of the system of internal control**

The internal control system supports the Council in its corporate policy making role and in overseeing operational management. It is designed to manage risk reasonably, and in a way that represents value for money, rather than eliminate all risk; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on the continuous identification, evaluation and management of risks in order to achieve the Council policies, aims and objectives.

The internal control system has operated throughout the year ended 31st March 2006 and up to the date of the approval of the annual report and accounts. It accords with proper practice and any significant issues arising are covered in section 5 of this statement.

#### **3. The internal control environment**

The internal control environment supports the Council in establishing, implementing and monitoring policies and objectives. The Council's overarching objectives are contained in the following published policy documents:

- The Coventry Community Plan (the local Community Strategy)
- The Corporate Plan
- Other statutory plans

These high level plans were supported by Cabinet Member Strategic Plans, operational plans, detailed work programmes and individual employee appraisals during 2005/06.

Coventry's second Community Plan published in July 2004, setting out strategic aims reflecting both national and local priorities was revised in January 2006. The Community Plan was drawn up after consulting the local community, partners and staff. It is based on an assessment of the needs of the community and an evaluation of alternative options for improvement.

The Council recognises that it cannot deliver the aims of the Plan without the support of other groups and organisations and consequently it is an active participant in the Local Strategic Partnership. The Partnership involves many organisations and individuals with different aims and working arrangements, but linked together through commitment to delivery of the Community Plan.

The Corporate Plan lays out the Council's vision and core values, including its contributions to the Community Plan, and affirms its commitment to continuous service improvement. This is supported by Cabinet Member Strategic Plans which have a three year horizon, and which focus on the strategic objectives allocated to individual cabinet portfolios.

The Council also manages Neighbourhood Plans that detail actions to improve conditions in our priority neighbourhoods. These Plans are formulated and delivered in their locality after consultation with local residents and members.

The Control environment to ensure delivery of the Council's plans and objectives is laid down in the Council's Constitution and performance management framework. The constitution sets out how the Council operates, how decisions are made and the procedures to ensure that these are efficient, transparent and accountable to local citizens. The law requires some of these processes while others are determined by the Council for itself.

The Council's risk management strategy includes processes for identifying, assessing, managing and monitoring financial and operational risks. Risk registers at directorate and corporate level are updated and reviewed regularly by managers and elected members. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being done through the Corporate Risk Management Group.

The Council acknowledges its responsibility to ensure that it operates an effective system of internal control to ensure proper management of its resources. The system of internal control provides an effective framework to support the Council in achieving its objectives. The internal control system includes:

- A performance management framework.
- A risk management process.
- Setting and monitoring achievement of targets for service improvement and financial performance
- A robust medium term policy and financial planning process, incorporating a medium term financial strategy.
- Comprehensive corporate budgeting system, and regular monitoring of spending and income against revenue budgets and capital programme.
- Formal project management disciplines; and
- Annual risk-based external and internal audit inspections.

The Council has developed a performance management framework which ensures that it focuses on priorities, improves performance, increases efficiency, and delivers value for money. It takes the top-level objectives and targets in the Community and Corporate Plans and cascades them through the authority to facilitate the setting of service and individual objectives. Performance is monitored quarterly to determine progress and ensure that the Council is on course to meet its targets.

#### **4. Review of effectiveness**

Coventry City Council is responsible for conducting, at least annually, a review of the effectiveness of its internal control system. The review of the effectiveness of internal control is informed by the work of the internal auditors and directors within the Council who have responsibility for the development and maintenance of the internal control environment, and also by reviews undertaken by the Council's external auditors and other review agencies and inspectorates.

The review is informed by –

- An annual assessment of the adequacy of internal controls by each director;
- Internal Audit operates to a risk based audit plan, which is approved by Scrutiny Board 1 (the Council's Audit Committee) annually. An annual report is also produced and presented to that committee. The report identifies those control issues, which in the opinion of the Head of Internal Audit should be considered when producing the Statement on Internal Control.
- The work plan and reports submitted to Scrutiny Board 1 as the Council's Audit Committee.
- Reports from independent inspections carried out in 2005/06. During this financial year, these have included:
  - a) The Audit Commission's Corporate Performance Assessment of Coventry undertaken in February 2006.
  - b) The Joint Area Review of all Children's Services within the local area undertaken in the final quarter of 2005/06 by a team of inspectors from OFSTED, Commission for Social Care Inspection, Healthcare Commission, Adult Learning Inspectorate and the Audit Commission.
- The Joint External Audit and Inspection letter for 2004 / 2005 was reported to Cabinet in February 2006. This paper summarised the issues of significance arising from the work of the

Council's external auditors, carried out under the Audit Commission Code of Practice; and the results of the inspection work undertaken during 2004/05 by the Audit Commission in accordance with its responsibilities as detailed in section 10 of the Local Government Act 1999.

## 5. Significant internal control issues

All significant control issues are included on the Council's corporate and directorate risk registers. These registers also include appropriate management actions to minimise the risk. The corporate register is also subject to quarterly review by the Council's Management Board and Cabinet. It is recognised that work is still required to ensure robust risk management processes are fully embedded throughout the Council.

Furthermore, the Council is seeking to continuously improve its management arrangements to improve service delivery, efficiency and value for money, and achieve its objectives. Key challenges include:

- a) Ensuring the delivery of the Council's Vision and corporate objectives by the continued development of its performance management framework. The Council has developed a balanced scorecard approach which brings together its corporate objectives with a series of key management objectives. This emphasises the need for the Council to have a sound financial base, effective processes and trained and knowledgeable members and employees if the Council is to achieve its policy priorities.
- b) Continuing to work closely with partners on a range of projects to develop services for the city and further modernise the Council. This has been further formalised through the negotiation and agreement of a Local Area Agreement and the pooling or aligning of budgets to maximise effectiveness and value for money.
- c) Developing and implementing action plans to address areas for improvement identified from key independent inspections (see section 4 above) carried out in 2005/06.
- d) Setting challenging targets to reduce sickness absence.
- e) The Council is planning a number of replacement IT systems in 2006/07. Continued reliance on the internal control environment is dependent on vigorous project management and risk management during this transitional period. Internal Audit is involved in these replacement projects and action plans are in place using the Council's adopted project management principles.
- f) A draft Value for Money Strategy has recently been produced. Upon approval in 2006/07, the Council will focus on implementing the strategy with a key aim of linking together finance, performance and risk management.
- g) To review debt recovery procedures (excluding Council Tax and Business Rates) to ensure that monies outstanding to the Council are chased on a timely basis and to enhance the options available in dealing with problematic customers unwilling to pay monies owed to the Council on a timely basis.
- h) To embed recently updated procedures in relation to the area of grants to ensure robust information and audit trails exist to support grant claims submitted by the Council.

In approving this statement, the views and assurances of the statutory officers and executive directors have been sought and appropriate evidence obtained to support it.

STELLA MANZIE  
Chief Executive  
27<sup>th</sup> June 2006

COUNCILLOR KEN TAYLOR  
Leader of the Council  
27<sup>th</sup> June 2006

I certify that the Statement of Accounts has been approved by the Cabinet on 27<sup>th</sup> June 2006 in accordance with the Accounts and Audit Regulations 2003. Signed on behalf of Coventry City Council:

COUNCILLOR KEN TAYLOR  
Leader of the Council  
27<sup>th</sup> June 2006

## Main financial statements

### A. Consolidated revenue account

2004/2005 Net Expenditure £000	Spending by Service	2005/2006		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,171	Central services to the public	54,980	(36,310)	18,670
950	Courts	8	(385)	(377)
78,413	Cultural, environmental and planning services	115,435	(40,246)	75,189
208,015	Education services	329,355	(114,533)	214,822
17,245	Highways, roads and transport services	26,422	(7,837)	18,585
11,704	Housing services	109,080	(96,961)	12,119
93,359	Social services	133,967	(27,876)	106,091
2,774	Non-distributed costs	(11,302)	0	(11,302)
10,304	Corporate and democratic core	9,815	0	9,815
<b>424,935</b>	<b>Net Cost of Services</b>	<b>767,760</b>	<b>(324,148)</b>	<b>443,612</b>
	<b>Other Operating Expenditure</b>			
(10,956)	Asset management revenue account (Note 3)			(18,717)
(3,325)	External investment income			(4,857)
(2,632)	Central budgets			-
7,202	Pension interest cost and return on assets			7,389
13,825	Levy payments to other bodies			14,873
962	Net (Surplus)/Deficit from trading operations (Note 1)			1,693
(969)	Dividends & interest receivable			(977)
-	Contribution of housing capital receipts to Government Pool			35
4	Precepts of local precepting authorities			6
<b>429,046</b>	<b>Net Operating Expenditure</b>			<b>443,057</b>
	<b>Contributions to or from Reserves</b>			
	Revenue Reserves:			
1,428	Earmarked reserve for management of capital			3,492
(10,732)	Other earmarked reserves			(16,283)
(12,101)	Pension reserve			1,968
-	Transfer from usable capital receipts equal to contribution to housing pooled capital receipts			(35)
	Capital Reserves:			
(6,036)	Provision for repayment of external loans			(27,728)
(50,871)	Capital financing account			(18,296)
<b>350,734</b>	<b>Amount to be met from Government Grants and Local Taxation</b>			<b>386,175</b>
	<b>Income from Government Grants and Local Taxpayers</b>			
(94,521)	Net precept demanded from Collection Fund			(97,493)
(1,749)	Collection Fund surplus at 31st March 2005			(1,448)
(85,130)	Contribution from Non-domestic rate pool			(101,638)
(179,780)	Revenue support grant			(181,711)
<b>(361,180)</b>	<b>Total Income from Government Grants and Local Taxpayers</b>			<b>(382,290)</b>
<b>(10,446)</b>	<b>(Surplus) or Deficit for the year transferred to working balance</b>			<b>3,885</b>



**B. Consolidated balance sheet**

As at 31st March 2005 £000	Consolidated Balance Sheet	As at 31st March 2006		Notes
		£000	£000	
	<b>ASSETS</b>			
646	Intangible Assets		9	28
	Tangible Fixed Assets			
	Operational Assets			
573,160	- Other land and buildings	582,541		16
6,494	- Vehicles, plant & equipment	8,931		16
146,398	- Infrastructure assets	169,309		16
6,252	-Community assets	6,528	767,309	16
	Non-Operational Assets			
179,314	- Investment properties	237,932		16
19,079	- Under construction	32,773	270,705	
21,819	Long Term Investments	21,819		18
10,625	Long Term Debtors	8,705		
7,010	PFI Prepayments	17,932	48,456	
<b>970,797</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>1,086,479</b>	
	<b>CURRENT ASSETS</b>			
934	Stocks and Work in Progress	837		
42,851	Short term investments	66,726		
80,793	Short term debtors	96,200		19
(10,623)	Provision for doubtful debt	(10,028)		22
13,718	Prepayments	19,914		
9,200	Cash	11,564	185,213	37
136,873				
	<b>CURRENT LIABILITIES</b>			
(16,744)	Temporary borrowing	(26,168)		
(50,550)	Creditors	(64,177)		20
(19,418)	Receipts in advance	(24,872)		
(5,675)	Cash overdrawn	(12,363)	(127,580)	37
(92,387)				
<b>1,015,283</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,144,112</b>	
	<b>LONG TERM LIABILITIES</b>			
(255,263)	Long Term Loans	(312,732)		
(300)	Deferred Credits	(258)		
(7,434)	Other provisions	(14,392)		
(266,109)	Liability related to Pension scheme	(254,564)	(581,946)	
<b>486,177</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>562,166</b>	

**B. Consolidated balance sheet (Continued)**

As at 31st March 2005 £000	Consolidated Balance Sheet	As at 31st March 2006 £000      £000		Notes
486,177	<b>TOTAL ASSETS LESS LIABILITIES (brought forward)</b>	<b>562,166</b>		
	<b>EQUITY</b>			
(240,744)	Fixed Asset Restatement Account	(311,219)		29
(316,484)	Capital Financing Account	(315,891)		29
266,109	Pension Reserve	254,565		
(12,133)	Unapplied Capital Receipts	(3,814)		29
(101,535)	Government Grants Deferred	(124,503)		27
(76,772)	Specific Reserves	(60,096)		23
(4,712)	Other Balances	(1,617)		24
2,315	Premiums & Discounts Reserve	2,179		
(2,221)	Collection Fund Balance	(1,770)		
<b>(486,177)</b>	<b>TOTAL EQUITY</b>	<b>(562,166)</b>		

## C. Statement of total movement in reserves

### Recognised Accounting Gains and Losses

Local authorities are required to present within the Statement of Movement on Reserves a consolidated note of all the recognised gains and losses of the authority during 2005/06. This includes both revenue and capital reserves, and analyses the movement in Total Equity. The table below presents these movements:

<b>Statement of Total Movement in Reserves</b>	<b>2004/05</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
<b>Movement in revenue resources</b>		
General fund surplus / (deficit) for the year	10,446	(3,885)
Movement in revenue reserves	(7,505)	(12,792)
Movement on collection fund	(993)	(451)
<b>Total increase (decrease) in revenue resources</b>	<b>1,948</b>	<b>(17,128)</b>
<b>Movement in realised capital resources</b>		
Increase (decrease) in unapplied capital receipts	(19,753)	(8,318)
<b>Movement in unrealised value of fixed assets</b>		
Gains / (losses) on revaluation of assets	91,068	91,419
Value of assets sold, disposed and other adjustments	(31,422)	(20,944)
<b>Movement in amounts set aside to finance capital investment</b>		
Capital receipts applied and set aside	41,758	33,353
Capital financing account transfers to/from revenue	(51,815)	(33,946)
Movement on government grants deferred	17,137	22,968
<b>Total increase (decrease) in amounts set aside to finance capital investment</b>	<b>7,080</b>	<b>22,375</b>
Movement on pension reserve	(97,977)	11,544
<b>Total Recognised Gains (Losses)</b>	<b>(49,056)</b>	<b>78,948</b>
Movement in other balances	481	(3,095)
<b>Movement in equity</b>	<b>(48,575)</b>	<b>75,853</b>

**D. The Council's cashflow statement**

Cashflow inflow occurs when cash receipts exceed cash payment and cash outflow where cash payments exceed receipts.

2004/2005 £m	Cashflow Statement	2005/2006 £m	
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflows</b>		
308.4	Cash paid to and on behalf of employees	336.9	
233.3	Other operating cash payments	256.1	
67.7	Housing benefit paid out	74.8	
88.4	NNDR payments to National pool	92.4	
10.3	Precepts to joint authorities	10.7	770.9
708.1			
	<b>Cash Inflows</b>		
(82.5)	Council Tax receipts	(85.1)	
(85.1)	Non-domestic rate receipts	(101.6)	
(88.4)	NNDR receipts from National pool	(92.4)	
(179.8)	Revenue Support Grant	(181.7)	
(90.2)	DSS Grant for rebates	(98.2)	
(114.4)	Other Government grants	(139.8)	
(87.1)	Cash received for goods & services	(93.1)	(791.9)
(727.5)			
	<b>SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
14.2	Interest paid	16.0	
-	Premium on loans repaid		
	<b>Cash Inflows</b>		
(3.2)	Interest received	(4.9)	
11.0			11.1
<b>(8.4)</b>	<b>Revenue Activities Net Cashflow</b>		<b>(9.9)</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
60.8	Purchase of fixed assets	84.2	
38.5	Deferred charges	7.7	
0.4	Intangible assets	15.1	107.0
99.7			
	<b>Cash Inflows</b>		
(23.1)	Sale of fixed assets	(16.2)	
(23.9)	Other capital cash receipts	(33.6)	(49.8)
(47.0)			
<b>44.3</b>	<b>Net cash flow before financing</b>		<b>47.3</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(11.5)	Liquid Resources		21.7
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
32.2	Repayments of amounts borrowed		18.4
	<b>Cash Inflows</b>		
(112.3)	New loans raised		(77.0)
45.9	Short term loans		(6.1)
<b>(1.4)</b>	<b>(Increase) / Decrease in cash</b>		<b>4.3</b>

## Notes to the main financial statements

### 1. Trading account summary

The Best Value Accounting Code of Practice requires that significant trading operations be disclosed. A number of services that were previously subject to CCT legislation are now accounted for within the net cost of services in the Consolidated Revenue Account. However, a number of services which trade with external organisations are still classified wholly or partially as trading and are therefore shown within the net surplus/ deficit from trading operations in the Consolidated Revenue Account. Of the Services below, Commercial Property is included within the net cost of service.

2004/2005 (Surplus)/ Deficit before Reserve Movement £000		2005/2006		
		Expenditure £000	Income £000	(Surplus)/ Deficit before Reserve Movement £000
18	Building Cleaning	4,813	(4,605)	208
146	Building Services	8,190	(7,829)	361
367	Catering Services	6,951	(6,362)	589
(35)	Commercial Waste Services	2,883	(2,744)	139
109	Ground Services	3,210	(3,199)	11
15	Fleet & Workshops	6,314	(6,258)	56
342	Stores	511	(182)	329
<b>962</b>	<b>(Surplus) / Deficit from Trading Operations</b>	<b>32,872</b>	<b>(31,179)</b>	<b>1,693</b>
(4,922)	Commercial Property	21,518	(17,455)	4,063
<b>(4,922)</b>	<b>Significant Trading Services included in Net Cost of Service</b>	<b>21,518</b>	<b>(17,455)</b>	<b>4,063</b>

### 2. Expenditure incurred under S137 – Local Government Act 1972

The City Council relies on specific powers granted by Acts of Parliament to provide most of its services. In addition under s.137 of the Local Government Act 1972 (as amended) it also has the power to incur discretionary expenditure for the purposes of the area. In 2005/2006 the City Council was entitled to incur £1.61million, (£1.52 million 2004/2005), of discretionary expenditure but incurred no actual expenditure. (£0.01 million 2004/2005).

### 3. Asset Management Revenue Account

This account includes the capital financing charges made to services for their use of assets and the actual expenditure on interest charges. The balance on the account is transferred to the Consolidated Revenue Account after the net cost of services has been determined, so that the capital charges do not affect Council Tax. In 2005/2006 £18.7m was credited to the AMRA. This is analysed as follows:

2004/2005 £000		2005/2006	
		£000	£000
	<b>Income</b>		
	Capital Charges		
(61,387)	- General Fund	(71,259)	
(297)	- Transferred debt	(293)	
(40)	- Surplus on mortgages	(27)	
(186)	- Net discount on rescheduled debt	(101)	
(62)	- Operating lease recharges	-	
(61,972)			(71,680)
	<b>Expenditure</b>		
28,759	Provision for depreciation (Note a)	35,503	
11	Deficit on mortgages	16	
12,540	External interest charges	14,113	
-	Operating lease charges	1	
7,784	Internal interest charges	1,314	
254	Debt management expenses	149	
20	Other costs	26	
1,462	Debt repayment - transferred debt	1,740	
186	Net premium on rescheduled debt	101	
51,016			52,963
<b>(10,956)</b>			<b>(18,717)</b>

### 4. Expenditure in accordance with S5 (i) – Local Government Act 1986

Under section 5 of the Local Government Act the City Council is required to keep a separate account of its expenditure on publicity. The actual expenditure is included within service and trading operations costs in the Consolidated Revenue Account. Expenditure incurred during 2005/2006 is summarised below:

2004/2005 £000	Publicity	2005/2006 £000
1,439	Recruitment advertising	1,978
2,096	Other advertising / publicity	2,787
<b>3,535</b>	<b>Total</b>	<b>4,765</b>

## 5. Minimum revenue provision

The City Council is required by statute to set aside a minimum revenue provision for debt repayment. The method of calculating the provision is defined by statute. Depreciation and impairment charges under the capital accounting regime contribute to the provision. For 2005/2006 the amount is £7.8 million (2004/2005 £7.1 million) as shown below.

2004/2005 £000		2005/2006 £000
8,777 (1,677)	Non-housing amount – 4% of credit ceiling Commutation	9,717 (1,943)
<b>7,100</b>	<b>Minimum Revenue Provision</b>	<b>7,774</b>
14,109 16,026 (1,376) (21,659)	Amount charged as depreciation Impairment Less Grant write-down Adjustment to Consolidated Revenue Account	18,333 18,806 (1,636) (27,729)
<b>7,100</b>	<b>Total</b>	<b>7,774</b>

## 6. Officers' emoluments

The City Council is required to disclose the number of employees whose remuneration during 2005/2006 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions), car and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

2004/2005		Remuneration Band - £	2005/2006	
Staff employed by Schools	Other Staff		Staff employed by Schools	Other Staff
24	16	£50,000 - £59,999	47	32
7	13	£60,000 - £69,999	12	15
5	4	£70,000 - £79,999	4	10
1	2	£80,000 - £89,999	3	1
0	4	£90,000 - £99,999	0	2
0	0	£100,000 - £109,999	0	2
0	0	£110,000 - £119,999	0	0
0	0	£120,000 - £129,999	0	0
0	1	£130,000 - £139,999	0	0
0	0	£140,000 - £149,999	0	1
<b>37</b>	<b>40</b>	<b>Total</b>	<b>66</b>	<b>63</b>

## 7. Local Authority (Goods & Services) Act 1970

The City Council is allowed under the Local Authority (Goods and Services) Act 1970 to provide goods and services to other public bodies, for example colleges and other Councils. The purpose of this disclosure is to show the extent to which the City Council is involved in such activity.

In 2005/2006 income received was £4.7 million (£3 million 2004/2005) and related expenditure was £4.4 million (£3 million 2004/2005). The majority related to goods and services provided to Whitefriars Housing Group, City College Coventry, Coventry University, CVone, other Local Authorities and colleges of Further Education. The actual income and expenditure is included within service and trading operations costs in the Consolidated Revenue Account.

## 8. Business Improvement District

The Council is the billing authority for the City Centre business improvement district managed by CVone, which provides cleaner, safer and more attractive areas and marketing for the city centre. The Council collects a levy from the business rate payers on behalf of the BID body but is not commissioned to provide any services in the area.

	2005/2006	
	£000	£000
BID levy income		(283)
Costs of collecting levy	20	
Payment to CVone	252	
Increased provision for bad debts	11	
<b>Total Expenditure</b>		<b>283</b>
<b>Surplus for the year</b>		<b>0</b>

## 9. Private finance initiative commitments

### Caludon Schools PFI

In December 2004 the City Council entered into a Private Finance Initiative (PFI) contract with Coventry Education Partnership (CEP) for the provision of a fully rebuilt community secondary school (Caludon Castle), along with facilities management services, for a 30 year period. The Council's total financial obligation under this contract is £88m (in cash terms).

The current school and the majority of the site have been transferred to the contractor, under a licence, in return for reduced contract payments. The total value of the reductions in the contract arising from this has been estimated at £7m. This was established as a prepayment in 2004/05 and will be amortised to the revenue account from 2005/06 to 2034/35 (the period during which the contract reduction occurs).

The contractor started on site in December 2004 and the first phase of the school opened in 2005/06. The remainder of the school is programmed to be completed during 2006/07 and all external works completed during 2007/08. The payments to the contractor will be dependent on the availability of the school and the performance of the contractor and once the school is fully available will be in the region of £3m per annum.

At the end of the contract (December 2034), the school and site will transfer back to the City Council at nil consideration. The total value of the assets the Council will receive (school and site) are estimated to be £10.6m at current day prices.



### New Homes for Old PFI

In March 2006 the City Council entered into a Private Finance Initiative (PFI) contract with Anchor Trust for the provision of community care services. The contract comprises the provision of two 40 bed specialist dementia units, including 10 respite beds, and three extra care units with domiciliary care support for up to 120 tenants along with facilities management services, for a 25 year period.

The Council will make an annual unitary charge payment of £4.95m to Anchor which equates to £203.3m (in cash terms) over the 25 year life of the contract. The payments to the contractor will be dependent on the availability of the facilities and the performance of the contractor.

The four sites have been transferred to the contractor, under licence, to enable works to take place. Following services commencement the Council will enter into a 25 year lease with Anchor Trust.

The value of the sites transferred is estimated at £3m . The total value of the reductions in the contract arising from this has been estimated at £7m. This has been established as a prepayment and will be amortised to the revenue account over the life of the contract. The contractor started on site in April 2006.

At the end of the contract (June 2033), the facilities and sites will transfer back to the City Council at nil consideration. The total value of the assets the Council will receive (sites and buildings) are estimated to be £16.1m at current day prices.

### 10. Related party transactions

The City Council is required to disclose the value of its transactions with organisations and individuals deemed to be its related parties: A related party is one which either influences or is influenced by the Council. Transactions with them are disclosed to allow users of the financial statements to judge their impact on the accounts.

During 2005/2006 transactions were as follows:

2004/2005 £000		2005/2006 £000
765	<b>Members</b> Allowances paid	851
6,990	<b>Precepts</b> West Midlands Police	7,199
3,434	West Midlands Fire	3,545
13,740	Passenger Transport Levy	14,783
85	National Rivers Authority Levy	90
38,983	<b>Companies and Joint Ventures</b> Coventry North Regeneration Ltd	12,358
6,322	Coventry and Solihull Waste Disposal Company	6,636

## 11. Preparing for the Euro

Although there is no definitive indication that the United Kingdom will join the Euro, the Council continues to consider the implications of the potential introduction of the single currency. Until a future decision is made as to whether the UK should adopt the euro, the expenditure on euro activities is being absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

## 12. Building regulations charging account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The Building Control Unit was required to breakeven over a 3-year period on chargeable activities. This has been achieved.

	2003/2004 £000	2004/2005 £000	2005/2006 £000	Total £000
Expenditure	715	751	706	2,172
Income	(703)	(813)	(711)	(2,227)
<b>Surplus</b>	<b>12</b>	<b>(62)</b>	<b>(5)</b>	<b>(55)</b>

## 13. Pooled budgets

The Council established a partnership agreement with the Coventry Teaching Primary Care Trust in March 2004 using powers under section 31 of the Health Act 1999 to pool funds from the two organisations to facilitate the long term integration of separate community equipment stores. The 2005/06 gross income and expenditure is set out below.

2004/2005 £		2005/2006 £
60,452	<b>Income</b>	
181,355	PCT	505,672
235,582	Coventry City Council	152,707
	Government Grants	169,586
<b>477,389</b>	<b>Total Income</b>	<b>827,965</b>
<b>477,389</b>	<b>Gross Expenditure</b>	<b>827,965</b>

A second partnership agreement with the Coventry Teaching Primary Care Trust was signed in March 2005, also using powers under Section 31 of the Health Act 1999, to facilitate the provision of joint services for people with learning disabilities in Coventry. The 2005/06 gross income and expenditure is set out below.

2004/2005 £		2005/2006 £
57,814	<b>Income</b>	
0	PCT	262,000
	Coventry City Council	0
<b>57,814</b>	<b>Total Income</b>	<b>262,000</b>
<b>57,814</b>	<b>Gross Expenditure</b>	<b>196,702</b>
<b>0</b>	<b>PCT to carry forward unspent to 2006/07</b>	<b>65,298</b>

## 14. Pension costs

Figures in brackets relate to 2004/2005.

### a) Non Teaching Staff

In 2005/2006 the City Council paid an employer's contribution of £15,185,571 (£13,023,727 in 2004/05) representing 12.8% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service. The contributions were set in line with local government pension regulations, following the actuarial review as at 31st March 2004.

In addition, the Council is also responsible for all pension payments relating to added years' benefits awarded to employees who retire early. In 2005/2006, this amounted to £1,908,420 (£1,865,499 in 2004/05), representing 1.6% of employees' pensionable pay.

Further details on pension liabilities are provided in note 15.

Further information can be found in West Midlands Metropolitan Authorities Pension Fund's Annual report, which is available upon request from:

West Midlands Metropolitan Authorities Pension Fund  
Pensions Administration Division  
Finance Department  
Wolverhampton Metropolitan Borough Council  
Civic Centre  
St Peters Square  
WOLVERHAMPTON WV1 1SL

### b) Teaching Staff

In 2005/2006 the City Council paid £13,575,298 (£12,927,843 in 2004/2005) to the Department for Education and Skills for teachers' pension costs, which represents 13.5% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to added years that it has awarded to teachers who retire early. In 2005/2006 these amounted to £2,208,427 (£2,232,247 in 2004/2005), representing 2.2% of pensionable pay.

## 15. FRS17 – retirement benefits

Coventry participates in the Local Government Pension Scheme (LGPS) through the West Midlands Authorities Pension Fund, which is administered by Wolverhampton Council. This is a funded, defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

In addition to this scheme Coventry is also responsible for all pension payments relating to added years awarded for allowing premature retirement of teachers. This is an unfunded scheme meaning that there are no investment assets built up to meet the pensions liability, and cash has to be generated to meet actual pension payments as they fall due.

Mercer Human Resource Consulting, the actuary for the pension fund, has undertaken the assessment of the value of assets and liabilities on behalf of the member authorities of the West Midlands Pension Fund.

As at 31st March 2006 the value of assets and liabilities for pensions included in the balance sheet are:

LGPS	Teachers	Total		LGPS	Teachers	Total
31 <sup>st</sup> March 2005		31 <sup>st</sup> March 2006		31 <sup>st</sup> March 2005		31 <sup>st</sup> March 2006
£m	£m	£m		£m	£m	£m
502.7	Nil	502.7	Market Value of Assets	628.5	Nil	628.5
(739.1)	(29.7)	(768.8)	Liabilities	(852.2)	(30.9)	(883.1)
<b>(236.5)</b>	<b>(29.6)</b>	<b>(266.1)</b>	<b>Surplus(Deficit)</b>	<b>(223.7)</b>	<b>(30.9)</b>	<b>(254.6)</b>

The overall decrease in the deficit is analysed as follows: -

LGPS 2004/05	Teachers 2004/05		LGPS 2005/06	Teachers 2005/06
£m	£m		£m	£m
(142)	(26.1)	03/04 Deficit b/fwd 04/05	(236.5)	(29.6)
(19.2)	0.0	Current Service Cost	(21.3)	0.0
14.8	2.3	Employer Contributions	17.1	2.2
(1.5)	(1.4)	Past Service Gain (Cost)	11.9	(0.6)
30.7	0.0	Return on Assets	34.1	0.0
(36.4)	(1.5)	Interest on Pension Liabilities	(40)	(1.5)
(82.9)	(2.9)	Actuarial Gain/(Loss)	11	(1.4)
<b>(236.5)</b>	<b>(29.6)</b>	<b>Deficit</b>	<b>(223.7)</b>	<b>(30.9)</b>

The provisions of LGPS were changed just before the end of the year, by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum than the standard "3/80ths" basis by commuting part of their pension. This has been introduced as part of the cost-saving measures following the revocation of the Rule of 85 changes in 2005

The commutation terms are such that it is less costly for the scheme to provide the lump sum than the pension, so to the extent that members take up the option it will reduce the employers pension cost. The actuary has made allowances for this, on the assumption that 50% of members will take up this option to increase their lump sum to the maximum available. The 50% assumption is purely an estimate, but it is consistent with the basis on which the potential cost savings have so far been estimated.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc.

The main assumptions used in the actuarial calculation are:

	31 <sup>st</sup> March 2005	31 <sup>st</sup> March 2006
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.65%	4.55%
Rate of increase in pensions	2.9%	2.9%
Discount rate	5.4%	4.9%

Assets are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:

	31 <sup>st</sup> March 2005		31 <sup>st</sup> March 2006	
	£m	%	£m	%
Equities	378.5	75.3%	484.0	77%
Government Bonds	47.3	9.4%	50.3	8%
Other Bonds	22.6	4.5%	31.4	5%
Property	36.2	7.2%	44.0	7%
Other	18.1	3.6%	18.8	3%
<b>Total</b>	<b>502.7</b>		<b>628.5</b>	

The expected rate of return on these assets is:

	31 <sup>st</sup> March 2005	31 <sup>st</sup> March 2006
Equities	7.5%	7.0%
Government bonds	4.7%	4.3%
Other bonds	5.4%	4.9%
Property	6.5%	6.0%
Other	4.75%	4.5%

The actuarial gains / losses identified as movements in the pension reserve in 2005/06 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2006. Previous years figures are shown for comparison purposes.

	2004/05				2005/06			
	LGPS		Teachers		LGPS		Teachers	
	£000	%	£000	%	£000	%	£000	%
Asset Gain / (Loss)	19,495	3.9%	-	-	93,256	14.8%	-	-
Liability Gain / (Loss)	21,591	2.9%	45	0.2%	(16,454)	1.9%	-	-
Change in the demographic & financial assumptions used to estimate liabilities	(123,998)	16.8%	(2,990)	10.1%	(65,814)	7.7%	(1,416)	4.6%
<b>Net Gain / (Loss)</b>	<b>(82,912)</b>	<b>11.2%</b>	<b>(2,945)</b>	<b>9.9%</b>	<b>10,988</b>	<b>1.3%</b>	<b>(1,416)</b>	<b>4.6%</b>

## 16. Fixed assets

The table below shows the movement in the City Council's fixed assets during the year.

	Other land and buildings £000	Vehicles, plant and equipment £000	Infra structure assets £000	Community assets £000	Non-operational assets £000	Total £000
Value of assets under construction as at 31/03/04	11,217	-	7,258	198	406	19,079
Additions during the year to assets under construction	21,655	171	7,286	802	-	29,914
Movement of assets under construction to assets completed in the year	(8,679)	-	(7,082)	(53)	(406)	(16,220)
<b>Value of assets under construction as at 31/03/05</b>	<b>24,193</b>	<b>171</b>	<b>7,462</b>	<b>947</b>	<b>-</b>	<b>32,773</b>
Gross book value as at 31/03/05	615,926	8,044	172,495	6,252	179,314	982,031
Cumulative depreciation	(42,766)	(1,550)	(26,097)	-	-	(70,413)
<b>Net book value as at 31/03/05</b>	<b>573,160</b>	<b>6,494</b>	<b>146,398</b>	<b>6,252</b>	<b>179,314</b>	<b>911,618</b>
Restatements	(5,691)	-	-	-	5,341	(350)
Additions during the year	24,041	3,780	27,300	276	4,128	59,525
Disposals during the year	(9,528)	-	-	-	(10,305)	(19,833)
Revaluations	19,037	-	-	-	72,382	91,419
Impairment	(5,878)	-	-	-	(12,928)	(18,806)
Depreciation for year	(12,600)	(1,343)	(4,389)	-	-	(18,332)
<b>Net Book Value as at 31/03/06</b>	<b>582,541</b>	<b>8,931</b>	<b>169,309</b>	<b>6,528</b>	<b>237,932</b>	<b>1,005,241</b>

Fixed Assets were initially valued at 31st March 1994 and are subject to a rolling programme of revaluation. Valuations have been undertaken by qualified City Council staff in accordance with the "RICS Appraisal and Valuation Manual". The basis for valuation is as set out in the Code of Practice on Local Authority Accounting in the UK: Statement of Recommended Practices.

Revaluations have been carried out in 2005/06 on the Council's commercial property portfolio. There have also been revaluations undertaken for a small number of assets outside the planned revaluation programme, where material changes to asset values have occurred during the year.

## 17. Deferred charges

Where the City Council incurs capital expenditure that does not result in an asset, for example improvement grants, the item is classed as a deferred charge. Deferred charges are written off to revenue as they are incurred.

Deferred Charges	2004/05 £000	2005/06 £000
<b>Expenditure and Restatements:</b>		
Capital contribution to Coventry North Regeneration Limited	29,921	1,139
Housing improvement and adaptation grants	5,472	4,540
Grants to community / regeneration schemes	3,434	3,519
Secretary of state capitalisation directions	0	0
Information technology	350	0
Local Authority social housing grant schemes	427	1,975
Voluntary aided schools	351	139
Other	1,706	2,051
<b>Total</b>	<b>41,661</b>	<b>13,363</b>
<b>Amount written off to revenue</b>	<b>(41,661)</b>	<b>(13,363)</b>

## 18. Long term investments

The City Council has Long Term investments in a number of companies. Details of the investments are shown below and further details of the companies are shown in note 15 in the 'Additional Disclosure Note – Related Companies'.

2004/2005 £000	Long Term Investments	2005/2006 £000
11,650	Birmingham Airport Holdings Ltd	11,650
9,950	Coventry Solihull Waste Disposal Co (CSWDC) (1)	9,950
154	University of Warwick Science Park Innovation Centre Ltd	154
60	University of Warwick Science Park Ltd	60
5	Coventry Venture Capital	5
0	North Coventry Holdings (Arena) (2)	0
<b>21,819</b>		<b>21,819</b>

### Notes

#### (1) Coventry and Solihull Waste Disposal Company

The value of the Council's investments are held at original cost less an adjustment where appropriate for impairment. Valuation of the shares on the basis of the companies balance sheet indicates a value of £7.9m. However, taking into account the impact of future developments, the Council does not consider that an adjustment for impairment would be appropriate in this case. In particular:

- I. plans for the future of the company are likely to increase its value by releasing surplus capacity at the plant and increasing efficiency;
- II. the increases in the pressures to avoid land fill mean that the plant has an increased value in the market;
- III. a recent review of the plant shows that it has a 20 year life.

## (2) North Coventry Holdings (Arena)

The 2004/05 value for the shares has been restated from £1.758m to nil value to reflect the impairment of the investment relating to its current value.

## 19. Debtors

An analysis of the Council's short term debtors is shown below:

<b>Debtors</b>	<b>31<sup>st</sup> March 2005 £000</b>	<b>31<sup>st</sup> March 2006 £000</b>
Government Departments	22,272	22,128
Other Local Authorities	1,370	6,011
Sundry Debtors	43,677	55,083
Debts relating to local taxation	13,474	12,978
<b>Total Debtors</b>	<b>80,793</b>	<b>96,200</b>
<b>Payments in advance</b>	<b>13,718</b>	<b>19,914</b>

## 20. Creditors

An analysis of the Council's short term debtors and creditors is shown below:

<b>Creditors</b>	<b>31<sup>st</sup> March 2005 £000</b>	<b>31<sup>st</sup> March 2006 £000</b>
Government Departments	9,999	10,800
Other Local Authorities	717	5,775
Sundry Creditors	36,940	45,353
Creditors relating to local taxation	2,894	2,249
<b>Total Creditors</b>	<b>50,550</b>	<b>64,177</b>
<b>Receipts in advance</b>	<b>19,418</b>	<b>24,872</b>



## 21. Long term loans

The City Council's long term loans as at 31st March 2006 are detailed below (2004/2005 figures are also shown). The table shows both maturity periods and sources of the loans.

	2004/2005 £000	2005/2006 £000		2004/2005 £000	2005/2006 £000
<b>Repayable in:</b>			<b>Borrowed from:</b>		
1 – 2 years	3,196	490	Public Works Loans Board	178,413	208,279
2 – 5 years	1,534	1,636	Money Market	42,022	70,023
5 – 10 years	31,614	28,357	Other Local Authorities	22,820	22,422
Over 10 years	218,919	282,249	Members of the Public Stock Issue	4 12,004	4 12,004
	<b>255,263</b>	<b>312,732</b>		<b>255,263</b>	<b>312,732</b>

## 22. Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that we will have to make a payment to discharge the liability. If it is found that a provision is no longer needed it is returned to revenue. The movement in the City Council's provisions during 2005/2006 is explained below:

	Balance at 1 <sup>st</sup> April 2005 £000	Movement During year £000	Balance at 31 <sup>st</sup> March 2006 £000
Self-Insurance, Legal Claims and other provisions note 1)	(7,434)	(6,958)	(14,392)
Provision for Doubtful Debt (note 3)	(10,623)	595	(10,028)
	<b>(18,057)</b>	<b>(6,363)</b>	<b>(24,420)</b>

Notes:

- 1 The Council's provision for its self-insurance liability is based upon an annual assessment of the estimated value of known insurance claims. The Council's external insurance assessors undertake the assessment. The Council also maintains an insurance earmarked reserve, called the Insurance Fund (see notes to statement of total movement in reserves). The provision is used when insurance claims require settlement. Provision has also been made for legal claims received.
- 2 The provision for doubtful debt is based upon an assessment of outstanding debt and the likelihood of the City Council receiving the income. It covers Council Tax arrears, Housing Benefit repayments, National Non Domestic Rates and other sundry debts. The provision is used when debts are assessed as uncollectable and written off. As at 31st March 2006 the main elements of the provision were £3.7m in respect of local taxation (£3.6m in 2004/05) and £4.1m in respect of housing benefit (£3.3m in 2004/05).

**23. Reserves: general reserve**

<b>Specific Reserves</b>	<b>Balance as at 1<sup>st</sup> April 2005 £000</b>	<b>Net Transfer (to) / from Reserves £000</b>	<b>Balance as at 31<sup>st</sup> March 2006 £000</b>
Management of Capital	(17,798)	836	(16,962)
Insurance Fund	(5,059)	(1,119)	(6,178)
Repairs & renewals	(866)	371	(495)
Other earmarked reserves	(43,273)	16,084	(27,189)
Schools	(9,776)	504	(9,272)
<b>Total Specific Reserves</b>	<b>(76,772)</b>	<b>16,676</b>	<b>(60,096)</b>

- **Management of Capital Reserve**

This represents the balance of resources that will be required to meet existing 2-year capital programme commitments including those to complete redevelopment projects within the City Centre. The reduction in the Management of Capital reserve reflects the resourcing of 2005/2006 expenditure programmes.

- **Insurance Fund**

The City Council maintains an Insurance Fund to meet potential claims against the Council. At the end of 2005/2006 it totalled £6.2 million. It is assessed annually by the Council's external assessors to ensure that resources are sufficient to meet potential claims. The City Council also holds an insurance provision of £6.2 million, see note 22 to the balance sheet.

The Council now self-funds individual claims up to a minimum of £100,000 across most risks including employers and public liability, motor, fire, computer and all risks as well as personal accident and assault for staff. Individual claims above this limit are still met by insurers thus limiting the Council's exposure and protecting the fund. In addition, there are aggregate stops on the property and motor policies which limit the Council's total exposure in any one year to £1m and £450,000 respectively.

- **Repairs and Renewals Funds**

These represent resources available for periodic spend on maintaining and repairing the City Council's property assets.

- **Other Earmarked Reserves**

These represent resources available to services to assist them in the management of their budgets, primarily in respect of specific projects or commitments and reserves held specifically for corporate purposes, in part to meet existing policy commitments over the next 3 years.

	2004/05 £m	2005/06 £m
Departmental reserves	13.6	5.3
Budget support	5.2	5.5
Future years budget support	9.7	6.7
Specific corporate projects	11.8	6.7
Uncommitted contingency	3.0	3.0
<b>Total</b>	<b>43.3</b>	<b>27.2</b>

- **Schools Reserves**

The balances available to schools are held under delegated schemes. These balances are committed to be spent on the education service and are not available to the City Council for general use.

- **Pension Reserve**

A pensions reserve is now maintained in line with the requirements under FRS 17. The balance on the reserve is £254.6m at 31st March 2006 (£266.1m as at 31st March 2005). Note 15 to the balance sheet gives more information about this reserve and the impact of FRS 17.

## 24. Trusts and other funds

The City Council administers a number of funds that have been established from donations, contributions and bequests. The funds are set up to achieve specific objectives and purposes. The balance on these funds at 31st March 2006 was £1.65 million (£4.74 million 2004/2005) of which the City Council held £1.61 million (£4.71 million 2004/2005) on its balance sheet. The main funds held relate to:

- (i) Tenants contributions towards essential repair and maintenance of common areas in multi occupied buildings £1,101,632 (£998,744 in 2004/2005). Balances include:
  - Westwood House - £124,641
  - Napier Street - £113,651
  - Lythalls Lane - £107,411
  - Macefield Close - £94,749
  - Parbrook Close - £83,759
  - Rowan House - £81,753
  - Kingswood Close - £78,843
- (ii) Social Services Clients Funds £140,742 (£167,807 in 2004/2005) – Funds held on behalf of Social Services clients.
- (iii) For 2005/06 £4,301,779 (£3,143,322 in 2004/05) of developer contributions towards the improvement and maintenance of developed areas have been reclassified as creditors.

## 25. Financial instruments

Under FRS 13 Derivatives and Other Financial Instruments, the City Council is required to present an analysis of the role that financial instruments play in the management of the authority's finances. Financial instruments are defined as "contracts that give rise to a financial asset of one party and a financial liability of the other party, including bonds, shares and derivatives, and debtors and creditors (other than those that are short term)."

The relevant financial instruments are detailed below:

	Interest received or (paid out) on financial Instrument		
	Fixed £m	Variable £m	None £m
Assets, including shares and long term loans	6.4	13.0	10.1
Liabilities – Long term loans	(271.7)	(41.0)	0
	<b>(265.3)</b>	<b>(28.0)</b>	<b>10.1</b>

The assets include investments held in companies as set out in notes 18 and 35 to the balance sheet. These assets represent transactions undertaken primarily for operational or service related purposes, whilst at the same time seeking to maximise the financial benefit to the City Council. In addition long term loans made by the authority, representing past capital expenditure are also included. Where interest is received it is credited to the Consolidated Revenue Account. Any disposal proceeds or repayments of loans are treated as capital receipts under the Capital Finance Regulations.

The liabilities comprise long-term loans as set out in note 21 to the balance sheet. These are managed within the context of the City Council's Treasury Management Strategy, the overall aim of which is to minimise the revenue costs of debt, at an acceptable level of risk, as well as to ensure future stability and predictability. The fair value of the liabilities is estimated at £343m, reflecting the amount of fixed debt taken out in the past at higher rates of interest.

## 26. Audit note

In 2005/06 Coventry Council incurred the following fees relating to external audit and inspection:

2004/2005 £000		2005/2006 £000
354	Fees payable to the external auditors in respect of statutory external audit services	270
84	Fees payable to the Audit Commission in respect of statutory inspection	86
200	Fees payable to the external auditors in respect of the certification of Grant claims and returns	187
52	Fees payable in respect of other services provided by the external auditors	6
<b>690</b>		<b>549</b>

## 27. Government grant deferred account

The government grant deferred account represents government grant and other contributions received towards various capital schemes. The account is written down each year as grants are released to match depreciation. Grant which is received relating to assets which are not depreciated or where the grant received each year is deemed immaterial is written off to the capital financing account. Grant relating to deferred charges is offset against charges to the revenue account.

	2004/2005 £000	2005/2006 £000
<b>Balance as at 1<sup>st</sup> April</b>	<b>(84,398)</b>	<b>(101,535)</b>
Grants / contributions re capital expenditure	(25,361)	(29,520)
Government grants written down in year	1,376	1,636
Grants written off to Capital Financing Account (de minimis grants)	658	1,072
Grants re deferred charges	6,190	3,844
<b>Balance as at 31<sup>st</sup> March</b>	<b>(101,535)</b>	<b>(124,503)</b>

## 28. Movement in intangible assets 2005/06

Intangible assets are those items of expenditure which are legitimately treated as capital expenditure but which do not result in the acquisition, creation or enhancement of tangible fixed assets (e.g. software licences). Intangible assets are normally written down to revenue in the year in which they are incurred, unless it can be demonstrated that the City Council is deriving a benefit over a longer period, in which case they would be amortised over that period. Software licences are held for various IT systems. The cost is being written off over the five-year life of the licences.

	Purchased Software Licences £000	Licences, Trademarks And artistic Originals £000	Patents £000	Total £000
<b>Original Cost</b>	<b>3,107</b>	<b>0</b>	<b>0</b>	<b>3,107</b>
Amortisation to 1 <sup>st</sup> April 2005	(2,461)	0	0	(2,461)
<b>Balance to 1<sup>st</sup> April 2005</b>	<b>646</b>	<b>0</b>	<b>0</b>	<b>646</b>
Expenditure in year	8,154	0	0	8,154
Written off to revenue in year	(8,791)	0	0	(8,791)
<b>Balance as at 31<sup>st</sup> March 2006</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>9</b>

**29. Capital finance reserve / Fixed asset restatement reserve**

	<b>Fixed Asset Restatement Account £000</b>	<b>Capital Financing Account £000</b>	<b>Capital Receipts £000</b>	<b>Total £000</b>
Balance as at 1 <sup>st</sup> April 2005	(240,744)	(316,484)	(12,133)	(569,361)
Revaluation of Fixed Assets	(91,419)			(91,419)
Disposal of Fixed Assets	19,833			19,833
Financing of Capital Expenditure		(33,353)	33,353	0
Minimum Revenue Provision (less depreciation)		27,728		27,728
Loan Repayments		389		389
Other adjustments & revaluations	1,111	(12,480)		(11,369)
Deferred charge write down		18,309		18,309
Other net Capital Receipts			(25,034)	(25,034)
<b>Balance as at 31<sup>st</sup> March 2006</b>	<b>(311,219)</b>	<b>(315,891)</b>	<b>(3,814)</b>	<b>(630,924)</b>

- **Fixed Asset Restatement Account / Capital Financing Account**

These reserves represent the difference between the value of the City Council's assets and its liabilities, net of sums that may be spent at a future date. By law, the City Council is not permitted to spend sums represented by these reserves which in effect represent the City Council's net "worth" to local taxpayers. The difference between the two is technical; transactions relating to disposal and change in value of fixed assets are processed through the Fixed Asset Restatement Account; other transactions are processed through the Capital Financing Account. For the best understanding of the accounts, readers are recommended to treat the two as a combined item.

- **Capital Receipts Reserve**

The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside statutory amounts for the repayment of external loans.

### 30. Analysis of fixed assets

The City Council owned the following assets at 31st March 2006:

	31st March 2005	31st March 2006	
<b>Land &amp; Buildings</b>			
Schools (of which 26 part owned - voluntary aided)	117	114	
Youth & Community Centres, Play Schemes	19	13	
Community centres	10	10	
Outdoor Education Centre	1	1	
Child Guidance Centre	1	1	
Site Services Houses	11	11	
Homes & Day Centres for children, the elderly and mentally & physically disabled persons	54	50*	
Refuse disposal facility	1	1	
Depots, workshops etc.	2	2	
Cemeteries	6	6	
Crematorium	1	1	
Emergency services unit control room	1	1	
Leisure centres & swimming pools	2	2	
Parks & open spaces	811.7	811.7	hectares
Golf course & driving range	1	1	
Libraries	10	10	
Art galleries & museums	5	5	
Museum collections	3	3	
Tourist Information Centre	1	1	
Play centres	2	2	
Coombe Country Park Visitors Centre	1	1	
<b>Industrial Estates</b>	358	372	hectares
<b>Commercial Property</b>			
Council owned land & buildings	349	346	
Council owned land only	291	286	
Office space used by the Council's staff	29,477	28,799	sq m
<b>Infrastructure</b>			
Roads	846.8	847.3	km
Street lights	33,689	33,787	
Traffic Lights & Pelican Crossings	239	239	
Footbridges	141	105	
Road Bridges	209	228	
Car park spaces	5,480	4,635	
<b>Vehicles</b>			
Vehicles (Owned and leased)	550	560	

### 31. Summary of capital expenditure and sources of finance

The table below shows how capital expenditure in 2005/2006 has been financed:

2004/2005 £000		2005/2006 £000
98,606 4,816	Total spent on Capital "One off" impact of resourcing on accruals basis	106,920 0
<b>103,422</b>	<b>Total</b>	<b>106,920</b>
	Paid for (Financed by):	
35,552	Borrowing	44,047
41,758	Proceeds of asset sales and other capital receipts	33,353
25,837	Grants and other contributions received or due	29,520
275	Use of revenue monies	
<b>103,422</b>	<b>Total</b>	<b>106,920</b>

### 32. Contingent liabilities

The City Council has already received a substantial number of claims arising from the introduction of Single Status under Equal Pay Legislation. These are currently going through the legal process but there is a possibility that additional claims may be forthcoming.



### 33. Capital commitments

The City Council has an approved capital programme for 2006/07 of £116m and a provisional programme of £90m for 2007/08 and £43m for 2008/09. The following is legally committed to finish schemes already started on 31st March 2006:

<b>Significant Capital Commitments 2005/2006</b>	<b>£000</b>
Willenhall Community School	3,646
Coundon Court 6th Form Centre	3,543
Moseley Primary School	1,400
Lyng Hall Sports Facilities	1,254
Foleshill Sure Start Centre	1,105
Woodlands School Sports Development	771
Ansty/Walsgrave Corridor Phase 3&4	688
Bell Green Roundabout	597
Beech Tree & Fir Tree Avenue Road Maintenance	548
Bell Green Surestart	537
Radford Sure Start Centre	394
Sky Blue Way	392
Ricoh Arena Community Space	347
Stoney Stanton Road Bus Infrastructure	310
Lyng Hall Athletics Track	303
Butts/Albany Road Junction Improvements	272
Hillfields Early Years Centre	267
Belgrave Road	247
Priory Street Square	161
Henley Road Bus Stops	141
Edgewick School Remodelling	118
Earlsdon Library Remodelling	89
African Caribbean Young Peoples Centre	83
Jardine Crescent Square Refurbishment	65
Civic Centre 2 Lower Studio Refurbishment	61
Canley Primary School	61
Civic Centre 2 Floor 1 Refurbishment	55
Spire House 2nd Floor Refurbishment	50
	<b>17,505</b>

### 34. Leased assets

The City Council uses various capital assets owned by leasing companies (for example buildings and vehicles), for the use of which we pay rentals. The Council also owns a number of properties that it leases to generate income.

Land & Buildings 2004/2005 £000	Other 2004/2005 £000		Land & Buildings 2005/2006 £000	Other 2005/2006 £000
		<b>Rentals Paid</b>		
650	3,274	Total Operating lease rentals paid	713	3,907
0	15	Total finance lease rentals paid	0	0
		<b>Rentals Receivable</b>		
15,190	1	Total operating lease rentals receivable	15,246	1
0	15	Total finance lease rentals receivable	0	2

The City Council was committed at 31 March 2006 to making payments of £6.945m. under operating leases comprising the following elements:

	Land & Buildings £000	Other £000
Leases expiring 2006/07	38	1,145
Leases expiring between 2007/08 and 2010/11	207	4,306
Leases expiring after 2010/11	470	779

The gross value of assets held by the Council in its property portfolio for use in operating leases is £20,024,439 (valued at the 31 March 2005 and subject to £1,048,664 depreciation to 31st March 2006).

### 35. Associated company interests & holdings

The City Council maintains investments and/or an interest in a number of companies. The following summarises the latest information and where applicable the latest audited accounts.

Companies in which the City Council maintain investments as shown in note 18.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p><b>Birmingham Airport Holdings Ltd</b></p> <p>The principle activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares.</p> <p>The City Council owns : 5.8% of the 324m ordinary shares £1.8 million preference shares £2.2m subordinated loan stock</p> <p>The 2004/05 figures have been restated due to various changes in accounting policies.</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2005 Restated</p> <p>183,628</p> <p>29,457</p> <p>19,027</p>	<p>31 March 2006 Draft</p> <p>254,462</p> <p>29,250</p> <p>19,520</p>
<p><b>Coventry Solihull Waste Disposal Company (CSWDC)</b></p> <p>The company's business is the disposal of waste. It is jointly owned by the City Council and Solihull Metropolitan District Council and included in the Council's group accounts as a joint venture as voting rights are shared equally with Solihull MDC.</p> <p>The City Council owns : 66% of the ordinary share capital 66% of the preference share capital</p> <p>The preference shares (£14.9m) are redeemable by the two Councils in 2009. Under Financial Reporting Standard 25 the company is required to account for redeemable preference shares as a "financial liability" rather than "share capital". Therefore the company balance sheet shows a net liability. The 2004/05 figures have been restated due to this change in accounting policy.</p> <p>The company owes £1.2m to the City Council relating to a shareholder loan.</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2005 Restated</p> <p>(2,651)</p> <p>(138,901)</p> <p>(110,018)</p>	<p>31 March 2006 Draft</p> <p>(2,588)</p> <p>52,231</p> <p>(10,422)</p>
<p><b>Coventry Venture Capital</b></p> <p>The company manages a property investment jointly with the University of Warwick Science Park Ltd.</p> <p>The Council holds ; 5,000 preferred ordinary shares (17.5%)</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2005</p> <p>248</p> <p>33</p> <p>32</p>	<p>31 March 2006</p> <p>Figures expected by end of June</p>

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p><b>University of Warwick Science Park Business Innovation Centre Ltd</b></p> <p>This is a joint venture company between the University of Warwick Science Park, Coventry City Council and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.</p> <p>The City Council holds: Just under 20% (value £2,000) of the ordinary share capital £152,166 of preference share capital £1,066,471 of 7% debentures.</p>	<p>Net Assets</p> <p>Profit before Taxation</p> <p>Profit after Taxation</p>	<p>30 Sept 2004</p> <p>288</p> <p>(67)</p> <p>(67)</p>	<p>30 Sept 2005</p> <p>667</p> <p>0</p> <p>0</p>
<p><b>University of Warwick Science Park Ltd</b></p> <p>The company aims to provide a focus for scientific information and technology exchange between University research and the commercial sector.</p> <p>The City Council owns : 45% of the share capital £1.31 million of 1% debentures</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>30 Sept 2004</p> <p>12,467</p> <p>216</p> <p>81</p>	<p>30 Sept 2005</p> <p>12,483</p> <p>237</p> <p>16</p>
<p><b>The Arena</b></p> <p><b>North Coventry Holdings Ltd</b></p> <p>The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.</p> <p>NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR) &amp; 50% shares in Arena Coventry Limited (ACL)</p> <p>NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.</p> <p>Copies of NCH's accounts can be acquired from: Company Secretary North Coventry Holdings Limited C/o Coventry City Council The Council House Earl Street Coventry CV1 5RR</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>14 Oct 2003 – 31 March 2005 Final</p> <p>0</p> <p>(1,758)</p> <p>(1,758)</p>	<p>31 March 2006 Draft</p> <p>0</p> <p>(30,000)</p> <p>(30,000)</p>

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p><b>The Arena (continued)</b></p> <p><b>Coventry North Regeneration</b> NCH holds 100% of the shares (value £nil) in Coventry North Regeneration Limited (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.</p> <p>The company's principal activity is to build the Coventry Arena. The Ricoh Arena, located in the Foleshill and Holbrook wards of Coventry, combines a football stadium, conference and exhibition space, hotel, a casino as well as other leisure and community facilities. The Arena achieved practical completion on 19<sup>th</sup> August 2005. Post completion, the Company's principal activity is to be landlord of the Arena with the Arena itself run under a lease to ACL.</p> <p>Copies of CNR's accounts can be acquired from: Company Secretary Coventry North Regeneration Limited C/o Coventry City Council The Council House Earl Street Coventry CV1 5RR</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2005 Final</p> <p>0</p> <p>(30,212)</p> <p>(30,212)</p>	<p>31 March 2006 Draft</p> <p>0</p> <p>(1,139)</p> <p>(1,139)</p>
<p><b>Arena Coventry Ltd</b></p> <p>North Coventry Holdings Ltd owns 50% shares in Arena Coventry Ltd (ACL) (value £nil). ACL is not included within the Council's group accounts.</p> <p>Copies of ACL's accounts can be acquired from: Company Secretary Arena Coventry Ltd Rico Arena Phoenix Way Foleshill Coventry CV6 6GE</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 May 2005 Final</p> <p>(184)</p> <p>(1,630)</p> <p>(1,630)</p>	<p>31 May 2006 Draft</p> <p>Accounts Not yet Available</p>

Where not specifically stated above, copies of company accounts can be obtained from:

Coventry City Council  
Special Projects Team  
1<sup>st</sup> Floor Christchurch House  
Greyfriars Lane  
Coventry  
CV1 2QL

**36. Reconciliation of consolidated revenue accounts**

Reconciliation of Consolidated General Fund surplus to Cash Flow from revenue activities.

2004/2005 £m		2005/2006	
		£m	£m
(10.4)	General Fund Deficit at 31 <sup>st</sup> March 2006		3.9
	Less:		
(28.7)	Depreciation	(35.5)	
21.6	Reduced charge in respect of MRP	27.7	
6.9	Contribution from earmarked reserves	12.8	
0.9	Movement on the collection fund	0.5	5.5
	Movement in items on an accruals basis:		
(0.1)	Deferred charges	(0.1)	
(0.3)	Stocks and work in progress	(0.1)	
(1.5)	Debtors	(15.5)	
2.4	Provisions set aside in year	(6.4)	
1.2	Payments in advance	6.2	
4.4	Creditors	(3.9)	
(4.4)	Receipts in advance	(2.6)	
0.1	Deferred charges	0.0	
(0.5)	Bequests and other balances	3.1	(19.3)
<b>(8.4)</b>	<b>Net Cash flow from revenue activities</b>		<b>(9.9)</b>

**37. Movement in cash & cash equivalents**

	As at 31 <sup>st</sup> March 2005 £m	As at 31 <sup>st</sup> March 2006 £m	Movement
Cash in hand of officers	9.2	11.6	2.4
Cash overdrawn	(5.7)	(12.4)	(6.7)
<b>Decrease in cash and cash equivalents</b>	<b>3.5</b>	<b>(0.8)</b>	<b>(4.3)</b>

The Council defines as its liquid resources in the cashflow statement on page 16 as short term deposits with fund managers.

**38. Analysis of Revenue – Other Government Grants and Re-imbursements.**

<b>£m 2004/2005</b>	<b>Grant</b>	<b>£m 2005/2006</b>
180.5	Revenue Support Grant	181.7
70.2	Housing Benefit Subsidy	77.1
32.2	DfES	59.5
22.8	Learning Skills Council (LSC)	24.2
22.6	Council Tax Benefit Subsidy	24.1
16	Supporting People	15.4
12.9	Regeneration Grants	8.6
22.2	Other Grants	29.2
<b>379.4</b>	<b>Total</b>	<b>419.8</b>

**39. Analysis of Capital Grants**

<b>£000 2004/2005</b>	<b>Grants</b>	<b>£000 2005/2006</b>
4,737	Other miscellaneous Government Grants	8,287
5,182	Standards Fund (Education)	6,671
3,638	Private Sector / Other miscellaneous contributions	5,557
547	Lottery	2,213
1,454	New Deals for Communities	1,924
4,419	European Regional Development Fund (ERDF)	1,583
2,512	Centro transport grant	1,406
848	Disabled Facilities Grants	1,288
336	Neighbourhood Renewal Fund	591
2,164	Devolved Formula (Education)	-
<b>25,837</b>	<b>Total</b>	<b>29,520</b>

## Additional financial statements

### A. Collection fund

2004/2005 £000		2005/2006	
		£000	£000
	<b>INCOME</b>		
(82,410)	Billed to Council Tax payers	(86,520)	
(22,243)	Council Tax Benefit	(23,407)	
1	Council Tax Transitional Relief	2	
(88,435)	Business Rates Collectable	(92,445)	
(24)	Adjustment of previous years' community charge	(9)	
<b>(193,111)</b>	<b>TOTAL INCOME</b>		<b>(202,379)</b>
	<b>EXPENDITURE</b>		
	Precepts:		
94,521	Coventry City Council	97,492	
6,940	West Midlands Police	7,199	
3,408	West Midlands Fire	3,545	108,236
	Distribution of Business Rates collected:		
88,041	Payment to National Pool	92,058	
394	Costs of collection allowance	387	92,445
	Distribution of previous years' collection		
1,749	Coventry City Council	1,449	
50	West Midlands Police	54	
26	West Midlands Fire	26	
(1,825)	Less Provision for surplus distribution	(1,529)	0
<b>193,304</b>	<b>TOTAL EXPENDITURE</b>		<b>200,681</b>
193	<b>DEFICIT FOR THE YEAR</b>		(1,698)
(1,025)	Increase or (Decrease) in provision for possible non-payment of council tax		621
<b>(832)</b>	<b>MOVEMENT ON SURPLUS HOLDING ACCOUNT FOR YEAR</b>		<b>(1,077)</b>
(3,214)	Total Surplus brought forward at 1st April 2004	(2,221)	
1,825	Less Surplus committed from last year	1,529	
(832)	Movement on surplus holding account	(1,077)	
(2,221)	Balance carried forward at 31st March 2005		(1,769)
1,529	Surplus committed already used in setting council tax for 2005-06		1,696
<b>(692)</b>	<b>EXCESS SURPLUS CARRIED FORWARD TO FOLLOWING YEARS' TAX SETTING</b>		<b>(73)</b>



## 1. Income and expenditure account

The Collection Fund is a statutory account, which receives income from the Council Tax and makes payments to the City Council's General Fund and the West Midlands Police and Fire Authorities. These payments represent the amount requested by each Authority at the beginning of the year to fund their net budgets.

## 2. Income from business rates

The City Council collects rates from local businesses on behalf of Central Government. The level of in-year recovery of the Business Rates billed in 2005-06 was 99.1%. The Government determines the level of rates payable, which was 42.2p per £ of rateable value, following a revaluation of properties, (45.6p in 2004/2005 prior to the revaluation). The Valuation Office Agency sets the rateable value of each property and the total was £271,666,721 at 31<sup>st</sup> March 2006 (£234,830,875 at 30<sup>th</sup> March 2005, revalued to £268,406,884). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. Business Rate write offs in 2005/06 totalled £0.4m and the provision for bad and doubtful debts has fallen by £0.1 million to £0.8 million in 2005/06.

## 3. Calculation of the council tax base

The level of Council Tax is set at the beginning of the year and is calculated so as to ensure that the Collection Fund can meet its obligation. Council Tax paid by taxpayers is based on the valuation of their property. Each property is placed into one of eight valuation bands (A to H).

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.5%. The total number of dwellings on the valuation list is 128,090 of which 5,712 are exempt. Details of the taxbase calculation are shown in the table below:

Valuation Band	Number of Dwellings subject to tax	Band D Equivalent
Band A entitled to disabled relief	138	54.7
A	50,231	28,694.8
B	36,630	25,522.2
C	20,192	16,416.1
D	7,888	7,271.2
E	3,981	4,573.6
F	2,038	2,775.0
G	1,194	1,876.4
H	86	157.0
<b>Total</b>	<b>122,378</b>	<b>87,341.0</b>
Estimated eventual collection rate		98.5%
Total Council Tax Base at Band D for 2005-06		86,030.9
Total Council Tax Base at Band D for 2004-05		86,662.4

**4. Provisions and write offs**

<b>Level of Provisions &amp; write offs</b>	<b>Council tax £000</b>	<b>Business rates £000</b>	<b>Community charge £000</b>
Provision brought forward	(2,249)	(863)	(547)
Written off in year	481	370	0
(Increase) / decrease in provision	(621)	(276)	9
<b>Provision carried forward</b>	<b>(2,389)</b>	<b>(769)</b>	<b>(538)</b>
<b>Net Debtor carried forward</b>	<b>10,724</b>	<b>1,716</b>	<b>538</b>

## B. Group Accounts

- The Group Accounts and Associated notes
- These accounts consolidate Coventry City Council's accounts with the accounts of companies in which Coventry City Council has an interest.
- The accounts have been prepared in accordance with the 2005 SORP and relevant accounting standards. As is required by the SORP, the group accounts have been prepared using consistent accounting policies. This requires the authority to adjust their accounts to comply with UK GAAP in all respects and to adjust the accounts of other group entities to align their accounting policies with the UK GAAP compliant accounts of the local authority parent.
- This is the second year that Coventry City Council have prepared group accounts and comparative figures for 2004/05 are included.
- Note 8 to Coventry City Council's balance sheet shows details of the various companies in which Coventry City Council has an interest. For group account purposes **North Coventry Holdings (NCH)** and **Coventry North Regeneration (CNR)** are included as **subsidiaries** of the group and **Coventry Solihull Waste Disposal Company (CSWDC)** is included as a **joint venture** within the group. The group accounts that follow show the consolidated financial position of the authority and its interest in these three companies.

## 1. The Group Income and expenditure account

2004/2005 Restated Net Expenditure £000		2005/2006		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	<b>Spending by Service</b>			
1,054	Central services to the public	119,573	(101,158)	18,415
13,924	Courts and probation	(6)	(385)	(391)
36,077	Cultural, environmental and planning services	125,607	(49,345)	76,262
11,987	Highways, roads and transport services	18,700	(15,507)	3,193
203,635	Education services	323,949	(129,808)	194,141
11,694	Housing services	110,014	(97,904)	12,110
92,344	Social services	140,220	(35,214)	105,006
10,304	Non-distributed costs	(11,302)	0	(11,302)
2,774	Corporate and democratic core	9,815	0	9,815
<b>383,793</b>	<b>Net Cost of General Funded Service</b>	<b>836,570</b>	<b>(429,321)</b>	<b>407,249</b>
(6,919)	Turnover Joint Venture	(7,260)		(7,260)
6,942	Cost of sales JV Joint Venture	7,200		7,200
(11,015)	Capital deferred grants account			
42,985	Exceptional item (impairment)	487		487
-	Profit / loss on disposal of fixed asset			-
<b>415,786</b>	<b>Net Cost of General Funded Service</b>	<b>836,997</b>	<b>(429,321)</b>	<b>407,676</b>
962	Net (surplus) / deficit from trading operations (including dividends from companies not consolidated as subsidiaries, associates or joint ventures)			1,693
(2,632)	Central budgets			
(1,749)	External investment income			(4,857)
13,825	Levy payments to other bodies			14,873
4	Precepts of local precepting authorities			6
14,106	Interest payable			15,852
119	Share of interest payable of associates			97
(969)	Dividends & interest receivable			331
-	Contribution to housing capital receipts			35
(49)	Share of interest receivable by JV			(72)
7,202	Pension interest cost and expected return on pension assets			7,389
-	Share of pension interest cost and expected return on pension assets of Joint Venture			-
(19)	Share of taxation of Joint Venture			41
<b>446,586</b>	<b>Net Operation Expenditure</b>			<b>443,064</b>
0	Minority interest share of profits of subsidiaries			0
<b>446,586</b>	<b>Net Expenditure before reserve movements</b>			<b>443,064</b>

### 1. The Group Income and expenditure account (continued)

2004/2005 Restated Net Expenditure £000		2005/2006  Net Expenditure £000
<b>446,606</b>	<b>Net Expenditure before reserve movements</b>	<b>443,063</b>
1,428	Earmarked reserve for management of capital	3,492
(10,732)	Other earmarked reserves	(16,283)
	Capital Reserves:	
(6,036)	Provision for repayment of external loans	(27,727)
(50,871)	Capital financing reserve	(18,296)
(12,101)	Movement on pensions reserve	1,968
	Transfer from useable capital receipts equal to contribution to housing pooled capital receipts	(35)
(32,063)	Appropriation to group E & I reserve	(1,146)
15,481	Appropriation to UCR	
(31,189)	Appropriation to FARA	
30,211	Appropriation to CFA	1,139
<b>350,734</b>	<b>Amount to be met from Government Grants and Local Taxpayer</b>	<b>386,175</b>
	<b>Income from Government Grants and Local Taxpayers</b>	
(94,521)	Net precept demanded from collection fund	(97,493)
(1,749)	Collection fund surplus at 31st March 2005	(1,448)
(85,130)	Contribution from non-domestic rate pool	(101,638)
(179,780)	Revenue Support Grant	(181,711)
<b>(361,180)</b>	<b>Total Income from Government Grants and Local Taxpayers</b>	<b>(382,290)</b>
<b>(10,446)</b>	<b>(Surplus) or Deficit for the year transferred to working balance</b>	<b>3,885</b>

## 2. The Group Balance sheet

As at 31st March 2005 £000	Group Balance Sheet	As at 31st March 2006		Notes
		£000	£000	
	<b>ASSETS</b>			
646	Intangible Assets		9	
	Tangible Fixed Assets			
	Operational Assets			2i
573,160	- Other land and buildings	582,541		
6,494	- Vehicles, plant & equipment	8,931		
146,398	- Infrastructure assets	169,309		
6,252	-Community assets	6,528	767,309	
	Non-Operational Assets			
179,314	- Investment properties	237,932		
28,135	- Under construction	32,773	270,705	
11,868	Long Term Investments		11,869	2ii
7,010	Prepayments		17,932	
16,860	Share in gross assets of JV		17,022	
(8,677)	Share in gross liabilities of JV		(8,797)	
10,625	Long Term Debtors		8,706	
<b>978,085</b>	<b>Total Long Term Assets</b>		<b>1,084,755</b>	
	<b>CURRENT ASSETS</b>			
934	Stock	837		
71,732	Debtors	97,180		2iii
(10,623)	Inc in bad debt provision	(10,028)		
42,851	Short term investments	66,726		
13,719	Payments in advance	19,914		
9,200	Cash	11,564	186,193	
	<b>CURRENT LIABILITIES</b>			
(16,744)	Short term loans	(26,168)		
(50,544)	Creditors	(65,157)		2iii
(19,418)	Receipts in advance	(24,872)		
(5,675)	Bank overdraft	(12,363)	(128,560)	
<b>1,013,517</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,142,388</b>	
	<b>LONG TERM LIABILITIES</b>			
(255,263)	Long Term Loans		(312,732)	
(300)	Deferred Credits		(258)	
(7,434)	Other provisions		(14,392)	
(266,109)	Pensions liability		(254,565)	
<b>484,411</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>560,441</b>	

(continued)

## 2. The Group Balance sheet (continued)

As at 31st March 2005 £000	Group Balance Sheet (continued)	As at 31st March 2006		Notes
		£000	£000	
	<b>BALANCES AND RESERVES</b>			
(240,744)	Fixed Asset Restatement Account		(311,218)	
(348,455)	Capital Financing Account		(348,788)	
266,109	Pension Reserve		254,565	
2,315	Premiums & Discounts reserve		2,179	
(12,133)	Usable capital receipts reserve		(3,815)	
(101,535)	Government Grants Deferred		(124,503)	
-	Grants deferred		(212)	
(72,005)	Specific Reserves		(22,262)	
28,970	General Fund Reserves		(3,000)	
(2,221)	Collection Fund Balance		(1,770)	
(4,712)	Other fund balances		(1,617)	
<b>(484,411)</b>	<b>GROUP BALANCES AND RESERVES</b>		<b>(560,441)</b>	
0	Minority Interest			
<b>(484,411)</b>	<b>TOTAL BALANCES AND RESERVES</b>		<b>(560,441)</b>	

### 3. The Group Statement of total movement in reserves

The table below presents the movement in reserves for the group. As required by the 2005 SORP movements in Joint Ventures are shown separately to movements on Subsidiaries and Coventry City Council (which are shown together under the heading 'Group').

Group 2004/05 £000	Joint Venture 2004/05 £000	Statement of Total Movement in Reserves	Group 2005/06 £000	Venture 2005/06 £000
		<b>Movement in revenue resources</b>		
10,446	(23)	General fund surplus / (deficit) for the year	(3,885)	
(7,505)		Movement in revenue reserves	(13,931)	42
(993)		Movement on collection fund	(451)	
1,948	(23)	Total increase (decrease) in revenue resources	(18,267)	42
		<b>Movement in realised capital resources</b>		
(19,753)		Increase (decrease) in unapplied capital receipts	(8,318)	
		<b>Movement in unrealised value of fixed assets</b>		
91,068		Gains / (losses) on revaluation of assets	91,419	
(31,422)		Value of assets sold, disposed and other adjustments	(20,944)	
		<b>investment</b>		
41,758		Capital receipts applied and set aside	34,281	
(51,815)		Capital financing account transfers to/from revenue	(33,946)	
17,137		Movement on government grants deferred	23,179	
<b>7,080</b>	<b>-</b>	<b>Total increase (decrease) in amounts set aside to finance capital investment</b>	<b>23,514</b>	
(97,977)	(1,274)	Movement on pension reserve	11,544	
30		Movement on capital deferred grants		
<b>(49,026)</b>	<b>(1,297)</b>	<b>Total Recognised Gains (Losses)</b>	<b>78,948</b>	<b>42</b>
481		Movement in other balances	(3,095)	
<b>(48,545)</b>	<b>(1,297)</b>	<b>Movement in equity</b>	<b>75,853</b>	<b>42</b>



#### 4. The Group Cash Flow Statement

2004/2005 £m	Cashflow Statement	2005/2006 £m
(19.5)	<b>Net Cash Inflows from Revenue Activities</b>	(21.6)
	<b>Dividends from Joint Ventures and Associates</b>	
	<b>Returns on Investments and Servicing of Finance</b>	
14.2	- Interest paid	16.0
(3.1)	- Interest received	(3.5)
	<b>Taxation</b>	0
<b>(8.4)</b>		<b>(9.1)</b>
	<b>Capital Expenditure and Financial Investment</b>	
100.8	Purchase of fixed assets	87.2
(23.1)	Sale of fixed assets	(16.2)
0	Purchase of long term investments	(33.6)
(0.8)	Capital grants received	
7.6	Deferred charges	7.7
0.4	Intangible assets	11.3
(23.1)	Other capital cash receipts	56.4
	<b>Equity Dividends paid</b>	
	<b>Acquisitions and disposals</b>	
<b>53.4</b>	<b>Net Cash Inflow before financing</b>	<b>47.3</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>	
(11.5)	Liquid resources	21.7
	<b>FINANCING</b>	
	<b>Cash Outflows</b>	
(9.1)	Grants paid	18.4
32.2	Repayments of amounts borrowed	
	<b>Cash Inflows</b>	
(112.3)	New loans raised	(77.0)
45.9	Short term loans	(6.1)
<b>(1.4)</b>	<b>(INCREASE) / DECREASE IN CASH</b>	<b>4.3</b>

#### Notes to the Group financial statements

##### 1. Group Income and Expenditure Account

i. The following adjustments were made to the authority's consolidated revenue account in order to prepare the group income and expenditure account.

- Profit and loss on disposal of assets – no adjustment was required as there were no profits or losses arising from disposals in 2005/06.
- Notional interest charges have been removed from the service expenditure accounts and replaced with a depreciation charge.

- Government grants deferred have been included within the gross service income.
- The AMRA has been removed.

ii. The following adjustments were made to the companies' accounts.

- FRS 17 – no adjustment was required for NCH or CNR as these companies have no employees/do not operate the defined benefit scheme. The accounts for CSWDC have been adjusted to reflect full implementation of FRS 17.

## 2. Group Balance Sheet

See note 35 for details of the individual companies.

i. The following adjustments were made to the companies' accounts.

- Valuation of assets – there are no assets in NCH or CNR and assets in CSWDC in total value £19m therefore no alignment is required due to materiality.

ii. Investments

The City Council has Long Term investments in a number of companies and North Coventry Holdings, a 100% owned company has an interest in Arena Coventry Ltd.

2004/2005 £000	Long Term Investments	2005/2006 £000
11,650	Birmingham Airport Holdings Ltd	11,650
154	University of Warwick Science Park Innovation Centre Ltd	154
60	University of Warwick Science Park Ltd	60
5	Coventry Venture Capital	5
0	Arena Coventry Ltd (1)	0
<b>11,869</b>		<b>11,869</b>

### (1) Arena Coventry Ltd

The 2004/05 value for the shares has been restated from £1.758m to nil value to reflect the impairment of the investment relating to its current value. The Council's Director of Finance is keeping the value of the investment under review and fully expects the Arena project to be a success.

## iii. Debtors and Creditors

An analysis of the Group's short term debtors and creditors is shown below:

<b>31<sup>st</sup> March 2005 £000</b>		<b>31<sup>st</sup> March 2006 £000</b>
	<b>Debtors</b>	
22,272	Government Departments	22,128
1,370	Other Local Authorities	6,011
34,616	Sundry Debtors	56,063
13,474	Debts relating to local taxation	12,978
<b>71,732</b>	<b>Total Debtors</b>	<b>97,180</b>
<b>13,719</b>	<b>Payments made in advance</b>	<b>19,914</b>
	<b>Creditors</b>	
9,999	Government Departments	10,800
717	Other Local Authorities	5,775
36,935	Sundry Creditors	46,333
2,894	Creditors relating to local taxation	2,249
<b>50,545</b>	<b>Total Creditors</b>	<b>65,157</b>
<b>19,418</b>	<b>Receipts in advance</b>	<b>24,872</b>

### 3. Group Cash Flow Statement

- i. The Cash Flow Statement is a consolidated statement, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- ii. Reconciliation of Consolidated General Fund surplus to Cash Flow from revenue activities.

2004/2005 £m		2005/2006	
		£m	£m
(10.4)	<b>General Fund Surplus at 31<sup>st</sup> March 2006</b>		3.7
	<b>Less:</b>		
(28.7)	Depreciation	(35.9)	
21.6	Reduced charge in respect of MRP	27.7	
0.0	Revenue contributions to capital	0.0	
6.9	Contribution from earmarked reserves	12.8	
0.9	Movement on the collection fund	0.5	
0.0	Application of PCL	(11.1)	
			(6.0)
	<b>Movement in items on an accruals basis:</b>		
(0.1)	Deferred charges	(0.1)	
(0.3)	Stocks and work in progress	(0.1)	
(1.5)	Short term debtors	(15.5)	
2.4	Provisions set aside in year	(6.4)	
1.2	Payments in advance	6.2	
4.4	Creditors	(3.9)	
(4.4)	Receipts in advance	(2.6)	
0.1	Deferred credit	0.0	
(0.5)	Bequests and other balances	3.1	
			(19.3)
<b>(8.4)</b>	<b>Net cash flow from revenue activities</b>		<b>(21.6)</b>

### 4. Joint ventures disclosure notes

- i. **Coventry & Solihull Waste Disposal Company**

#### Share Capital

Coventry City Council holds the 'A' Ordinary Shares.

	Authorised	
	2005 £	2006 £
'A' Ordinary Shares of £1 each	66	66
'B' Ordinary Shares of £1 each	33	33
	99	99

	Allotted, called up and fully paid			
	2005		2006	
	No.	£	No.	£
'A' Ordinary Shares of £1 each	66	66	66	66
'B' Ordinary Shares of £1 each	33	33	33	33
	99	99	99	99

In preparing the financial statements for the current year, the group has adopted FRS 25 'Financial Instruments: disclosure and presentation' relating to accounting periods commencing on or after 1 January 2005. The adoption of FRS25 has resulted in a change in accounting policy for preference shares. Preference shares have now been disclosed as a financial liability. The impact of this is that there was £14,925,000 within equity, which has been reclassified as a financial liability in these statements.

### Financial Liabilities

Coventry City Council holds the 'A' Preference Shares

	2005 £	2006 £
'A' Preference Shares of £1 each	9,950,000	9,950,000
'B' Preference Shares of £1 each	4,975,000	4,975,000
	14,925,000	14,925,000

The rights attached to the respective classes of preference shares are:

#### Income

During the period ended 2<sup>nd</sup> April 2000, the articles of association were amended by special resolution, whereby the distributable profits of the company shall not be paid to the holders of the preference shares in relation to any period commencing on or after 1<sup>st</sup> April 1999. Furthermore the preference dividend shall no longer accumulate if the company does not make a distribution.

Distributable profits may be distributed to the holders of the 'A' ordinary shares and 'B' ordinary shares according to the amounts paid up.

#### Capital

On a return of capital on liquidation or otherwise the assets of the company remaining after payment of its debts, liabilities and costs of liquidation shall be applied in first paying the holders of the preference shares £1 together with a sum equal to any arrears, deficiency or accruals of the preference dividend to the date of the return of the capital. The balance shall be distributed to the holders of the 'A' ordinary shares and 'B' ordinary shares according to the amounts paid up.

#### Voting

The preference shares shall only carry voting rights in the following circumstances:

- (i) if the preference dividend is in arrears;
- (ii) if the company has failed to redeem any of the preference shares in accordance with the Articles of Association.

In this situation the preference shares shall carry one vote per share.

#### Redemption of preference shares

The preference shares shall be redeemable at the option of the company at any time at their par value and redeemable at the option of the shareholder after 1 April 2009 at their par value.

#### ii. Related party transactions

Coventry City Council and Solihull Metropolitan Borough Council are, as major shareholders in the company, considered related parties as defined by FRS 8. Under a contract negotiated with a joint committee of the two councils the company received income under arrangements to receive household and commercial waste, to manage a landfill site and to operate a civic amenity and recycling centre for residents amounting in aggregate to £6,326,313 (2005: £6,306,788). Income received in advance at 31 March 2006 amounted to £5,568,477(2005: £5,010,294).

During the year payments to the two shareholder councils amounted in aggregate to £339,457 (2005: £420,110) for the provision of various services.

The amounts due to the councils at the year end were £7,101,499 (2005: £7,183,339).

Coventry City Council hold the 'A' Ordinary Shares plus two thirds of the redeemable preference shares. The preference shares are redeemable after April 2009.

#### Shareholder Loans

Two thirds of the loan relates to Coventry City Council, the remaining third to Solihull MBC.

	2005 £	2006 £
Shareholder Loans	1,800,000	1,200,000
	1,800,000	1,200,000

The loans are secured by way of an unlimited debenture and first charge over the company's undertakings, property and assets.

#### Coventry City Council's share

	£000
Fixed assets	12,925
Current assets	4,097
Short term liabilities	6,095
Long term liabilities	2,703
Turnover	7,260
Profit before tax	35
Tax	(42)
Profit after tax	(7)

iii. **Tax**

## (a) Tax on profit on ordinary activities

The tax (credit) / charge is made up as follows:

	Period from 31 Mar 04 to 31 Mar 05 £	Period from 01 Apr 05 to 31 Mar 06 £
Current tax:		
Current tax (note iii(b))	-	-
	-	-
Deferred tax:		
Origination and reversal of timing differences	12,301	63,517
Adjustments in respect of prior years	(41,184)	(864)
<b>Tax charge</b>	<b>(28,883)</b>	<b>62,653</b>

## (b) Factors affecting current tax charge

The differences are reconciled below:

	Period from 31 Mar 04 to 31 Mar 05 £	Period from 01 Apr 05 to 31 Mar 06 £
Profit/(loss) on ordinary activities before taxation	(36,901)	52,231
Profit/(loss) on ordinary activities before tax at 30% (2205:19%)	(7,011)	15,669
Disallowable expenses and non taxable income	34,182	47,848
Capital allowances in excess of depreciation	83,957	34,734
Utilisation of tax losses	(111,128)	(89,851)
Pension provision	-	(8,400)
<b>Total current tax (note iii(a))</b>	<b>-</b>	<b>-</b>

## (c) Deferred tax

	<b>Period from 31 Mar 04 to 31 Mar 05 £</b>	<b>Period from 01 Apr 05 to 31 Mar 06 £</b>
Capital allowances in advance of depreciation	(3,902,678)	(3,867,465)
Tax losses and other timing differences	621,724	532,258
	(3,280,954)	(3,335,207)
Less: advance corporation tax	1,726,416	1,726,416
<b>Provision for deferred taxation</b>	<b>(1,554,538)</b>	<b>(1,608,791)</b>



## Statement of accounting policies

### 1. General

The accounts follow the appropriate accounting practices as required by the Code of Practice on Local Authority Accounting in Great Britain. The Code has been approved as a Statement of Recommended Practice (SORP), which is recognised by statute as representing proper accounting practices. Compliance with Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS) are also identified where appropriate.

In reviewing its accounting policies, the council has complied with the concepts of FRS18. This is the accounting standard which relates to the selection, application and disclosure of accounting policies. However, in compliance with the SORP, the overriding principle of local authority accounts has been maintained, whereby any accounting treatment prescribed by law is applied even if it contradicts with the concepts of FRS18.

In selection and application of accounting policies, consideration has been given to:

#### Relevance

Ensuring the statement provides information about the council's performance that is useful to readers of the statement in assessing the stewardship of public funds and for making economic decisions.

#### Reliability

The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character to comply with the requirements of FRS5. A prudent basis has been applied in exercising judgement under conditions of uncertainty.

#### Comparability

The accounts follow the presentation requirements of the Best Value Accounting Code of Practice (BVACOP). This aids comparability of information from one authority to another. In addition, the accounts include comparative figures for the previous accounting period where possible and considered useful to do so.

#### Understandability

The accounting principles on which the SORP is based include accounting concepts, treatment and terminology which require reasonable knowledge of accounting and local government. However, care has been taken to ensure that wherever possible, the accounts have been prepared to ensure they are as easy to understand as possible.

#### Materiality

The concept of materiality has been utilised in preparing the accounts, such that items of insignificant importance and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader. Where estimates have been used, these are noted within the specific accounting policies, e.g. debtors and creditors.

The following policies have therefore been adopted in compiling the accounts:

- A** As per FRS18 the revenue and capital accounts are maintained on an accruals basis. This means that the non cash effects of transactions are reflected in the accounting period in which the effects are experienced, not as money is paid or received.
- B** The accounts have been prepared on a going concern basis.

- C** The accounting statements have been prepared so as to reflect the reality of substance of the transaction and activities underlying them, rather than their formal legal character to comply with the requirements of FRS5.
- D** Income has only been recognised within the accounts where there is a reasonable certainty of receipt, and proper allowances have been made for all foreseeable losses and liabilities.

## **2. Fixed assets**

All expenditure on the acquisition, creation or enhancement of fixed assets is accounted for on an accruals basis and capitalised in the balance sheet. Most fixed assets are recorded in the balance sheet on the basis of a measure of their current value although infrastructure and community assets are recorded at historic cost.

For assets included on the balance sheet at current value, any increase on revaluation is recorded in the fixed asset restatement account. Where there has been a decrease in the value of an asset due to a consumption of economic benefit, an impairment loss is recognised in the asset management revenue account and service revenue account. Other impairments, reflecting a general fall in market prices, are recognised in the fixed asset restatement account. Upon disposal, the net book value of the asset disposed of is written off against the fixed asset restatement account.

The City Council is also empowered by law and regulations to capitalise certain other costs that do not result in the acquisition, creation or enhancement of tangible fixed assets in the ownership of the Council: -

- (a) Deferred charges include grants to other persons and bodies for capital expenditure purposes and are written down to the revenue account in the year in which they are incurred.
- (b) Intangible assets e.g. computer software licences, are normally written down to the revenue account in the year in which they are incurred, unless the City Council is deriving a benefit over a longer period.
- (c) Capital loans (debtors) are included in the balance sheet at historical cost net of debt repayments and any write offs.
- (d) Investments are carried at cost less provision, where appropriate, for loss in value.

The City Council does not capitalise assets acquired under operating leases. Leasing is explained in note 34.

### 3. Depreciation

A charge is made to the revenue accounts of services to write down the value of assets over their expected life (depreciation), and to reflect a notional interest cost. Assets are depreciated on a straight-line basis over the following periods:

Asset Type	Period of Years
Operational Buildings	50 years (less if there is evidence to the contrary)
Equipment	Estimated useful life
Infrastructure	40 years
Land	Depreciation not charged
Community Assets	Depreciation not charged
Non-operational Assets	Depreciation not charged

The Code of Practice requires that depreciation should be provided for all fixed assets with a finite useful life except for land and non-operational investment properties. Depreciation has not been charged on Community Assets as these assets have an indeterminable useful life and any depreciation on these assets is considered immaterial.

### 4. Capital receipts

- i) Receipts from the disposal of capital assets, and repayments of loans of a capital nature, are initially allocated between:
  - a) amounts required to redeem debt and other credit liabilities; and
  - b) amounts available for capital expenditure (usable capital receipts). Once spent, they are credited to the Capital Financing Account.

### 5. Repurchase of borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the periods during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

### 6. Government grants

- i) Revenue Support Grant from Central Government is credited to the General Fund as a whole whereas specific revenue grants are credited to the accounts of the services to which they relate. They are credited to income in the same period the related expenditure is charged.
- ii) Capital grants and contributions are credited to a Government Grant Deferred Account. They are written down to the revenue account at the same rate at which the assets to which they relate are depreciated. Where an asset is not depreciated the grant is transferred to the Capital Financing Account.

## 7. Deferred charges

Deferred charges represent expenditure that does not result in the creation of tangible assets. They include capital grants to individuals and organisations that have been paid out by the council. Grants paid include housing renovation grants and disabled facilities grants. Deferred charges incurred during the year are written off to the revenue account. As part of the capital accounting entries deferred charges are passed through the capital financing account and the consolidated revenue account so there is no impact on the levels of council tax.

## 8. Interest

Interest payable on external borrowings and interest income from short term investment of surplus funds are accrued and accounted for in the period to which it relates.

## 9. Value Added Tax (VAT)

VAT is included within the accounts only when elements are irrecoverable and therefore charged to service expenditure.

## 10. Investments

The Council is required by the SORP to carry investments in its balance sheet at original cost, less a reduction where appropriate for impairment.

## 11. Leases

The City Council has no finance leases in primary rental. All amounts paid are treated as interest, since the principal value of the asset is deemed to have been fully repaid during the primary period. Rentals payable under operating leases are charged to revenue.

Fixed assets held for use in operating leases are recorded as follows;

- Operational land and buildings are depreciated over their useful life
- Non Operational land and buildings are held market value and revalued on a 5 yearly basis

Rental income received is credited to the revenue accounts.

## 12. Debtors and Creditors

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and FRS18. This means that sums due to or from the Council during the year are included, whether or not cash has actually been received or paid in the year.

## 13. Provisions

Provisions are made for any liabilities or losses the City Council is likely to incur where:

- the Council has a legal or constructive obligation to transfer economic benefits as a result of a past event; and
- although the amount and timing of the obligation are uncertain, a reliable estimate can be made of the amount.

Provisions are charged to the appropriate revenue account and added to the balance sheet. When the expenditure to which the provision relates is incurred it is charged directly to the provision.

Provision is also made for bad or doubtful debt based on an assessment of outstanding debt and the likelihood of collection.

## **14. Stocks**

Stock is included in the balance sheet at either historical or average cost and therefore does not comply with the Statement of Recommended Practice.

## **15. Reserves**

The City Council has set aside funds in the form of reserves for purposes falling outside the definition of Provisions (13. above). Most of the reserves are earmarked for specific purposes. In line with accounting practices expenditure is charged to the revenue account rather than direct to reserves. All transactions between the revenue account and earmarked reserves are shown below net operating expenditure in the Consolidated Revenue Account, i.e. "below the line", after determining the City Council's total expenditure. Details of the reserves held at 31st March 2006 are shown in the Statement of Total Movements in Reserves.

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these reserves are non distributable reserves and are therefore referred to as accounts. The fixed asset restatement account and capital financing account are examples of such reserves (it should be noted that these reserves have been renamed as accounts from 1st April 2004). The usable capital receipts reserve is established for specific statutory purposes.

## **16. Minimum revenue provision**

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended, the authority is required to set aside a minimum revenue provision for the repayment of debt. This is equal to 4% of the capital financing requirement at the beginning of the year for the general fund adjusted to take account of commutation. If depreciation does not equal this amount, a transfer to/from the capital financing account is made for the difference.

## **17. Pensions and FRS17 – retirement schemes**

### **Non Teaching Staff**

Non teaching staff may be members of the Local Government Pension Scheme (LGPS). Coventry contributes to the West Midlands Pension Fund, which is administered by Wolverhampton City Council. It is a defined benefits scheme for which the value of 2005/06 contributions were set based on a March 2004 actuarial review.

### **Teaching Staff**

Teachers may be members of the Teachers Pension Scheme, which is administered by the Department for Education and Skills (DfES). It is a defined benefit scheme. However, as the authority's share of the underlying assets and liabilities cannot be identified it is treated as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the DfES on the basis of a notional fund.

### **Financial Reporting Standard 17**

From 2003/04, under Financial Reporting Standard 17 changes have been made to the way local authority defined benefit pension schemes are accounted for.

- Charges are made to the Consolidated Revenue Account based on current service cost, reflecting the benefit entitlements earned by employees during the year, rather than employer's contributions to the pension scheme.
- The balance sheet includes the liabilities promised under a pension scheme, together with assets held in the pension scheme to cover the liabilities. A pension reserve is also maintained, equivalent to the liability, reflecting the fact that the Council is not required to raise Council Tax to cover the liability.

The West Midlands Pension Fund, together with discretionary increases to pensions to both teachers and other former employees are classified as defined benefit schemes.

## 18. Professional and Other Support Services

As required by the Best Value Accounting Code of Practice (BVACOP) support service costs have been included within either net cost of services, Corporate and Democratic Core (CDC) or Unapportionable Central Overheads (UCO). Support service costs have been allocated on the basis of usage or an appropriate equivalent, including floor area for accommodation, employee numbers for human resources, number of PCs for IT and gross spend for some finance related costs.

## 19. Long term PFI

The City Council is currently involved in two major PFI schemes.

**Caludon Castle School PFI** involves the provision of one community secondary school and reached financial close in December 2004. The scheme is now part operational. The PFI contract is for a period of 30 years and is with Coventry Education Partnership.

**New Homes for Old PFI** scheme involves the provision of three Extra Care Sheltered Housing Units and two Dementia Care Units. The project reached financial close in March 2006. The service provider is Anchor Trust.

Private Finance Initiative (PFI) transactions are accounted for in accordance with Application Note F to Financial Reporting Standard No. 5 (Reporting the Substance of Transactions), and also by reference to the guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In relation to these transactions, the balance of risks and rewards of the PFI are borne by the PFI operator. Therefore the assets to be provided under the PFI contracts will not be shown as a Fixed Asset on the City Council's balance sheet.

The Consolidated Revenue Account includes the annual unitary charge for the contract within "Net Cost of Services". The PFI grant receivable in respect of the financial year is shown within "Central Budgets". These amounts are paid by the Government as a Specific Grant.

Under the contracts, assets have been transferred for nil consideration to the PFI contractor in return for a reduced unitary charge. The value of this reduction is held as a Prepayment and will be amortised to the Revenue Account over the life of the contract

During 2005/06 a capital payment was made to the contractor in respect of the Caludon Castle School PFI. The unitary charge has subsequently been reduced as a result of the capital payment. The value of this reduction will be held as a Prepayment and amortised to the Revenue Account over the life of the contract.

## **20. Work in progress**

Work carried out during the year but not yet completed by trading operations is identified as "Work in Progress". To account for this an amount equal to the cost of the work (included as expenditure in the accounts) is added to income in the trading accounts. This is reflected in the revenue accounts, Consolidated Balance Sheet and Cash Flow Statement. In accordance with recommended practice all completed jobs have been charged to services in 2005/2006.

## **21. Group accounts**

The group accounts have been prepared by fully implementing the 2005 SORP's group accounts requirement.

## Glossary of terms

**Asset Charge** - a charge to a service revenue account, which is the sum of depreciation and the notional internal interest, charged on the value of the assets.

**Capital Financing Account** - the account which reflects the extent to which the City Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

**Debtors** – sums of money owed to the City Council but not received at the end of the year.

**Fixed Assets** – tangible assets that give benefit to the City Council and the services it provides for more than one year.

**Fixed Asset Restatement Account** - the account that reflects the amount by which the value of the City Council's assets has been revised following revaluation or disposal.

**FRS** – financial reporting standard

**Government Grants Deferred Account** - the value of grants and other external contributions towards capital expenditure which has not yet been written down to the revenue account as the assets to which it relates is depreciated.

**LASAAC** - Local Authority (Scotland) Accounts Advisory Committee.

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

**Liquid Resources** - current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

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

**Precept** - a payment to the Council's General fund, or another local authority, from the Council's Collection Fund.

**Revenue Support Grant (RSG)** - a grant from Central Government towards the cost of providing services.

**Specific Revenue Grants** - grants received from Central Government in respect of specific services.

**SSAP** - Statement of Standard Accounting Practice.



**Audit Certificate**