



Coventry City Council

8.8

Public report

Report to

Audit Committee \ Scrutiny Board 1
Cabinet
Council

26^h June 2007
26th June 2007
26th June 2007

Report of

Acting Director of Finance & ICT

Title

2006/07 Revenue and Capital Outturn and Statement of Accounts

1 Purpose of the Report

- 1.1 The purpose of this report is to advise Cabinet and Council of the final revenue and capital outturn position for 2006/07 and seek approval for the 2006/07 Statement of Accounts. The report also reviews treasury management activity during the year, including borrowing, lending and investments. In addition, 2006/07 outturn Prudential Indicators are reported under the Prudential Code for Capital Finance.

2 Recommendations

- 2.1 The Cabinet and Council is recommended to note that the final revenue outturn for 2006/07 is an underspend of £0.8m which is to be contributed to corporate reserves.
- 2.2 Note capital expenditure of £105.7m in 2006/07 against a final budget of £105.6m, a variance of £0.1m, as detailed in section 7.
- 2.3 Determine the resourcing of this capital expenditure as detailed in section 8.
- 2.4 Approve net rescheduling of £0.2m of capital expenditure after taking into account the 5% allowance for rescheduling approved by Council on 21st February 2006. This can be managed and will not result in any loss of resources.
- 2.5 Approve the Prudential Indicators as detailed in Appendix 7.
- 2.6 Approve the Statement of Accounts for 2006/07 and to authorise the Leader to sign them off on behalf of the City Council.

3 Information/Background

Revenue and Capital Outturn

- 3.1 The City Council's budget was approved by Council on 21st February 2006. The last formal monitoring report to Cabinet was on 6th February 2007, covering the position to Period 8. Management Board subsequently considered monthly monitoring revenue reports to Period 10.

4 2006/07 Revenue Outturn Position

- 4.1 There was a forecast overspend of £0.8m at period 8. Since period 8 the level of overspending has decreased by £1.6m moving to an outturn underspend position of £0.8m.
- 4.2 Appendix 1 provides detail, by Directorate, of outturn variations. Table 1 below summarises the variation and outturn position.

Table 1 Summary Variation and Outturn Position

Directorate	Budget	Outturn	Variance
	£m	£m	£m
Chief Executives	7.7	6.7	-1.0
City Development	8.1	8.5	0.4
City Services	35.2	35.1	-0.1
Children Learning and Young People	74.5	74.7	0.2
Community Services	95.0	94.0	-1.0
Finance & ICT	7.3	8.4	1.1
Legal & Democratic Services	1.6	1.5	-0.1
Contingency & Central Budgets	4.3	4.0	-0.3
Total	233.7	232.9	-0.8

- 4.3 The main reason for the improved position as can be seen in Table 2 below is within Community Services, which is due to ongoing vacancies, recruitment difficulties and additional grant. There has also been a reduction in the Finance and ICT overspend due to a lower level of housing benefit overpayment bad debt provision required than previously anticipated.

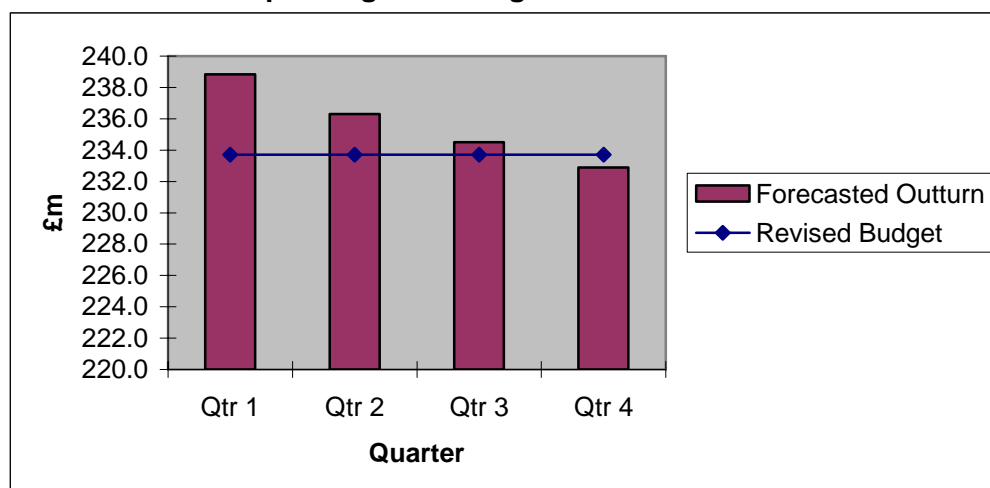
Table 2: Analysis of variation movement between Quarter 3 and outturn

Directorates	Quarter 3 Variance	Outturn Variance	Quarter Movement
Chief Executives	-0.7	-1.0	-0.3
City Development	0.0	0.4	0.4
City Services	0.2	-0.1	-0.3
Children Learning & Young People	0.5	0.2	-0.3
Community Services	0	-1.0	-1.0
Finance & ICT	1.6	1.1	-0.5
Legal & Democratic Services	0	-0.1	-0.1
Schools	0	0.0	0.0
	1.6	-0.5	-2.1
Contingency & Central Budgets	-0.8	-0.3	0.5
Levies	0	0	0.0
Total	0.8	-0.8	-1.6

4.4 The City Council is required to make provision in its budget for liabilities which can arise during the course of the financial year. In this context the City Council has received a number of legal claims for which it is prudent to make some provision. The extent of the City Council's liability will depend upon the outcome of the legal processes in relation to each claim and so the provision that has been recommended is an estimated amount. There are no specific resources held in relation to these claims and therefore this is being funded through provisions within central budgets.

4.5 The chart below demonstrates the Council's budget against the Council's forecast spend after action/use of reserve, for the year, as at outturn:

Chart 1: Forecast spend against budget



4.6 The outturn position for 2006/07 is good and is the closest to the budget for many years with the £0.8m underspend representing 0.3% of our net spend. Our final position has been helped by regular BCR monitoring and management action being taken throughout the year to bring variations into line. Council's service managers (budget holders) supported by finance staff have worked together to improve budget monitoring and management. However, we recognise that there is still more that we can do.

5 Reserves Requests (Carry Forwards)

5.1 There are a number of underspendings in 2006/07 where work has not been completed in the anticipated timescale, or management action has been undertaken to defer spend, where it is advantageous to do so. The existing policy is to allow the resources to be carried forward for 12 months, to be available to meet the spend in 2007/08.

5.2 At Period 9 in 2006/07 Management Board approved carry forward requests of £0.7m. Management Board approved a further £0.1m in June.

6 Reserves

6.1 The total reserve movement in 2006/07 is summarised below. As part of the forthcoming Policy and Budget setting process all reserves will be reviewed in order to assess the extent to which resources can be released.

Table 3 Summary of Reserve Movement in 2006/07

	Opening Balance £'000	Movement In year £'000	Closing Balance £'000
Directorate Reserves	(5,726)	1,871	(3,855)
Corporate Reserves	(23,558)	7,031	(16,527)
Capital Reserves	(16,962)	13,560	(3,402)
Insurance Fund	(6,178)	(1,138)	(7,316)
Schools Reserves	(9,272)	(1,294)	(10,566)
Total Reserves	(61,696)	20,030	(41,666)

- 6.2 We continue to take a corporate and strategic approach to the management of these reserves within our financial planning activity. Our medium term revenue and capital financial plans assume the use of a significant amount of the uncommitted reserve balances as at 31st March 2007. The Corporate reserve balance of £16.5m shown in Table 3 above includes this years reserve requests (total value £0.8m) referred to in this report.
- 6.3 Before the implications of the recommendations within this report, the level of uncommitted corporate reserves stood at £3.1m. The following table shows the impact of the outturn position and the potential approval of carry forward requests.

Table 4 Level of available corporate reserves after closure of the accounts

	£m
Initial level of uncommitted Corporate Reserves (part of £16.5m in Table 3 above)	(3.1)
Plus Outturn underspend in Table 1	(0.8)
Less approved carry forward request approved by management board in June	0.1
Net uncommitted Corporate Reserves to Meet Medium Term Financial Strategy	(3.8)

7. 2006/07 Capital Outturn

- 7.1 The capital outturn position for 2006/07 is shown in summary form below:

Table 5 Capital Outturn Summary

Final Budget	Final Spend	Rescheduling Now Reported	Overspend Now Reported	Total Variance
£105.6m	£105.7m	- £0.2m	£0.3m	+ £0.1m

- 7.2 As part of the first quarter monitoring cycle, a strategic view of the 2006/07 capital programme (and the expenditure profile within it) was undertaken.

Officers identified a potential rescheduling level of £21m into future years. The reduction in the budget that resulted from this rescheduled expenditure is reflected in Table 5 above.

- 7.3 The monitoring report to Cabinet on 6th February 2007 approved a revised capital budget of £105.857m for 2006/07. Since that report there has been a net programme reduction of £0.228m giving a final budget for the year of £105.629m. The changes to the budget are analysed in appendix 2.
- 7.4 Since February, a total of £6.623m rescheduling has arisen on Cabinet Member capital programmes. However, the Budget Setting report of February 2006 approved a 5% allowance (£6.418m) for the rescheduling of expenditure between 2006/07 and 2007/08. A comparison of these two figures means that only £0.2m rescheduling is now being reported (see Table 5 above). A summarised analysis of this position is included in appendix 3 (Cabinet Member) and appendix 4 (Directorate). A scheme by scheme analysis is included in appendix 5.
- 7.5 Although it is recognised that many of the reasons for the rescheduling are genuinely beyond our control, it is also considered that much more can be done to spend capital allocations within approved timescales. To achieve this, work has been undertaken to identify a range of measures designed to minimise future levels of rescheduling.
- As part of the 2006 Budget setting process, the expenditure profile of future Capital programme proposals was subjected to a significant degree of challenge.
 - The level of rescheduling factor within the overall Capital Programme for 2007/08 has been reviewed and increased to 10%.
 - The Capital Working Group will assess ways to introduce more flexibility to the Capital Programme such as earmarking separate feasibility allocations and authorising rolling programmes of capital work to be accelerated between years.
 - As part of the first quarter monitoring cycle, an exercise will be undertaken to assess the likely level of rescheduling from 2007 into 2008.

It should be added that no resources have been lost as a result of the rescheduling that has taken place.

- 7.6 The overspending of £0.315m that has arisen at outturn is mostly funded from corporate resources and revenue contributions. A scheme by scheme analysis is included in appendix 6.

8. Funding of the Capital Programme

- 8.1 The proposed financing arrangements in respect of City Council payments of £105.7m are summarised below:

Table 6 Funding

	£ms
Prudential Borrowing	8.2
Other Borrowing	25.0
Grants and Other Contributions	37.9
Revenue Contributions	15.2
Usable Capital Receipts	18.6
Leasing	0.8
Total Resourcing	105.7

9. Capital Receipts

9.1 Capital receipts provide an important source of funding of the capital programme. A total of £18.6m has been funded from capital receipts in 2006/07, comprising income generated during 2006/07, together with receipts brought forward from 2005/06.

10. Treasury Management Activity in 2006/07

Interest Rates

At the end of the year the base rate stood at 5.25%, having started the year at 4.5%. Long-term rates for PWLB loans for 25 – 50 years averaged out at between 4.26% and 4.56%, with a low of 4.05% and a high of 4.8%.

Long Term Funding

The funding strategy was implemented as planned. This was detailed in the Treasury Management Strategy as included in the General Fund and Capital Budget Requirement 2006/07 report approved by Council on 21st February 2006.

In total, new long-term borrowings of £77.6m were raised, whilst £73.7m were repaid. The average interest rate on new long-term borrowings was 4.21%. During the year, opportunities have been taken to repay expensive borrowings at a relatively high rate of interest, replacing these with new borrowings at lower rates. In total these reschedulings will result in savings of over £0.4m pa for 5 years, with smaller savings in subsequent years. These savings were included in the base budget as part of the 2006 PPR.

The movements in long-term balances are shown below: -

Table7 ~ Long Term Borrowing

	Balance at 1 st April 2006 £000	Repaid in Year £000	Raised in Year £000	Balance at 31 st March 2007 £000
Source of Loan				
PWLB	211,077	73,731	77,573	214,919
Money Market	70,023	0	1	70,024
Stock Issue	12,004	0	0	12,004
Other	4	0	0	4
	<hr/>	<hr/>	<hr/>	<hr/>
	293,108	73,731	77,574	296,951
Other Local Authorities	22,821	398	0	22,423
Total	<hr/>	<hr/>	<hr/>	<hr/>
	315,929	74,129	77,574	319,374

Temporary Borrowing and Lending

The Treasury Management Team acts on a daily basis to manage the City Council's bank balances, and undertakes short term borrowing or lending as necessary, short term being for less than 1 year. At the 31st March 2007, the City Council had £8.8m

in temporary deposits and £25.6m in short-term borrowings. In addition, slightly longer-term investments of up to 1 year were made totalling £20m.

During the year, the total volume of temporary borrowing was £178m while temporary investments totalling £645m were made. Most transactions were for short periods of between one day and one month, reflecting the day to day cashflow requirements of the authority, although deposits were made for up to 1 year, representing cash taken back from fund managers. The average rate achieved on all these investments was 4.88%.

External Investments

In addition to managing investments by making deposits with banks and building societies, money is invested through fund managers, who are able to use different types of investments, such as government gilts and certificates of deposits. At the start of the year two fund managers were employed, Invesco and Alliance Bernstein, managing a total of £58.5m. Both fund manager contracts came to an end in 2006/07. Following a tendering exercise Investec Asset Management were appointed and in October 2006 £25m was placed with Investec.

In summary the returns for 2006/07 are:-

Table 8 ~ External Investments

Manager	Net Return After Fees	Benchmark
Investec	4.46%	5.48%
Invesco	4.07%	4.71%
Alliance Bernstein	4.01%	4.86%
Total	4.20%	5.00%

The net returns in the year totalled £1.4m, which represents 4.2% across the year against an average benchmark of 5% (3 month London Interbank Bid Rate or LIBID). This is a commonly used benchmark representing the rate at which banks are willing to borrow money on the financial markets. The returns are lower than last year (4.57%) reflecting a number of factors, including the closing down of the previous funds and the starting up of the new fund. In addition, gilt prices were depressed at the turn of the year, reducing the returns achieved. Performance is anticipated to pick up in 2007/08 as rising interest rates take effect. However, this will be monitored closely and reviewed over the coming year.

Prudential Code and Indicators

The Local Government Act 2003 and associated CIPFA Prudential Code for Capital Finance set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

Revenue Related Prudential Indicators

Within Appendix 8 those indicators with references 35 – 38 highlight the revenue impact of the capital programme. These show that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax was 10.29% in 2006/07.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in Appendix 7, include:

- Authorised Limit for External Debt (Ref 59)~ This reflects the level of borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit. Borrowing was within the limit of £398.9m.
- Operational Boundary for External Debt(Ref 60) ~ This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. Borrowing was within the boundary of £368.9m.
- Net Borrowing less than "Year 3" Capital Financing Requirement (Ref 45 & 51) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Net Borrowing was within the CFR limits.
- Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days (Ref 67 – 73, 74, 77) ~ The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Councils overall financial position. Treasury Management activity was within these limits.

13 Statement of Accounts

- 13.1 The attached Statement of Accounts provides a set of accounts for the financial year 1st April 2006 to 31st March 2007 and a range of accompanying notes. The Statement contains a summary of the Council's end of year accounts, including notes of explanation. The Council's auditors, The Audit Commission, will be auditing the statement over the next few months.
- 13.2 The Statement is prepared in accordance with requirements of the Accounting Code of Practice (ACOP), which defines proper accounting practice for local authorities. This year there is a significant change in how the accounts are presented. The Statement of recommended practice (SORP) 2006 has introduced a number of presentational changes which have been brought about by the move to UK Generally Accepted Accounting Policies (UKGAAP) accounting. These change include replacing the Consolidated Revenue account with an Income and Expenditure account and a statement of movement on the general fund. The result of these changes is that the Councils Income and Expenditure Account shows a deficit of £35.8. This deficit does not reflect the position of Council's General Fund which is a £0.8m surplus, as shown in the Statement of Movement on the General Fund Balance in Table 9 and detailed more fully in note 15 to the accounts.
- 13.3 The statement of movement on the general fund takes the income and expenditure deficit, adjusts it for depreciation, movement in reserves plus other allowable adjustments, (total value £36.6m) to arrive at an outturn of £0.8m

underspend. The £0.8m underspend is a variation against the budget of £233.7m, as shown in table 1 of this report. It is this variation that is used to measure the Council's performance. The Council does not budget on the basis of the Income and expenditure account which is an accounting reporting statement.

Table 9 Statement of movement on the General Fund Balance

2005/06 £000	Statement of movement on the General Fund Balance	2006/07 £000
55,070	Surplus / Deficit for year on the Income & Expenditure account	35,841
(51,185)	Net additional amount required by statute and non-statutory proper practices to be debited / (credited) to the General Fund Balance for the year.	(36,572)
3,885	(Increase) or decrease in the General Fund Balance for the year	(731)

13.4 One of the issues still outstanding from 2005/06 and still being considered by the Auditors is the treatment of the reconciliation between the capital financing requirement and the closing credit ceiling (also referred to as the 'A factor calculation'). We have been in dialogue with the Auditors throughout the year.

The Acting Director of Finance is not in a position to sign the 2006/07 statement of accounts subject to a further meeting with the Auditors on Tuesday 19th June. We will report back to Members on the outcome of that meeting when the accounts are presented to Cabinet/Council on the 26th June 2007.

13.5 The key elements of the Statement are:

- The Income and Expenditure Account (page 13 ~ This Account records how much the Council has spent and received for the day to day spending on its services (revenue expenditure and income). It also shows how that net expenditure has been funded – from the combination of Council Tax, National Non Domestic Rates and Central Government Grant (the Revenue Support Grant). The City Council deficit for 2006/07 was £35.8m.
- The Statement of Movement on the General Fund Balance (page 14) ~ This statement shows how the deficit on the Council's Income and Expenditure Account for the year reconciles to the surplus / deficit for the year on the General Fund.
- Statement of Total Recognised Gains and Losses (page 15) ~ This statement brings together all the gains and losses of the Council for the year.
- The Balance Sheet (page 16) ~ This is a snap shot of the Council's financial position as at 31st March 2005. It shows the Council's assets, liabilities, and reserves and balances as at that date. At the end of 2006/07 the City Council's net assets were £487m.
- The Cash Flow Statement (page 18) ~ This shows actual cash received and spent by the Council as a result of revenue and capital transactions with third parties.

- The Collection Fund (page 51) ~ The Council is required to maintain a separate account that records the transactions the City Council undertakes in relation to the collection and distribution of Council Tax and National Non Domestic Rates. In broad terms, this accounts shows income from Council Tax payers, and expenditure on payments (called precepts) to the City Council, the West Midlands Fire and Civil Defence Authority and the West Midlands Police Authority.
- Group Accounts (page 54) ~ These statements consolidate the City Council's accounts with those companies considered to be part of our group. For 2005/06 those companies are North Coventry Holdings Ltd, Coventry North Regeneration, Coventry and Solihull Waste Disposal Company and the Arena Coventry Ltd.
- The Statement of Accounting Policies (page 65) ~This explains the main accounting policies the City Council used to produce the figures in the accounts. The general principles applied are those set out in the Accounting Code of Practice.

13.5 In addition to the above statements a number of explanatory notes are included as specified in the Accounting Codes of Practice. The full Statement of Accounts is appended to this report.

13.6 Once the Statement of Accounts have been audited by The Audit Commission, any material changes made to the Statement, will be reported to Members, informing you of those changes. This is required by the Accounts & Audit Regulations 2003.

14 Other specific implications

	Implications (See below)	No Implications
Best Value		✓
Children and Young People		✓
Comparable Benchmark Data		✓
Corporate Parenting		✓
Coventry Community Plan		✓
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources		✓
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology		✓
Legal Implications	✓	
Neighbourhood Management		✓
Property Implications		✓
Race Equality Scheme		✓
Risk Management		✓

	Implications (See below)	No Implications
Sustainable Development		✓
Trade Union Consultation		✓
Voluntary Sector – The Coventry Compact		✓

15. Financial Implications

The final revenue outturn for 2006/07 is an underspend of £0.8m which is to be contributed to corporate reserves.

The final capital outturn for 2006/07 is £105.7m.

16 Legal Implications

The City Council is required by the Accounts and Audit Regulations 2003 to approve, and subsequently publish, certain financial information in a document known as the Statement of Accounts. The Director of Finance and ICT must also certify that the document presents fairly the financial position of the City Council at the end of the financial year. The Regulations require that the statement is formally approved by elected Members, by no later than 30 June 2007.

The auditors interpretation of the Regulations is that formal approval of the Statement is given by a non-executive committee. Therefore we are seeking Council's approval of the Statement. It is a requirement of the Regulations that the person presiding at the meeting which approval is given, signs the Statement. This is reflected in the Recommendations in this report.

17 Timetable

The audited Statement of Accounts will be published by the end of October to meet the statutory requirement.

	Yes	No
Key Decision	✓	
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	Scrutiny Board 1 26th June 2007 ✓	
Council Consideration (if yes, date of Council meeting)	26th June 2007 ✓	

List of background papers

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Papers open to Public Inspection

Description of paper

Location

Final Accounts Files 2006/07

CRH3

Capital Monitoring Files 2006/07

CRH3

Chief Executives Directorate Appendix 1 .1.1

Chief Executives are showing an outturn position of £1.0m underspend

Period 8 Variance		Description	Outturn Variance		one off	on going
£000	£000		£000	£000		
		Human Resources -Corporate & Customer Services				
-100		Service Level Agreements - income over recovery	-104			✓
-259		Salary underspends - a combination of recruitment difficulties and the transition between existing structures to accommodate Resource Link	-313		✓	
0		Equal Pay Claims - Evershed invoices	130		✓	
0		Management Development Programme	-122		✓	
-26		Others less than £100k: one off	-159		✓	
	-385	Total Human Resources Forecast Underspend		-568		
		Chief Exec Other - Finance, Procurement & VFM				
-70		Others less than £100k: one off	0		✓	
	-70	Total Chief Exec Other Forecast Variance		0		
		Corporate Wardens - Neighbourhoods, Health & Equalities				
-147		Corporate Wardens Scheme – underspend on running costs and recruitment difficulties	-304		✓	
0		Others less than £100k: one off	1		✓	
	-147	Total Corporate Wardens Forecast Underspend		-303		
		Neighbourhood Mang - Neighbourhoods, Health & Equalities				
0		African Caribbean Community – delay in review of services	-106		✓	
0		Others less than £100k: one off	-161		✓	
	0	Total Neighbourhood Mang Forecast Underspend		-267		
		Chief Exec's - Other - Neighbourhoods, Health & Equalities (Fund GD)				
0		Others less than £100k: one off	-6		✓	
	0	Total Chief Exec's Other Forecast Underspend		-6		
		Community Safety - Neighbourhoods, Health & Equalities				
-45		Others less than £100k: one off	-77		✓	
	-45	Total Community Safety Forecast Underspend		-77		
		Corp Comms – Policy, Leadership & Gov				
-100		Others less than £100k: one off	-96		✓	
	-100	Total Corp Comms Forecast Underspend		-96		
		Corporate Policy - Policy, Leadership & Gov				
-40		Others less than £100k: one off	-143		✓	
	-40	Total Corporate Policy Forecast Underspend		-143		
		Scrutiny - Corp & Customer Services				
0		Others less than £100k: one off	-26		✓	
	0	Total Scrutiny Forecast Underspend		-26		
	-787	Total Chief Executives Underspend Carried Forward		-1,486		

Chief Executives Directorate Appendix 1 .1.2

Period 8 Variance		Description	Period 12 Outturn		one off	on going
£000	£000		£000	£000		
	-787	Total Chief Executives Underspend Brought Forward		-1,486		
		Global Expenses				
56		Others less than £100k: one off	107		✓	
	56	Total Global Expenses Forecast Overspend		107		
		City Pay				
0		Others less than £100k: one off	-35		✓	
	0	Total City Pay Forecast Underspend		-35		
	-731	Total Chief Executives Directorate Forecast Underspend		-1,414		
	0	Contribution to/(from) reserves		445		
	-731	Net Chief Executives Directorate Forecast Underspend		-969		

City Development Directorate Appendix 1.2

City Development are showing an outturn position of £0.4m overspend

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
		Planning & Strategic Transportation Division (Annual Budget £1.3m)				
100		Building Control - shortfall on income due to staff time taken up on non-fee earning statutory work	145			✓
-12		Others less than £100k: one off	23		✓	
30		Others less than £100k: on going	30			✓
	118	Total Planning & Strategic Transportation Overspend		198		
		Property Management Division (Annual Budget (£7.9m))				
-125		Asbestos Removal - lower spend than anticipated	-125		✓	
-325		Additional Income - primarily relating to 4 units at Westwood Business park which had previously not been expected to be let in 06/07	-325		✓	
-232		Others less than £100k: one off	85		✓	
	-682	Total Property Management Division Underspend		-365		
		Regeneration Services Division (Annual Budget £5.5m)				
312		Car Park Income - over recent years there has been a fall in the number of available car parking spaces as a result of the closure of a number of car parks. These reductions have not resulted in increases in income at other car parks. Work has started in order to identify a number of options that are available to the Council to offset the forecast deficit, which was partially resolved by the £200k reduction in income target for 2005/06.	300			
13		Others less than £100k:one off	-23		✓	
80		Others less than £100k: on going	82			✓
	405	Total Regeneration Services Overspend		359		
		Support Services & Debt (Annual Budget £3.9m)				
0		IT Contract budgets - in year shortfall	148		✓	
100		Ikea transport connections project - preparatory work	69		✓	
45		Others less than £100k: one off	130		✓	
	145	Total Support Services & Debt Overspend		347		
	-14	Total City Development Directorate Overspend		539		
	0	Contribution to /(from) reserves		-102		
	-14	Net City Development Directorate Overspend		437		

City Services Appendix 1.3.1

City Services are showing an outturn position of £0.1m underspend

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
200		Waste Disposal (annual budget £6.4m)				
-200		Joint Account Surplus - 2005/06 overspend	200			✓
		Transfer from Corporate Resources - smoothing within ring fence using Waste Disposal reserve £200k	-200			✓
	0	Total Waste Disposal Net Forecast		0		
0		Parking Decriminalisation (annual Budget nil)				
0		Income Shortfall - difficulties in the collection of parking fines.	173			✓
		Transfer to Balance Sheet – income shortfall to be recovered in future years	-173			✓
	0	Total Decriminalisation of Parking Net		0		
150		Refuse Collection and Recycling (annual budget £5.1m)				
62		Health & Safety Executive Review - training undertaken following a review of safe working practices in the refuse collection service.	150			✓
0		Health & Safety Executive Review – delayed implementation of the operational review in refuse collection.	62			✓
		Others less than 100k: one off	-5			✓
	212	Total Refuse Collection Overspend		207		
60		Highways & Lighting (annual budget £11.1m)				
-133		Accommodation Moves	80			✓
		Others less than 100k: one off	-519			✓
	-73	Total Highways & Lighting Underspend		-439		
-116		Street Cleansing & Grounds Maintenance (annual budget £6.5m)				
23		Street Cleansing review - delayed implementation	-103			✓
		Others less than 100k: one off	-16			✓
	-93	Total Street Cleansing & Grounds Underspend		-119		
0		Public Conveniences (annual budget £0.2m)				
		Others less than 100k: one off	-9			✓
	0	Total Public Conveniences Forecast Underspend		-9		
122		Public Protection (annual budget £6.2m)				
170		Accommodation - works in progress. Carry forward 05/06 rejected	122			✓
-103		Emergency Service Unit - loss of Whitefriars income	170			✓
		Bereavement Services - Re-phasing of planned cemetery infrastructure improvements	-103			✓
-121		Others less than 100k: one off	74			✓
	68	Total Public Protection Overspend		263		
0		Catering (annual budget £0.1m)				
		Others less than 100k: one off	135			✓
	0	Total Catering Overspend		135		
	114	Total City Services Overspend Carried Forward		38		

City Services Appendix 1.3.2

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
78	114	Total City Services Overspend Brought Forward <u>Building Cleaning (annual budget £0.1m)</u> Others less than 100k: on going	141	38		✓
91	78	Total Building Cleaning Overspend <u>Stores (annual budget £0.0m)</u> Others less than 100k: one off	-76	141	✓	
-347 131	91	Total Stores Underspend <u>Fleet and Workshops (annual budget £0.3m)</u> Vehicles - purchase rather than lease Others less than 100k: one off	-347 203	-76	✓ ✓	
132	-216	Total Fleet and Workshops Underspend <u>Directorate and Divisional Management & Support (annual budget £0.0m)</u> Others less than 100k: one off	-23	-144	✓	
	132	Total Directorate and Divisional Management & Support Underspend		-23		
	199	Total City Services Directorate Underspend		-64		

Children and Young People Appendix 1.4.1

Children and Young People are showing an outturn position of £0.2m overspend

Period 8 Variation		Description	Out-turn Variation		one off	on going
£000	£000		£000	£000		
		<u>Schools Block</u>				
		<u>Staffing Cover including Maternity (annual budget £0.26m)</u>				
150		The unpredictable nature of this budget makes it difficult to accurately predict spend in this area. This is being managed within the Dedicated Schools Grant.	171			✓
		<u>Extra District Placements (annual budget £0.24m)</u>				
-106		Additional income following increase in recoupment rates.	-169			✓
		<u>Out of City Placements (annual budget £3.8m)</u>				
73		Increase in overall number of new BESD placements resulting in more out of city placements as there is no remaining in city provision available.	160			✓
		<u>Hospital Education Service (annual budget £0.26m)</u>				
20		Extra district income received in 2006/07 which relates to 2005/06.	-100		✓	
		<u>Tile Hill Pupil Referral Unit (annual budget £0.34m)</u>				
-18		Staff vacancies and an increase in income generated.	-177		✓	
		<u>Centre 4 Pupil Referral Unit (annual budget £1.12m)</u>				
-38		Posts in new structure not yet recruited to.	-252		✓	
		<u>Autism (annual budget £0.1m)</u>				
0		Provision has taken longer to establish than originally planned. Set up costs will still need to be found in 2007/08.	-100		✓	
		<u>Extra District Placements - Contingency</u>				
0		It has not been necessary to draw on this provision in 2006/07.	-167		✓	
		<u>MGSS (annual budget £1.6m)</u>				
0		Funding is for new arrivals in schools - demand levels and timing of claims from schools are difficult to predict.	-130		✓	
		<u>Dedicated Schools Grant</u>				
0		Over allocation	145		✓	
-9		Others less than £100k : one off	-561		✓	
77		Others less than £100k : on going	55			✓
	149	Total Schools Block Out-turn		-1,125		
	-149	Contribution to \ from reserves (Central Schools Reserve)		1,125		
	0	Net Schools Block Out-turn		0		
		<u>Children's Services - LEA Block</u>				
		<u>Home to School Transport (annual budget £2.0m)</u>				
338		Ongoing arrangements for SEN pupils requiring transport from various points across the City (e.g. Woodfield School) and the need to use taxis rather than minibuses for EBD pupils whose behaviour requires individual transport arrangements.	253			✓
		<u>Transition Implementation Group (annual budget £0.36m)</u>				
-200		Balance of £361k PPR funding awarded in 2005 to support the Transition arrangements for Children, Learning & Young People's Directorate. Costs expected to be incurred over a period of 2 years in total, and unused funding in 2006/07 is the subject of a carry forward request.	-223		✓	
	138	Children's Service - LEA block forecast overspend Carried Forward		30		

Children and Young People Appendix 1.4.2

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
	138	Children's Services - LEA block forecast overspend Brought Forward		30		
		<u>Schools ICT Running Costs (annual budget £0.44m)</u>				
-116		Schools Broadband costs resourced at £191k per year ongoing but of which only part has been utilised in 2006/07.	-154		✓	
		<u>Wraparound (annual budget £0.36m)</u>				
-80		Increased income generation by schools.	-104			✓
		<u>Youth Service Management & Admin (annual budget £0.3m)</u>				
60		Cost of back-pay and increased PCT salary costs, plus storm damage to furnishings & equipment at Broad Street, Freehold Street and Wood End Adventure playground. Overspend due to non-receipt of anticipated LEGI and LSC funding.	150		✓	
-230		Others less than £100k: one off	-190		✓	
31		Others less than £100k: on going	-29			✓
	-197	Total LEA Block Outturn Forecast Underspend		-297		
		<u>Children's Services - Children's Social Care</u>				
		<u>Placements - Local Authority Fostering (annual budget £6.6m)</u>				
-286		Delay in the implementation of increased levels of fees to 'Friends and Family' carers, lower than anticipated cost of Residence Order Allowances and Fostering Allowances, fluctuations in the number of children looked after during the year and staff vacancies arising late in the year which will not be filled until next financial year.	-332		✓	
		<u>Placements - Adoption Services (annual budget £1.3m)</u>				
41		Increase in the level of income received from other authorities, combined with a reduction in costs related to 2 adoptions which have been delayed and will not now happen until after 31 March 2007.	-118		✓	
		<u>Transporting Children (annual budget £0.4m)</u>				
377		An increase in the number of children being transported and the overall number of trips made, has contributed to the overspend in 2006/07. However, work on the management information provided by City Services is still being undertaken to establish whether there are any other significant contributing factors.	555			✓
		<u>Families without access to benefits (annual budget £0.1m)</u>				
199		Support to families not granted permission to remain in the country	199			✓
		<u>Head of Group (annual budget £0.36m)</u>				
234		Anticipated £103k saving from deletion of Service Manager post and administration support delayed pending completion of Directorate restructure plus increasing cost of legal support .	277			✓
		<u>Social Work and Family Support Teams (annual budget £5.5m)</u>				
-144		Ongoing recruitment difficulties being experienced locally are a reflection of a national shortage of suitably qualified Social Workers. An overseas recruitment campaign to try and address this problem, has just been approved by Cabinet Member.	-354		✓	
0		Others less than £100k: one off	-14		✓	
354		Others less than £100k: on going	9			✓
	775	Total Children's Social Care Out-turn		222		
	578	Total Children, Learning & Young People's Directorate Outturn		-75		
	-38	Contribution to/from reserves		223		
	540	Net Children, Learning & Young People's Directorate Outturn		148		

Community Services Appendix 1.5.1

Community Services are showing an outturn position of £1.0m underspend

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
-50		<u>Admin Section (annual budget £0.9m)</u> Others less than £100k: one off	-76		✓	
	-50	Total Policy & Performance underspend		-76		
-36		<u>Departmental (annual budget £8.6m)</u> Others less than £100k: one off	-54		✓	
	-36	Total Departmental Underspend		-54		
-136		<u>Older People (annual budget £34.7m)</u> Commissioning, Intermediate Care & Domiciliary Care – underspend due to efficiencies gained through effective commissioning and redesign work, improved value for money & improved management of the market	-414			✓
0		Residential - staff vacancies covered by use of agency staff and overtime.	183		✓	
-367		Others less than £100k: one off	-719		✓	
	-503	Total Older People Underspend		-950		
402		<u>Adults (annual budget £28.8m)</u> <u>Includes Performance Improvement team and EDU</u> <u>Learning Disabilities:</u> Community Purchasing (net budget £10,583k): This variation is largely due to additional placements, including the transfer of social care for some children to adults services. A CSCI ruling to deregister 5 homes, and reduce residential costs in the City has also been delayed.	371			✓
0		<u>Employee Development Unit: (net budget £1,259k)</u> This variation is largely due to ongoing vacancies & recruitment difficulties. Individual Budget and Mental Capacity Act grants applied at year end further increased the underspend.	-246		✓	
0		<u>Quality & Performance: (net budget £422k)</u> Largely due to restructuring which resulted in salary savings.	-107			✓
-332		Others less than £100k: one off	-396		✓	
	70	Total Adults Underspend		-378		
	-519	Total Social Services Underspend Carried Forward		- 1,458		

Community Services Appendix 1.5.2

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
	-519	Total Social Services Underspend Brought Forward Housing Policy and Services(annual budget 3.0m)		-1,458		
		<u>Supporting People – Administration</u>				
-119		Underspend due to salary vacancies. Restructure agreed, but awaiting approval.	-94		✓	
48		Others less than £100k: one off	-27		✓	
	-71	Net Housing Policy and Services Underspend		-121		
		Culture and Leisure				
		<u>Parks Services (Annual Budget £3.2m)</u>				
45		Others less than £100k: one off	58		✓	
14		Others less than £100k: on going	19			✓
	59	Total Parks Service Overspend		77		
		<u>Arts & Heritage Services (Annual Budget £3.9m)</u>				
0		Others less than £100k: one off	-4		✓	
31		Others less than £100k: on going	49			✓
	31	Total Arts & Heritage Services Overspend		45		
		<u>Sports (Annual Budget £2.8m)</u>				
400		Coventry Sports Trust - overspend consisting of a deficit at Ricoh Fitness facility; increase in utilities expenditure; loss of income on closure of Foleshill Sports & Leisure Centre. This was the subject of a Cabinet report dated 20/2/07. The Council continues to work with the Sports Trust and a leisure business consultancy to produce a business plan which ensures that the Trust operates within the agreed budget for 2007/08.	528			✓
11		Others less than £100k: one off	-22		✓	
17		Others less than £100k: on going	27			✓
	428	Total Sports Overspend		533		
		<u>Central Areas (Annual Budget £5.1m)</u>				
9		Others less than £100k: one off	-60		✓	
	9	Total Central Areas Underspend		-60		
	527	Total Culture and Leisure Overspend		595		
		<u>Adult Education and Libraries</u>				
0		Others less than £100k: one off	4		✓	
	0	Total Adult Education and Libraries Overspend		4		
	-63	Total Community Services Underspend		-980		

Finance & ICT Appendix 1.7

Finance & ICT are showing an outturn position of £1.0m overspend

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
		<u>FICT</u>				
885		Savings resulting from Service Redesign is now lower than expected 06/07 due to delays in the programme.	833		✓	
150		Oracle Licences.	70			✓
-102		Benefits savings identified	-102		✓	
300		Benefits subsidy recovery shortfall	1,159			✓
0		Benefits subsidy recovery reduction in bad debt provision	-1,073		✓	
-114		Deferral of FIS upgrade	-114		✓	
113		Serco contract change controls	113			✓
0		Local Tax Court Income Shortfall	177		✓	
132		Discretionary Rate Relief	135			✓
-164		Others less than £100k: one off	-365		✓	
413		Others less than £100k: on going	259			✓
	1,613	Finance & ICT Overspend		1,092		

Legal & Democratic Services Appendix 1.9.1

Legal & Democratic Services are showing an outturn position of £0.1m underspend

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
		<u>Legal and Democratic Services - Departmental Overheads</u>				
40		Others less than £100k: one off	33		✓	
	40	Total Departmental Overheads Overspend		33		
		<u>Legal and Democratic Services - Post and Fastprint</u>				
25		Others less than £100k: one off	31		✓	
	25	Total Post and Fastprint Overspend		31		
		<u>Legal and Democratic Services - Management Team</u>				
-35		Others less than £100k: one off	-35		✓	
	-35	Total Management Team Underspend		-35		
		<u>Legal and Democratic Services - Member Training</u>				
-13		Others less than £100k: one off	-19		✓	
	-13	Total Member Training Underspend		-19		
		<u>Legal and Democratic Services - Land Charges</u>				
-130		Others less than £100k: on going	-175			✓
	-130	Total Land Charges Underspend		-175		
		<u>Legal and Democratic Services - Coroners</u>				
35		Others less than £100k: one off	33		✓	
	35	Total Coroners Overspend		33		
		Legal and Democratic Services - BDM				
-5		Others less than £100k: one off	-14		✓	
	-5	Total BDM Underspend		-14		
		<u>Legal And Democratic Services - Elections</u>				
53		Others less than £100k: one off	32		✓	
	53	Total Elections Overspend		32		
		<u>Legal And Democratic Services - Support to Members</u>				
-10		Others less than £100k: one off	-99		✓	
	-10	Total Support to Members Underspend		-99		
		<u>Legal and Democratic services - Legal Services</u>				
40		Others less than £100k: one off	176		✓	
	40	Total Legal Service Overspend		176		
		<u>Legal and Democratic services - Mayoralty</u>				
0		Others less than £100k: one off	-14		✓	
	0	Total Mayoralty Underspend		-14		
	0	Total Legal and Democratic Services Carried Forward		-51		

Legal & Democratic Services Appendix 1.9.2

Period 8 Variation		Description	Outturn Variation		one off	on going
£000	£000		£000	£000		
	0	Total Legal and Democratic Services Brought Forward		-51		
		<u>Legal and Democratic services - Magistrates</u>				
0		Others less than £100k: one off	-16		✓	
	0	Total Magistrates Underspend		-16		
	0	Net Legal and Democratic Services Directorate Underspend		-67		

Corporate Budgets Appendix 1.11

Contingency & Central budgets are showing an outturn position of £0.2m underspend

Period 8 Variance		Description	Outturn Variance	
£000	£000		£000	£000
		Contingency and Central Budgets		
250		Corporate Review of Administration - These savings have not been achieved through 2006/07 and are now being subsumed within the City Council's Value For Money and future budget setting work in 2007/08.	250	
146		Marketing Services to Maximise Income – this overspend reflects the difficulties reported throughout the year in securing enough appropriate sites to place specially converted lamp columns from which we can sell advertising space.	146	
-1100		Insurance Savings - lower reserve required after the actuarial assessment of the insurance claims fund, giving the surplus of £1.1m.	-1100	
0		Coventry & Solihull Waste Disposal Company (CSWDC) - A reduced Central Budgets underspend as a result of an additional £0.2m cost on the Joint Waste Disposal Account is due to increasing costs of hazardous waste disposal in respect of electrical equipment disposal. However, we do benefit from a low gate fee as the market rate for the services we currently receive from CSWDC is almost twice our current gate fee. The CSWDC is accounted for on a corporate basis.	231	
-200		AMRA – several factors have contributed to the small increase in the AMRA surplus, including marginally higher investment returns on City Council temporary deposits, as a result of rises in the base rate.	-409	
112		Provisions and Other Minor Variations - a combination of our provision for liabilities in response to legal actions being taken against the Council, and other minor variations within central budgets	557	
	-792	Total Contingency & Central Budgets Forecast		-325
	-792	Net Contingency & Central Budgets Forecast		-325

FINAL CAPITAL BUDGET 2006/07

	Capital Budget February Monitoring Report £000s	Approved / Technical Changes Since February £000s	Final Budget 2006/07 £000s
Cabinet Member:			
Children, Learning & Young People	25,637	-280	25,357
City Services	29,943	-55	29,888
Community Services	9,445	128	9,573
Culture, Leisure & Libraries	10,225	-41	10,184
HR, Corporate & Customer Services	7,727	-352	7,375
Neighbourhood, Health & Housing	476	0	476
Urban Regeneration & Regional Planning	28,822	372	29,194
Less 5% Allowance for Rescheduling	-6,418		-6,418
Total	105,857	-228	105,629

The above table shows a total programme reduction of £0.228m. Changes in excess of £50,000 are explained below.

ANALYSIS OF PROGRAMME BUDGET CHANGES

Scheme	Explanation	£000
<u>Children, Learning & Young People</u>		
DfES Formula Capital Allocation	Technical adjustment correcting the budget reported at Quarter 3.	-280
Total - Children, Learning & Young People		-280
<u>City Services</u>		
Integrated Transport	Reclassified as revenue expenditure within existing budget approval.	-61
Miscellaneous	Net Programme Addition	6
Total – City Services		-55
<u>Culture, Leisure & Libraries</u>		
Miscellaneous	Net Programme Reduction	-41
Total – Culture, Leisure & Libraries		-41
<u>Community Services</u>		
Housing Policy Programme	Additional Defective Housing Grant monies have been utilised to target reductions in the waiting list for Disabled Facility grants.	128
Total – Community Services		128
<u>HR, Corporate & Customer Services</u>		
Coventry Direct Phase 2	Reclassified as revenue expenditure within existing budget approval.	-532

Replacement Revenue & Benefits System	Additional grant income provided by the DWP for the extra costs identified by the project manager. A further £187k of funding is due in 2007-08 (Quarterly Review of the Benefit Improvement Plan, Cabinet Member Report 25th April 2007).	180
Total – HR, Corporate & Customer Services		-352
<u>Urban Regeneration & Regional Planning</u>		
Arena Archways and Other	There has been a technical adjustment following a reclassification of spend from revenue to capital (£426k). Also additional ERDF grant and other contributions have been secured for the Archways project (£187k).	613
Primelines	Reclassified as revenue expenditure within existing budget approval.	-316
NDC Capital Development	The Minibus & Study Support projects were added into the NDC Programme late in 2006/07 to replace other NDC projects which were not developing as planned. This action was taken to avoid an overall NDC underspend. Cabinet Report 30 May 06 New Deal for Communities (NDC) Delivery Plan 2006/07	222
North East Regeneration & Riley Square	Reclassified as revenue expenditure within existing budget approval.	-115
Miscellaneous	Net Programme Reduction	-32
Total – Urban Regeneration & Regional Planning		372
Total Programme Changes		-228

CAPITAL OUTTURN 2006/07 – ANALYSIS BY CABINET MEMBER

The final capital outturn for 2006/07 is £105.739m compared to the final budget at outturn of £105.629m.

Cabinet Member Capital Programme	Final Budget 2006/07 £000s	Outturn 2006/07 £000s	Total Variation £000s	Rescheduling Now Reported £000s	Over/Underspend Now Reported £000
Children Learning & Young People	25,357	25,483	126	79	47
City Services	29,888	28,577	-1,311	-1,254	-57
Community Services	9,573	9,703	130	147	-17
Culture, Leisure & Libraries	10,184	7,957	-2,227	-2,215	-12
HR, Corporate & Customer Services	7,375	6,069	-1,306	-1,310	4
Neighbourhood, Health & Housing	476	503	27	62	-35
Urban Regen & Regional Planning	29,194	27,447	-1,747	-2,132	385
Cabinet Member Total	112,047	105,739	-6,308	-6,623	315
5% Allowance for Rescheduling	-6,418		6,418	6,418	
Total (after 5% allowance)	105,629	105,739	110	-205	315

The above table is presented in Directorate format at Appendix 5 below. Rescheduling is further analysed in Appendix 6.

APPENDIX 4

CAPITAL OUTTURN 2006/07 – ANALYSIS BY DIRECTORATE

Directorate Capital Programme	Final Budget 2006/07 £000s	Outturn 2006/07 £000s	Total Variation £000s	Rescheduling Now Reported £000s	Over/Underspend Now Reported £000
Chief Executive	497	528	31	62	-31
Children, Learning & Young People	25,357	25,483	126	79	47
City Development	29,194	27,447	-1,747	-2,132	385
City Services	29,888	28,577	-1,311	-1,254	-57
Community Services	19,757	17,660	-2,097	-2,068	-29
Finance & ICT	7,354	6,044	-1,310	-1,310	0
Directorate Total	112,047	105,739	-6,308	-6,623	315
5% Allowance for Rescheduling	-6,418		6,418	6,418	
Total (after 5% allowance)	105,629	105,739	110	-205	315

ANALYSIS OF RESCHEDULING REPORTED AT OUTTURN

Scheme	Explanation	£000s
<u>Children, Learning & Young People</u>		
Schools Ring-fenced Capital Allocation	Approval to spend the grant is managed throughout the year by the City Council, but as the actual expenditure is not incurred in the accounts until the end of the financial year, it is difficult to predict throughout the year. (DfES grant conditions enables schools to accelerate their annual allocation).	1,132
DfES formula capital allocation	106 jobs were commissioned in this programme, of which some specific jobs e.g. Baginton Fields 'Post 16' is rescheduled due to works being retendered; expenditure on the demolition of the old Deedmore site will be incurred in 2007/08.	-731
Willenhall Community	Better than anticipated progress, following re-organisation of on-site works by the contractors.	337
Computers for Schools	Providing internet connectivity (which has to be part of the package) is complex and is taking longer than anticipated. A fully costed solution is anticipated in the near future and eligible schools will then be able to identify the number of units their share of the grant will buy.	-279
Aldermoor Farm School	Work is progressing well and contractors are ahead of schedule.	181
Southfields Nursery	Delays in the procurement of consultants have delayed the project. An adjustment to the original specification for the internal alterations has been made to support the reconfiguration of the CLYP Social Care team. Works have now been tendered and formal contracts are being exchanged, with a commencement on site due in June.	-150
Moseley School	Work is progressing to agree the disputed final account. These negotiations have prevented the final settlement of the contract in 06/07.	-79
Integrated Children Stivichall	Acquisition of equipment will take place in 2007/08. Planning approval for a new access road was granted later than anticipated. This delay prevented the instruction to the consultants to develop the project in detail and hence the payment of their fees is behind schedule.	-89 -77
Howes School	Drainage works in the main area will be completed in 2007/08.	-67
Charter School	Delays on the Mitchell Avenue traffic calming scheme has led to rescheduling of the final stages of building works.	-60
Surestart	The contractor has claimed for works carried out during construction that are still to be substantiated. This has delayed the programmed spend.	-51
Miscellaneous	Net Accelerated Spend	12
Total - Children, Learning & Young People		79

City Services

Vehicle Replacement Programme	There are three factors that have resulted in the reported slippage.(1) The Accessible buses used by Special Needs Transport have not been replaced as anticipated pending a review of transport requirements by Community Services. (2) The Value For Money review in Childrens' Transport Services has caused a delay in decisions being made regarding Accessible buses currently operated by schools. (3) Following a review of the skip service in 2005, and subsequent management action to reduce the services offered in order to improve the financial performance of the Waste Section, there is currently only a requirement for 3 skips vehicles. Further work on vehicle utilisation is also being carried out that may see this requirement reduce further in favour of more multi-lift vehicles. Therefore the decision has been taken with fleet colleagues to long-term spot hire our skip vehicle requirements. This decision still represents a considerable financial saving to the Authority, but allows managers the flexibility to deploy resource in the most cost effective way.	-1,456
A45/Pickford Way	Following a pedestrian fatality important safety measures had to be implemented at this busy and strategically important location. As such it made sense to accelerate the 2007/08 elements of this scheme whilst traffic management disruption was on-going thereby mitigating the need for secondary closures.	503
Integrated Transport Programme	Balance of 2006/07 Joint Initiatives allocation required to meet spend to be incurred in 2007/08.	-270
Highways Maintenance	This variation has arisen as a result of funding development/design work on schemes due to be started in 2007/08 and preparatory costs incurred on six schemes included in the approved 2007/08 programme.	129
Perceived Safety Schemes	Consultation and maintenance issues have delayed the implementation of some schemes.	-79
Pool Meadow Toilets	Work commenced later than expected due to issues in establishing that the Contractor involved was on the Approved List.	-59
Miscellaneous	Net Rescheduling	-22
Total - City Services		-1,254

Community Services

Housing Policy Programme	Accelerated spend in order to target reductions in the waiting list for Disabled Facility grants, offset by net rescheduling elsewhere in the programme.	256
Minor Adaptations	Due to contractors failing to complete works on time.	-64
Miscellaneous	Net Rescheduling	-45
Total - Community Services		147

Culture, Leisure & Libraries

Herbert Art Gallery & Museum	The construction contract started later than planned due to delays in confirmation of external funding. As the profiling of the spend is loaded towards the later phases of the contract, delays had a disproportionate effect on spending in 2006/07 (monthly payment will increase as the superstructure progresses and specialist trades become involved). Wet weather and technical issues have caused delays in some non-critical areas. Overall the construction remains on schedule to complete by end of February 2008.	-824
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Foleshill Leisure Centre	Problems arose during the tender process caused by a change in arbitration. The work required at Foleshill also changed resulting in a revised tender document.	-678
Belgrade Theatre	The contractor failed to complete the main contract in March. The level of AWM grant released is therefore significantly less than expected (grant is released pro-rata to the value of completed building work).	-397
Play Area Refurbishment	Inclement weather conditions delayed progress on play area works. In addition, one supplier went into liquidation which necessitated the sourcing of alternative equipment. This has been ordered and will be erected once it arrives.	-199
Library Refurbishment	Construction works at Tile Hill were delayed following the unexpected discovery of asbestos, together with unfavourable ground conditions early in 2007 (£133k). Rescheduling at Earlsdon was due to a delay in completing the final account for the building contract (16k).	-149
Sports Centre Repairs	Good progress made on repair works at the Sports Centre.	75
Miscellaneous	Net Rescheduling	-43
Total - Culture, Leisure & Libraries		-2,215
<u>HR, Corporate & Customer Services</u>		
Coventry Direct Ph 2	At quarter 3 the Coventry Direct implementation programme and project activity had been slowed to allow for a review of the programme. As a consequence, £1.8m rescheduling was predicted. More areas of activity were slowed than had been initially anticipated, to allow for a full scale programme review and to give more focus on phase 3 of the programme and realisation of programme benefits. This has resulted in a further £847k being rescheduled into 2007/08.	-847
Replacement HR/ Payroll System	The majority of this rescheduling relates to a delay in the delivery of software elements from the supplier. These are necessary to implement the employee and manager self-service modules fully.	-222
Replacement Revenue & Benefits System	The project was due to be completed by the end of 2006-07 but certain tasks have had to be carried forward to 2007-08. These include further work on system conversion and templating, additional consultancy days required from Academy and additional resources required within Business Recovery to ensure the smooth transition to the new system.	-181
Social Services IT System / Connecting Care	The Connecting Care scheme was on hold whilst decisions were made on the future of the scheme. The project is now moving forward but the delay has meant that expenditure on Children's and Adults' services systems will not be incurred until 2007-08.	-60
Total – HR, Corporate & Customer Services		-1,310
<u>Neighbourhood, Health & Housing</u>		
John White Community Centre	Rescheduling of retention monies and loan facility reported at Q3 is no longer required; this acceleration reinstates the programme to outturn spending.	77
Miscellaneous	Net Rescheduling	-15
Total – Neighbourhood, Health & Housing		62

Urban Regeneration & Regional Planning

Primelines	Spend on Real Time Information equipment rescheduled to 2007/08 due to the legal aspects of procurement at Centro.	-740
Commercial Property Repairs & Maintenance	The programme was not formerly approved by CM until August 2006 owing to the need to develop and finalise individual project briefs making up the programme. The approved programme exceeded the contract value for the council's term contractor resulting in longer lead in times. The inability to recruit to vacant posts in Building & Consultancy Services has also been a contributing factor.	-452
Refurbish Council House Data Centre	Work will be completed in 2007/08 as tenders had not been returned until December 2006.	-270
Stoney Stanton Corridor 2	Delays to construction works caused by utility diversions. The work will be completed in 2007/08.	-182
Canley Regeneration	Due to delays in the consultation and approval process.	-168
Binley Spur	Work is still outstanding on 2 bus stops on this route which will not be completed until 2007/08. The overall cost of this scheme is now forecast to be less than originally anticipated. Discussions are taking place with CENTRO to reallocate the remaining grant to other eligible schemes in 2007/08.	-141
North East Regen and Riley Square	Protracted negotiations with the developer.	-139
Access for Disabled People	Due to longer than expected consultation and deliberation over the precise works to be undertaken. Best value is a prime consideration and the Council wishes to undertake the works that will have the most impact on accessibility for the maximum number of users.	-127
NDC Capital Development	Some projects previously programmed to be delivered in future years have been brought forward to 2006/07, for example the purchase of St Patricks Community Centre Site to build a Business Enterprise and Youth Centre to replace the current facility at Eburne, and the Old Presbytery, Henley Green, currently derelict it will be renovated back to residential use by local trainees as part of a 'Building Training Project'.	124
Stoke Aldermoor Regeneration	The infrastructure works started on site one month later than planned due to the developing scope of some elements of the works that are dependant on external agencies. These works, which consist of a number of smaller elements, are on track for the original completion dates.	-122
Far Gosford St Regeneration	Good progress made by the contractor has accelerated spending on this scheme.	93
Electrical Wiring	Acceleration of upgrade works to corporate buildings.	91
Central Repairs Fund	Good progress on procurement, combined with favourable weather, has resulted in an acceleration of schemes.	90
Swanswell	The relocation of tenants in the industrial units was delayed. This caused a 4 week delay in the City Council taking occupation and carrying out asbestos surveys.	-78
Central Accommodation	Refurbishment projects at Broadgate and Casseldon House are funded by accelerating spend from the 2007/08 Central Repairs Fund programme.	53
Miscellaneous	Net Rescheduling	-164
Total – Urban Regeneration & Regional Planning		-2,132
CABINET MEMBER RESCHEDULING		-6,623
5% Allowance for Rescheduling		6,418
NET RESCHEDULING AFTER TAKING ACCOUNT OF 5% ALLOWANCE		-205

UNDER/OVERSPENDS REPORTED AT OUTTURN

Scheme	Explanation	£000s
<u>Children, Learning & Young People</u>		
Schools Leasing Programme	Acquisition of leased equipment is managed by schools and therefore difficult to predict the level of spend.	61
Miscellaneous	Net Underspend	-14
Total – Children, Learning & Young People		47
<u>City Services</u>		
Integrated Transport Programme	£173,000 Highways Agency Grant could not be utilised. A further balance of £21,000 relates to S106 monies not required in 2006/07 re: Kenilworth Rd/Beechwood Ave Highways Efficiency Scheme. An overspending of £24,000 has been funded from revenue.	-170
Carriageway Maintenance	To ensure the maximisation of LTP resources additional revenue funded spend was incurred on structural repairs in relation to the Ring Road.	62
Miscellaneous	Net Overspend	51
Total – City Services		-57
<u>Community Services</u>		
Miscellaneous	Net Underspend	-17
Total - Community Services		-17
<u>Culture, Leisure & Libraries</u>		
Miscellaneous	Net Underspend	-12
Total – Culture, Leisure & Libraries		-12
<u>HR, Corporate & Customer Services</u>		
Miscellaneous	Net Overspend	4
Total – HR, Corporate & Customer Services		4
<u>Neighbourhood, Health & Housing</u>		
Miscellaneous	Net Underspend	-35
Total – Neighbourhood, Health & Housing		-35
<u>Urban Regeneration & Regional Planning</u>		
Arena Archways	Problems in agreeing the design and method statements with Network Rail and significant flooding in the culvert and obstructions and contamination in the ground. This has caused delays and hence increased the costs for the project. A separate report to explain the overall costs of the scheme is planned.	412
Miscellaneous	Net Underspend	-27
Total – Urban Regeneration & Regional Planning		385
Total Overspend		315

Prudential Indicators

REF (para)	Budget 06/07 £000's	Actual 06/07 £000's
35-	Ratio of financing costs to net revenue stream:	
38	(a) General Fund financing costs	
	23,969	23,985
	(b) General Fund net revenue stream	
	232,991	232,991
	General Fund Percentage	
	10.29	10.29
45	Net borrowing and the capital financing requirement:	
	gross borrowing	
		345,418
	less investments (see para 88 definition)	
		55,086
	less transferred debt reimbursed by others (para 93)	
		22,423
	= net borrowing	
		267,909
	Capital Financing Requirement in Yr 3 (net borrowing must not exceed)	
		362,220
	Capital Expenditure	
51	General Fund	
	103,723	104,892
	Capital Financing Requirement (CFR)	
53 & 57	Capital Financing Requirement	
	357,044	354,842
59	Authorised limit for external debt	
	Authorised limit for borrowing	
	398,873	398,873
	+ authorised limit for other long term liabilities	
	0	0
	= authorised limit for debt	
	398,873	398,873
60	Operational boundary for external debt	
	Operational boundary for borrowing	
	368,873	368,873
	+ Operational boundary for other long term liabilities	
	0	0
	= Operational boundary for external debt	
	368,873	368,873
64	Actual external debt	
	actual borrowing at 31 March 2007	
		322,995
	+ actual other long term liabilities at 31 March	
		0
	= actual external debt at 31 March 2007	
		322,995
	Interest rate exposures	
67-	upper limit on fixed rate exposures	
	110%	85%
73	upper limit on variable rate exposures	
	30%	15%
74	Maturity structure of borrowing - limits	
	under 12 months	
	0% to 15%	0%
	12 months to within 24 months	
	0% to 10%	0%
	24 months to within 5 years	
	0% to 20%	1%
	5 years to within 10years	
	0% to 30%	5%
	10 years & above	
	40% to 100%	94%
77	investments longer than 364 days	
	upper limit :	
	£40m	£2.3m

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Unaudited
**Statement
of Accounts**

2006/2007



Coventry City Council

Contents

	Page No.
1. Explanatory foreword	1
2. An overview of the Council's financial performance 2006/07	3
1. Revenue	3
2. Balances and Reserves	3
3. Capital	4
4. FRS 17	4
5. Changes in Accounting Policies	5
6. Arena	5
7. Change in basis of government support for schools	6
8. 2007/08 Budgets	6
3. Statement of responsibilities	7
1. Coventry Council's responsibilities	7
2. The Director of Finance and ICT's responsibilities	7
3. Certification of the accounts	7
4. Statement on system of internal control	8
1. Scope of responsibility	8
2. The purpose of the system of internal control	8
3. The internal control environment	8
4. Review of effectiveness	10
5. Significant internal control issues	10
 Main financial statements	
A. Income & Expenditure account	13
B. Statement of movement on the General Fund Balances	14
C. Statement of total recognised gains and losses	15
D. Balance sheet	16
E. The Council's cashflow statement	18
Notes to the main financial statements	
1. Prior Period Adjustments	19
2. Trading account summary	20
3. Expenditure incurred under S 137 – Local Government Act 1972	20
4. Audit Note	20
5. Expenditure in accordance with S 5 (i) – Local Government Act 1986	21
6. Officers' emoluments	21
7. Local Authority (Goods & Services) Act 1970	21
8. Business Improvement District	22
9. Private finance initiative commitments	22
10. Related party transactions	24
11. Building regulations charging account	24
12. Pooled budgets	25
13. Pension costs	25
14. FRS17 – retirement benefits	26
15. Net additional amount required to be credited to the General Fund balance for the year	31
16. Fixed assets	32

Continued overleaf >>

Contents - continued**Page No.**

17. Revaluation of fixed assets	33
18. Summary of capital expenditure and sources of finance	34
19. Deferred charges	34
20. Capital Commitments	35
21. Movement in intangible assets	35
22. Analysis of fixed assets	36
23. Leased assets	37
24. Associated company interests & holdings	38
25. Financial instruments	41
26. Long term investments	42
27. Long term debtors	42
28. Debtors	43
29. Creditors	43
30. Provisions	44
31. Government grant deferred account	44
32. Long term loans	45
33. Movement on reserves	45
34. Contingent liabilities	46
35. Other funds	47
36. Reconciliation of income & expenditure account to cash flow	47
37. Movement in cash & cash equivalents	47
38. Analysis of Revenue Grants	48
39. Analysis of Capital Grants	48
40. Landfill Allowances Trading Scheme	49
41. Reconciliation of Finance and Liquid Resources	49
42. Post Balance Sheet Events	49
43. Analysis of Net Assets Employed	49
44. Disclosure of Deployment of Dedicated Schools Grant	50

Additional financial statements

A. Collection fund	51
1. Income & expenditure account	52
2. Income from business rates	52
3. Calculation of the council tax base	52
4. Provisions and write offs	53
B. Group accounts	54
1. Group Income & Expenditure Account	55
2. Reconciliation of the single entity deficit to group deficit	56
3. Statement of total recognised gains and losses	56
4. Group Balance Sheet	57
5. Group cash flow statement	59
Notes to the main financial statements	
1. Prior Period Adjustments	60
2. Extraordinary Items	60
3. Analysis of net assets employed	60

Continued overleaf >>

Contents – continued

	Page No.
4. Movement on reserves	60
5. Joint Venture disclosure	61
6. Additional Information	63
7. Cash flow statement disclosure	63
Statement of accounting policies	64
1. General	64
2. Changes in accounting policies	64
3. Accruals of Income and Expenditure	64
4. Provisions	65
5. Reserves	65
6. Intangible Fixed Assets	65
7. Tangible Fixed Assets	65
8. Charges to Revenue for Fixed Assets	67
9. Repurchase of borrowing	67
10. Government grants	67
11. Deferred charges	67
12. Value Added Tax (VAT)	67
13. Investments	68
14. Leases	68
15. Stocks & Work in Progress	68
16. Pensions & FRS17 – retirement schemes	68
17. Professional and Other Support Services	69
18. Long term PFI	70
19. Group accounts	70
Glossary of terms	71
Audit certificate	73

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 2006/2007

Explanation of the statements

This statement of accounts summarises the City Council's finances for the financial year 2006/2007 (1st April 2006 to 31st March 2007).

The statement includes the following information:

- The Income & Expenditure Account

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of resources used and generated over the last twelve months.

- The Statement of Movement on the General Fund Balance

This statement shows how the deficit on the Council's Income and Expenditure Account for the year reconciles to the surplus / deficit for the year on the General Fund.

- Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year.

- The Balance Sheet

This statement is a snap shot of the Council's financial position as at 31st March 2007. 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 Cash Flow Statement

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

- The Collection Fund

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 2006/2007. 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 ventures (the Coventry and Solihull Waste Disposal Company and the Arena Company Ltd).

- 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 2006/07

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 the General Fund budget of £233.7 million for the 2006/2007 financial year. This is compared to the outturn below:

	Budget £m	Outturn £m	Difference £m
Net Cost of Services	233.7	232.9	(0.8)
Income Government Grants & Local Tax Payers	(233.7)	(233.7)	0.0
(Surplus) \ Deficit for the year	0	(0.8)	(0.8)

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

Explanation of Variance:	£m
An overspend within Finance & ICT, City Development and Children and Young People which was due to a variety of factors including a delay in the implementation of the savings programme for Coventry Direct, shortfall in income and additional demands on services.	1.6
Lower costs on support services, such as personnel and legal support.	(1.1)
Additional income and reduced costs across Community Services, City Services and Central Budgets	(1.3)
(Surplus) \ Deficit for the year	(0.8)

2. Balances and Reserves

Overall during 2006/2007 there was a net contribution from revenue reserves and balances of £20.0m. The balance on reserves at 31st March 2007 was £41.7m. Of this, £3.4m is earmarked to support capital programme commitments and associated expenditure proposals.

3. Capital

The original capital budget for 2006/07 was £119.8m. During the year there has been a net reduction to the programme of £16.3m resulting in a final revised budget for the year of £103.5m.

	£m
Revised Budget	103.5
Capital Spending	104.9
Variance	1.4

This variance comprises net accelerated spending of 1.2m into 2006/07 and a net overspending of £0.2m.

	£m
Urban Regeneration & Regional Planning , including City Centre and other regeneration schemes.	27.4
Children, Learning & Young People , including schools projects and other children's services.	25.2
City Services , including maintenance of roads and bridges.	28.0
Culture, Leisure & Libraries , including investment in museums, parks and library refurbishments.	8.0
Community Services , including social housing grants and private sector renewal schemes and adult services.	9.7
Other Services	6.6
Total Expenditure	104.9

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 in 2004/05. The effects of FRS 17 are shown within the Income & Expenditure Account and 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 13 and 14 (pages 25 & 26).

5. Changes in Accounting Policies

In the 2006/07 Statement of Accounts, the council has adopted the following new accounting policies:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

The accounting policies have been adopted to comply with both the 2006 CIPFA \LASAAC SORP and UK GAAP. The 2005/06 primary financial statements have been restated in line with the new policies to provide a comparison for 2006/07. The effect of this prior period adjustment on the results of the preceding period reduces the net operating expenditure by £4.1m, but has no overall effect on the General Fund deficit brought forward at the start of 2006/07. For the current reporting period the changes in accounting policies has reduced the net operating expenditure by £2m.

The 2006 SORP accounting requirements that have their origin in statute and non-statutory proper practices are now disclosed in accordance with UK GAAP as reserve movements. This means that the statement of performance that has replaced the Consolidated Revenue Account now only includes income and expenditure and has consequently been renamed the Income and Expenditure Account. Also in light of the replacement of the Consolidated Revenue Account the Consolidated Balance Sheet has been renamed as the Balance Sheet.

A new statement has been included immediately following the Income and Expenditure Account the purpose of which is to show the movement on the General Fund Balance in the year. The new note to the accounts explains the significance of the movement in the General Fund Balance for local taxation and the resources available to fund an authority's services.

In accordance with FRS 3 Reporting Financial Performance all gains and losses are now included in a Statement of Total Recognised Gains and Losses. This has replaced the Statement of Movement on Reserves.

The 2005/06 primary financial statements have been restated in line with the new requirements to provide a comparison for 2006/07. These changes have no effect on the General Fund deficit brought forward at the start of 2006/07.

6. 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 Council's interests in the Arena are held in the following 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.

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.

Arena Coventry (2006) Ltd

Arena Coventry (2006) Ltd is a new wholly owned subsidiary of ACL.

2006/07 Transactions

On 2 June 2006 CNR assigned its interest in the 50 year headlease from the Council together with the benefit of the occupational sublease between CNR and ACL to a new wholly owned subsidiary of ACL, ACL (2006) Limited, for £21m. On the same day CNR purchased development land from ACL for £1.25m who in turn sold the land to CCC for £1.25m.

CNR repaid the balance (£20.663m) of the £21m loan from the Council (used by CNR to fund construction costs). This capital receipt was used, in line with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, to reduce the Council's long term borrowing requirement.

CNR have provided additional time limited cashflow assistance to ACL at a commercial rate of interest. An amount of £0.442m has been provided during the year ended 31st March 2007 and this has in turn been funded by cashflow assistance from the Council at a commercial rate of interest. The cumulative assistance provided now amounts to £1m. CNR has agreed a repayment schedule with ACL and the Council.

During the year to 31 March 2007, CNR repaid revenue contributions (£0.053m) to CCC due to a surplus of turnover generated during the year. The Council provided the balance of capital contributions to fund construction costs of the Arena (£0.041m). At the time of paying the capital contributions, 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 in relation to the cumulative capital contributions has been deferred to the forthcoming financial year when the final construction costs are ascertained and the resultant capital requirements are finalised.

7. Change in basis of government support for schools

For 2006/07, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the Council's overall Revenue Support Grant. In 2006/07, the Council has received a specific grant – the Dedicated Schools Grant. £170.6m has therefore been credited against the Education service outturn in the Income and Expenditure Account that would have previously have been treated as part of the Revenue Support Grant in corporate income. The difference between 2006/07 figures and comparative figures for 2005/06 for these two lines is substantially explained by this change.

8. 2007/08 Budgets

The Council set its revenue & capital budgets for 2007/08 on the 20th February 2007. Funding of the approved revenue budgets and the capital programme is as follows:

Revenue	£m
Revenue Support Grant (RSG)	134.1
Council Tax	106.0
Total Revenue Budget	240.1

Capital	£m
Borrowing	19.8
Grants and Contributions	36.0
Capital Receipts	23.4
Total Capital Programme	79.2

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 2007).

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 2007 and its income and expenditure for the year ended 31st March 2007, and that the accounts are authorised for issue.

C West, CPFA
Acting Director of Finance and ICT
20th June 2007

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's policies, aims and objectives.

The internal control system has operated throughout the year ended 31st March 2007 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 over arching 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 2006-07.

Coventry's second Community Plan published in July 2004 and setting out strategic aims reflecting both national and local priorities, was revised in January 2006 to incorporate the Local Area Agreement. 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 Local Area Agreement is an agreement between central and local government to deliver both central and local priorities and a vehicle for allocating area based funding.

The Council recognises that it cannot deliver the aims of the Community 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 a commitment to deliver the Community Plan.

The Corporate Plan sets 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 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.

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.
- 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.

In addition, the Council's Group Accounts include four separate companies detailed below.

Coventry and Solihull Waste Disposal Company is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between Coventry and Solihull. The Company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2006, did not highlight any significant concerns.

North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. The Directors of the Company are also senior officers of Coventry City Council. The Company has appointed PricewaterhouseCoopers as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2006. Its purpose is to hold shares in the following companies.

Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company has been the construction of the Ricoh Arena. The Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has appointed

PricewaterhouseCoopers as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2006.

Arena Coventry Limited (ACL) is a joint venture between NCH Limited and Football Investors Limited (a company owned by the Alan Edward Higgs Charity). The Company is engaged in the management of the Ricoh Arena. Arrangements for the governance of the Company are set out in the Articles and Memorandum of Association of the Company and also the joint venture agreement between the Council and the Company. The Company has appointed Deloitte & Touche as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st May 2006.

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.
- The Internal Audit Service operates to a risk based audit plan, which is approved by Scrutiny Board 1 – Audit Sub Group annually. An annual report is also produced and presented to that Group. The report identifies those control issues, which in the opinion of the Internal Audit Manager, should be considered when producing the Statement on Internal Control.
- A review of the effectiveness of the Council's system of Internal Audit.
- The work plan and reports submitted to Scrutiny Board 1 – Audit Sub Group.
- Reports from the external auditors. The Annual Audit and Inspection letter for 2005-06 covers all the work of the Audit Commission, including the results of the Housing Inspection. This report provides an overall summary of the Audit Commission's assessment of the Council.
- Confirmation by signatories to the Statement - We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Scrutiny Board, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 regular review by the Council's Management Board, Cabinet and Audit Sub Group. Work is continuing 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 in line with the Medium Term Financial Strategy.
- b) Working closely with partners and Government on developing a new style Local Area Agreement.

- c) To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.
- d) The Council's approach to delivering improved value for money is derived from its Value for Money Strategy which was approved in 2006. The Council has developed a Value for Money self-assessment to assist the preparation of its service plans in 2007/08, and contribute to the embedding of value for money principles in its ongoing service activities. The Council will continue to develop the implementation of the Strategy with the key aim of linking together finance, performance and risk management.
- e) To further roll out embedded procedures in relation to certain areas of grants to ensure robust information and audit trails exist to support grant claims submitted by the Council.
- f) The need for systems / processes to be developed by the Council to ensure that all Coventry Schools comply with the Financial Management Standard in Schools by March 2010.
- g) To enhance the adequacy of the internal control framework to ensure that risks associated with the security and administration of the Council's IT Systems are effectively managed.
- h) To enhance monitoring procedures in place to support the Council's (including Coventry schools) recruitment process to ensure that all appropriate pre-employment checks are completed prior to employees commencing work.

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
14th June 2007

COUNCILLOR KEN TAYLOR
Leader of the Council
14th June 2007

I certify that the Statement of Accounts has been approved by Coventry Metropolitan Borough Council at its meeting on 26th June 2007. Signed on behalf of Coventry City Council:

COUNCILLOR DAVE BATTEN
Lord Mayor
26th June 2007

Main financial statements

A. Income & Expenditure account

2005/2006 Restated Net Expenditure £000	Spending by Service	2006/2007		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
18,414	Central services to the public*	48,502	(33,478)	15,024
(391)	Courts	1	(374)	(373)
59,011	Cultural, environmental and planning services	103,408	(46,409)	56,999
198,657	Education services	304,040	(271,266)	32,774
3,193	Highways, roads and transport services	22,330	(10,673)	11,657
8,043	Housing services	114,687	(107,120)	7,567
105,005	Social services	136,478	(28,028)	108,450
1,627	Non-distributed costs	3,150	-	3,150
9,815	Corporate and democratic core	10,322	-	10,322
403,374	Net Cost of Services	742,918	(497,348)	245,570
	Other Operating Expenditure			
(4,857)	External investment income			(4,439)
(29)	(Profit) \ loss on disposal of Fixed Assets			65
15,853	Interest payable & similar charges			16,977
7,389	Pension interest cost and return on assets			3,363
14,873	Levy payments to other bodies			15,201
1,693	Net (Surplus)/Deficit from trading operations			25
(977)	Dividends & interest receivable			(1,032)
35	Contribution of housing capital receipts to Government Pool			17
6	Precepts of local precepting authorities			5
437,360	Net Operating Expenditure			275,752
	Income from Government Grants and Local Taxpayers			
(97,493)	Net precept demanded from Collection Fund			(101,989)
(1,448)	Collection Fund surplus			(1,529)
(101,638)	Contribution from Non-domestic rate pool			(109,149)
(181,711)	Revenue support grant**			(27,244)
(382,290)	Total Income from Government Grants and Local Taxpayers			(239,911)
55,070	(Surplus) or Deficit for the year transferred to working balance			35,841

* PFI Grant of £1.873 million and Business Growth Incentive Scheme Grant of £1.004 million is included within the Central Services to the Public figure for 2005/06.

**This figure includes PFI Grant of £1.873 million and Business Growth Incentive Scheme Grant of £4.299 million in 2006/07. In addition, £170.6m in 2006/07 has been credited against Education Services due to changes in the funding of schools.

B. Statement of movement on the General Fund Balance

The income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main difference being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06 £000	Statement of movement on the General Fund Balance	2006/07 £000
55,070	(Surplus) / Deficit for year on the Income & Expenditure account	35,841
(51,185)	Net additional amount required by statute and non-statutory proper practices to be debited / credited to the General Fund Balance for the year. (see note 15 for further details)	(36,572)
3,885	(Increase) or decrease in the General Fund Balance for the year	(731)
(15,023)	General Fund balance brought forward	(11,138)
3,885	(Increase) / decrease in the General Fund Balance for the year	(731)
0	Other net transfers from the General Fund Reserve	1,803
(11,138)	General Fund balance carried forward	(10,066)

C. Statement of total recognised gains and losses

This statement brings together all the gains and losses of the Council for the year. The gain on revaluation of fixed assets (mostly land and buildings) and actuarial loss on pension assets and liabilities represents gains and losses from re-measuring (broadly revaluing) certain assets and liabilities to current value at the balance sheet date and do not contribute to the resources that can be used to fund the Council's Services.

2005/06 £000	Statement of total recognised gains and losses	2006/07 £000
55,070	Deficit on the Income & Expenditure account	35,841
(93,247)	(Gains) \ loss arising on revaluation of fixed assets	(50,297)
(9,576)	Actuarial (gain) \ loss on pension fund assets and liabilities	(49,381)
7,304	Any other (gains) / losses required to be included	768
(40,449)	Total recognised (gains) and losses for the year	(63,069)

The movement on the Collection Fund balance has been included within the other gains \ losses to maintain its statutory ring fence in the balance sheet as opposed to disaggregating the balance between resources available to the Council and those available to precepting authorities.

The effect of the prior period adjustments on the results of the preceding period has no overall effect on the General Fund deficit brought forward.

D. Balance sheet

This statement summarises the council's financial position as at 31 March 2007. It shows the balances and reserves at the council's disposal, fixed assets and current assets employed in operation and the council's long term borrowing position.

Restated as at 31st March 2006 £000	Balance Sheet	As at 31st March 2007		Notes
		£000	£000	
	ASSETS			
9	Intangible Assets		1,015	21
	Tangible Fixed Assets			
	Operational Assets			16
584,990	- Other land and buildings	606,738		
8,931	- Vehicles, plant & equipment	10,932		
169,309	- Infrastructure assets	203,608		
6,528	- Community assets	7,446	828,724	
	Non-Operational Assets			16
198,521	- Investment properties	222,029		
39,090	- Surplus Properties	33,492		
321	- Other	465		
32,773	- Under construction	50,520	306,506	
21,819	Long Term Investments	21,819		26
8,815	Long Term Debtors	6,994		27
1,600	PFI Prepayments	1,952		27
2,179	Deferred Premiums on early repayment of debt	2,071	32,836	
1,074,885	TOTAL LONG TERM ASSETS		1,169,081	
	CURRENT ASSETS			
837	Stocks and Work in Progress	693		
66,726	Short term investments	54,324		
96,200	Short term debtors	76,580		28
(10,028)	Provision for doubtful debt	(10,920)		30
19,914	Prepayments	21,041		28
11,564	Cash	10,740	152,458	
185,213				
	CURRENT LIABILITIES			
(26,168)	Temporary borrowing	(26,536)		
(65,794)	Creditors	(69,975)		29
(24,872)	Receipts in advance	(26,334)		29
(12,363)	Cash overdrawn	(14,156)	(137,001)	
(129,197)				
1,130,901	TOTAL ASSETS LESS CURRENT LIABILITIES		1,184,538	

D. Balance sheet (Continued)

Restated as at 31st March 2006 £000	Balance Sheet	As at 31st March 2007		Notes
		£000	£000	
1,130,901	TOTAL ASSETS LESS CURRENT LIABILITIES (brought forward)	1,184,538		
	LONG TERM LIABILITIES			
(312,732)	Long Term Loans	(318,881)		32
(258)	Deferred discounts on early repayment of debt	(220)		
(14,392)	Other provisions	(14,581)		30
(254,564)	Liability related to Pension scheme	(213,407)		
(124,503)	Government grants deferred	(149,928)	(697,017)	31
424,452	TOTAL ASSETS LESS LIABILITIES	487,521		
	EQUITY			
(313,668)	Fixed Asset Restatement Account	(353,923)		33
(298,069)	Capital Financing Account	(304,702)		33
254,565	Pension Reserve	213,407		33
(3,814)	Unapplied Capital Receipts	-		33
(1,770)	Collection Fund Balance	(636)		33
(61,696)	Specific Reserves	(41,667)		33
(424,452)	TOTAL EQUITY	(487,521)		

E. The Council's cashflow statement

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

2005/2006 £m	Cashflow Statement	2006/2007 £m	
	REVENUE ACTIVITIES		
	Cash Outflows		
336.9	Cash paid to and on behalf of employees	346.5	
232.7	Other operating cash payments	281.9	
74.8	Housing benefit paid out	81.9	
92.4	NNDR payments to National pool	96.2	
10.7	Precepts to joint authorities	11.3	817.8
747.5			
	Cash Inflows		
(86.3)	Council Tax receipts	(90.4)	
(101.6)	Non-domestic rate receipts	(109.1)	
(92.4)	NNDR receipts from National pool	(96.2)	
(181.7)	Revenue Support Grant	(21.1)	
(98.2)	DSS Grant for rebates	(106.0)	
(115.2)	Other Government grants	(299.6)	
(93.1)	Cash received for goods & services	(108.2)	(830.6)
(768.5)			
	SERVICING OF FINANCE		
	Cash Outflows		
16.0	Interest paid	16.4	
	Premium on loans repaid		
	Cash Inflows		
(4.9)	Interest received	(5.4)	
11.1			11.0
(9.9)	Revenue Activities Net Cashflow		(1.8)
	CAPITAL ACTIVITIES		
	Cash Outflows		
84.2	Purchase of fixed assets	83.3	
15.1	Deferred charges	14.6	
7.7	Intangible assets	7.9	105.8
107.0			
	Cash Inflows		
(16.2)	Sale of fixed assets	(12.0)	
(26.5)	Grant Received	(42.6)	
(7.1)	Other receipts	(27.8)	(82.4)
(49.8)			
47.3	Net cash flow before financing		21.6
	MANAGEMENT OF LIQUID RESOURCES		
21.7	Liquid Resources		(12.4)
	FINANCING		
	Cash Outflows		
18.4	Repayments of amounts borrowed		74.1
	Cash Inflows		
(77.0)	New loans raised		(3.1)
(6.1)	Short term loans		(77.6)
4.3	(Increase) / Decrease in cash		2.6

Notes to the main financial statements

1. Prior Period Adjustments

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.
- Other adjustments include the transfer of £12.9m impairment charges. These costs arise when an asset is judged to have lost value. These costs were originally shown in Cultural, Environmental and Planning Services and are now shown in the service line headed ' Non-Distributed Costs'. Further adjustments for a £4.1m capital receipt now showing as income, and £1.2m other adjustments now showing in individual services rather than the Asset Management Revenue Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

Spending by Service	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of capital financing charges £000	Relocation of government grants deferred credits £000	Recognition of gains & losses on disposal of fixed assets £000	Housing capital receipt £000	Other minor adj. £000	2005/06 comparatives in Income and Expenditure Account £000
Central services to the public	18,670	(793)				537	18,414
Courts	(377)		(14)				(391)
Cultural, environmental and planning services	75,157	(2,194)	(1,279)			(12,673)	59,011
Education services	213,254	(14,598)					198,657
Highways, roads and transport services	18,585	(15,456)	(322)			386	3,193
Housing services	12,119	(9)			(4,068)	1	8,043
Social services	106,091	(1,071)	(21)			6	105,005
Non- distributed costs	(11,302)					12,929	1,627
Impact on Net Cost of Services	442,012	(34,121)	(1,636)	-	(4,068)	1,186	403,374
Loss on the disposal of fixed assets	-			(29)			(29)
Asset management revenue account (Interest payable and similar charges in 2006/07)	(18,718)	34,121	1,636			(1,186)	15,853
Impact on Net Operating Expenditure	441,457	-	-	(29)	(4,068)	-	437,360

The effect of this prior period adjustment on the results of the preceding period reduces the net operating expenditure by £4.1m, but has no overall effect on the General Fund deficit brought forward.

2. 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 Income & Expenditure 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 Income & Expenditure Account.

2005/2006 (Surplus)/ Deficit before Reserve Movement £000		2006/2007		
		Expenditure	Income	(Surplus)/ Deficit before Reserve Movement £000
		£000	£000	
208	Building Cleaning	4,996	(4,728)	268
361	Building Services	6,124	(6,348)	(224)
589	Catering Services	7,149	(6,306)	843
139	Commercial Waste Services	2,157	(2,851)	(694)
11	Ground Services	3,476	(3,359)	117
56	Fleet & Workshops	6,460	(6,570)	(110)
329	Stores	123	(298)	(175)
1,693	(Surplus) / Deficit from Trading Operations	30,485	(30,460)	25

3. Expenditure incurred under S137 – Local Government Act 1972

Section 137 of the Local Government Act 1972 (as amended) empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the UK and mayoral appeals. In 2006/2007 the City Council incurred £3,555 expenditure. (£4,000 2005/2006).

4. Audit note

In 2006/07 Coventry Council incurred the following fees relating to external audit and inspection:

2005/2006 £000		2006/2007 £000
270	Fees payable to the external auditors in respect of statutory external audit services	435
86	Fees payable to the Audit Commission in respect of statutory inspection	41
187	Fees payable to the external auditors in respect of the certification of Grant claims and returns	179
6	Fees payable in respect of other services provided by the external auditors	2
549		657

5. 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 Income & Expenditure Account. Expenditure incurred during 2006/2007 is summarised below:

2005/2006 £000	Publicity	2006/2007 £000
1,597	Recruitment advertising	1,411
2,429	Other advertising / publicity	2,502
4,026	Total	3,913

6. Officers' emoluments

The City Council is required to disclose the number of employees whose remuneration during 2006/2007 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:

2005/2006		Remuneration Band - £	2006/2007	
Staff employed by Schools	Other Staff		Staff employed by Schools	Other Staff
47	32	£50,000 - £59,999	55	42
12	15	£60,000 - £69,999	13	15
4	10	£70,000 - £79,999	7	12
3	1	£80,000 - £89,999	1	3
0	2	£90,000 - £99,999	2	2
0	2	£100,000 - £109,999	0	1
0	0	£110,000 - £119,999	0	0
0	0	£120,000 - £129,999	0	0
0	0	£130,000 - £139,999	0	1
0	1	£140,000 - £149,999	0	0
66	63	Total	78	76

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 2006/2007 income received was £5.9 million (£4.7 million 2005/2006) and related expenditure was £5.5 million (£4.4 million 2005/2006). 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 Income & Expenditure Account.

8. Business Improvement District (BID)

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		2006/2007	
		£000	£000
(283)	BID levy income		(286)
20	Costs of collecting levy	9	
252	Payment to CVone	282	
11	Increased provision for bad debts	6	
283	Total Expenditure		297
0	Deficit for the year		11

9. Private finance initiative commitments

Caludon Castle School PFI Contract

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 contractor started on site in December 2004 and the first phase of the school opened in 2005/06. The remainder of the school was completed during 2006/07 and all external works are programmed to be completed during 2007/08.

The Council was awarded a PFI credit of £24.300m, which is forecast to generate grants of £56.300m over the same period. (An additional allocation of PFI credits (£2.475m) has been agreed in principle by DfES for a purpose built, stand-alone multi-agency centre at the school. Financial close for this element of the scheme is expected to be during 2007/08.)

In 2006/07 expenditure on unitary charge payments to the contractor was £3.2m.

The forecast payments the Council will make under the contract are as follows:

	£'000s
2007/08 – 2011/12	15,426
2012/13 – 2016/17	14,927
2017/18 – 2021/22	14,822
2022/23 – 2026/27	15,084
2027/28 – 2031/32	15,700
2032/33 – 2034/35	9,021
Total	84,980

The payments to the contractor are calculated using an assumed rate of inflation. The actual payments will be dependent on actual inflation and/or penalty deductions applied in respect of under performance and non availability.

At the end of the contract (December 2034), the facilities and sites will transfer back to the Council at nil consideration. This has been accounted for by identifying the element of the contract payments which notionally relate to their acquisition and treating it as a prepayment, creating a long term debtor which is built up over the life of the contract. The total value of the assets the Council will receive at the end of the contract on a depreciated replacement cost basis is estimated to be £7.665m at current prices. This figure has been depreciated on a straight line basis and used to estimate the notional prepayment value in the unitary charge (2006/07: £0.264m). This amount will be recalculated in future years to reflect any inflation and other factors in line with the five year rolling programme of asset revaluations.

During 2005/06 a prepayment was made to the contractor. This is amortised to the revenue account over the life of the contract (2006/07: £0.022m).

New Homes for Old PFI Contract

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 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 first of the units is expected to be operational from July 2007 with the remaining units by the end of the financial year. No payments have been made to the contractor during 2006/07.

The Council was awarded a PFI credit of £21.647m, which is forecast to generate grants of £43.548m over the same period.

The forecast payments the Council will make under the contract are as follows:

	£'000s
2007/08	2,302
2008/09 – 2012/13	30,190
2013/14 – 2017/18	35,056
2018/19 – 2022/23	40,860
2023/24 – 2027/28	47,793
2028/29 – 2032/33	47,116
Total	203,317

The payments to the contractor are calculated using an assumed rate of inflation. The actual payments will be dependent on actual inflation and/or penalty deductions applied in respect of under performance and non availability.

At the end of the contract (June 2032), the facilities and sites will transfer back to the Council at nil consideration. When unitary charge payments begin to be made this will be accounted for by identifying the element of the contract payments which notionally relate to their acquisition and treating it as a prepayment, creating a long term debtor which is built up over the life of the contract. The total value of the assets the Council will receive at the end of the contract on a depreciated replacement cost basis is estimated to be £12.988m at current prices. This figure will be depreciated on a straight line basis to estimate the notional annual prepayment value in the unitary charge and will be adjusted for inflation and other factors as part of the five year rolling programme of asset revaluations.

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 2006/2007 transactions were as follows:

2005/2006 £000		2006/2007 £000
851	Members Allowances paid	876
7,199	Precepts West Midlands Police	7,613
3,545	West Midlands Fire	3,755
14,783	Passenger Transport Levy	15,108
90	National Rivers Authority Levy	93
12,358	Companies and Joint Ventures Coventry North Regeneration Ltd	(19,269)
6,636	Coventry and Solihull Waste Disposal Company (via Solihull MBC)	7,147

Members of the Council have control over the Council's financial and operating policies. During 2006/07 two disabled facilities grants totalling £14,827 were made to a company in which one member had an interest.

Central Government has control over the general operations of the Council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of transactions that the Council has with other parties. Details of transactions with government departments are set out in notes 38 and 39 (page 48).

11. 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.

	2004/2005 £000	2005/2006 £000	2006/2007 £000	Total £000
Expenditure	751	706	739	2,196
Income	(813)	(711)	(683)	(2,207)
Surplus	(62)	(5)	56	(11)

12. 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 2006/07 gross income and expenditure is set out below.

2005/2006 £		2006/2007 £
505,672	Income	
152,707	PCT	141,720
169,586	Coventry City Council	548,613
	Government Grants	169,586
827,965	Total Income	859,919
827,965	Gross Expenditure	859,919

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 2006/07 gross income and expenditure is set out below.

2005/2006 £		2006/2007 £
262,000	Income	
0	PCT	299,321
	Coventry City Council	0
262,000	Total Income	299,321
196,702	Gross Expenditure	293,057
65,298	PCT to carry forward unspent to 2007/08	6,264

13. Pension costs

Figures in brackets relate to 2005/2006.

a) Non Teaching Staff

In 2006/2007 the City Council paid an employer's contribution of £17,527,827 (£15,185,571 in 2005/06) representing 13.8% 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 2006/2007, this amounted to £1,919,157 (£1,908,420 in 2005/06), representing 1.6% of employees' pensionable pay.

Further details on pension liabilities are provided in note 14.

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 2006/2007 the City Council paid £14,063,053 (£13,575,298 in 2005/2006) to the Department for Education and Skills for teachers' pension costs, which represents 13.5% of pensionable pay (14.1% with effect from 1st January 2007). 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 2006/2007 these amounted to £2,362,852 (£2,208,427 in 2005/2006), representing 2.2% of pensionable pay.

The Scheme is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by local education authorities. However it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts, it is therefore accounted for on the basis as a defined contribution scheme.

14. 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 2007 the value of assets and liabilities for pensions included in the balance sheet are:

LGPS	Teachers	Total 31 st March 2006		LGPS	Teachers	Total 31 st March 2007
£m	£m	£m		£m	£m	£m
628.5	Nil	628.5	Market Value of Assets	674.1	Nil	674.1
(852.2)	(30.9)	(883.1)	Liabilities	(857.5)	(30)	(887.5)
(223.7)	(30.9)	(254.6)	Surplus(Deficit)	(183.4)	(30)	(213.4)

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

LGPS 2005/06	Teachers 2005/06		LGPS 2006/07	Teachers 2006/07
£m	£m		£m	£m
(236.5)	(29.6)	04/05 Deficit b/fwd	(223.7)	(30.9)
(21.3)	0.0	Current Service Cost	(25.4)	0.0
17.1	2.2	Employer Contributions	19.4	2.4
11.9	(0.6)	Past Service Gain (Cost)	(0.3)	(0.9)
34.1	0.0	Return on Assets	40.0	0.0
(40.0)	(1.5)	Interest on Pension Liabilities	(41.9)	(1.4)
11.0	(1.4)	Actuarial Gain/(Loss)	48.5	0.8
(223.7)	(30.9)	Deficit	(183.4)	(30)

The liabilities show the underlying commitments that the authority has in the long term to repay retirement benefits. The total liability has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

The deficit on the local government scheme will be made good by increased contributions over the working life of the employees, as assessed by the scheme's actuary.

Finance is only required to be raised to cover teacher's pensions when the pensions are actually paid.

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

In 2006/07 there was an increase in the real discount rate during the year (as measured by the yields on corporate bonds and index-linked gilts, as required by FRS17). The real discount rate at the start of the year was 2.0% (actual corporate bond yield of 4.9% less 2.9% inflation assumption) whereas at the end of the year it was 2.3% (actual corporate bond yield 5.4% less 3.1% inflation assumption).

The typical effect of this change in assumptions was a reduction of around 5-7% in the year end liabilities which is reflected in the Actuarial Gain figure of £49m.

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

LGPS 2005/06	Teachers 2005/06		LGPS 2006/07	Teachers 2006/07
£m	£m		£m	£m
(21.3)	0.0	Net Cost of Services	(25.4)	0.0
11.9	(0.6)	Current Service Cost	(0.3)	(0.9)
		Past Service Gain (Cost)		
		Net Operating Expenditure		
34.1		Return on Assets	40	
(40.0)	(1.5)	Interest on Pension Liabilities	(41.9)	(1.4)
(15.3)	(2.1)	Net charge to Income & Expenditure Account	(27.6)	(2.3)
		<u>Statement of movement in the General Fund Balance</u>		
15.3	2.1	Reversal of net charges made for retirement benefits in accordance with FRS 17	27.6	2.3
		<u>Actual amount charged against the General Fund Balance for pensions in the year</u>		
17.1		Employers contributions payable to scheme	19.4	
	2.2	Retirement benefits payable to pensioners		2.4

The provisions of LGPS were changed 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.

First year experience of the take up rate has varied across the membership of the West Midlands Local Authority Pension Scheme and in fact, on average, it has turned out to be a little lower than the assumed 50% rate. However, the actuary, having considered the position proposes that the 50% assumption be retained for the time being on the basis that experience is still emerging and it is too early to judge whether the recent experience is a reliable indication of the long term. The longer term experience will be affected by other factors, including introduction of the revised LGPS from April 2008. Also, lowering the 50% the assumption would have a relatively minor effect on the liabilities.

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.

Mortality tables may ultimately not make sufficient provision for future longevity and the actuary may well be recommending the use of lighter mortality rates at their next review which is due to take

place this year. Following the review, there is a potential for an increase in liabilities and service costs as a result of lighter mortality rates.

The main assumptions used in the actuarial calculation are:

	31 st March 2006	31 st March 2007
Rate of inflation	2.9%	3.8%
Rate of increase in salaries	4.55%	4.85%
Rate of increase in pensions	2.9%	3.1%
Discount rate	4.9%	5.4%

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

	31 st March 2006		31 st March 2007	
	£m	%	£m	%
Equities	484.0	77%	482.0	71.5%
Government Bonds	50.3	8%	56.6	8.4%
Other Bonds	31.4	5%	26.3	3.9%
Property	44.0	7%	51.2	7.6%
Cash / Liquidity	18.8	3%	7.4	1.1%
Other			50.6	7.5%
Total	628.5		674.1	

The expected rate of return on these assets is:

	31 st March 2006	31 st March 2007
Equities	7.0%	7.5%
Government bonds	4.3%	4.7%
Other bonds	4.9%	5.4%
Property	6.0%	6.5%
Cash / Liquidity	4.5%	5.25%
Other	N/A	7.5%

The actuarial gains / losses identified as movements in the pension reserve in 2006/07 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2007. Previous years figures are shown for comparison purposes.

LGPS Table

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain / (Loss)	(153,838)	41.8%	51,566	11.7%	19,495	3.9%	93,256	14.8%	6,068	0.9%
Liability Gain / (Loss)	0	-	0	-	21,591	2.9%	(16,454)	1.9%	0	-
Change in the demographic & financial assumptions used to estimate liabilities	0	-	0	-	(123,998)	16.8%	(65,814)	7.7%	42,465	5%
Net Gain / (Loss)	(153,838)	27.9%	51,566	8.8%	(82,912)	11.2%	10,988	1.3%	48,533	5.7%

Teachers Table

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain / (Loss)	(153,838)	41.8%	51,566	11.7%	-	-	-	-	-	-
Liability Gain / (Loss)	-	-	-	-	45	0.2%	-	-	-	-
Change in the demographic & financial assumptions used to estimate liabilities	-	-	-	-	(2,990)	10.1%	(1,416)	4.6%	848	2.8%
Net Gain / (Loss)	(153,838)	27.9%	51,566	8.8%	(2,945)	9.9%	(1,416)	4.6%	848	2.8%

15. Net additional amount required to be credited to the General Fund balance for the year.

2005/2006 £000		2006/2007	
		£000	£000
	Amounts included in the Income and Expenditure Accounts but required by statute to be excluded when determining the General Fund surplus or deficit for the year		
(37,137)	Depreciation and impairment of fixed assets	(28,751)	
1,635	Government Grants Deferred written down in the year matching depreciation and impairments	2,878	
(18,296)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute e.g. acquisition of software and housing improvement and adaptation grants	(10,154)	
4,097	Capital Receipts * \ loss on asset disposal	2,010	
1,968	Amount by which pension costs are different from the contributions due under the pension scheme regulations	(8,234)	
(47,733)	Other		(42,251)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the General Fund Balance for the year		
7,774	Statutory provision for repayment for debt	11,219	
0	Capital expenditure charged to revenue	1,616	
(35)	Transfer from usable capital receipts equal to the contribution to housing pooled capital receipts	(17)	
7,739			12,818
	Transfers to or from the General Fund that are required by statute to be taken into account when determining the General Fund surplus or deficit for the year		
(11,191)	Transfers made at the discretion of the Council to or from reserves that have been earmarked for specific purpose	(7,139)	
(11,191)			(7,139)
(51,185)	Amount by which the surplus on the General Fund for the year was greater than the Income and Expenditure Account result for the year		(36,572)

*Capital receipts includes any profit and loss on the sale of fixed assets and capital income arising from the Councils share of Whitefriars Housing Association right to buy capital receipts which is including in the net cost of services (Housing Services).

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 31/03/06	24,193	171	7,462	947	0	32,773
Additions during the year to assets under construction	24,589	28	6,938	497	0	32,052
Movement of assets under construction to assets completed in the year	(7,789)	(171)	(5,876)	(469)	0	(14,305)
Value of assets under construction as at 31/03/07	40,993	28	8,524	975	0	50,520
Gross book value as at 31/03/06	640,356	11,824	199,795	6,528	237,932	1,096,435
Cumulative depreciation	(55,366)	(2,893)	(30,486)	0	0	(88,745)
Net book value as at 31/03/06	584,990	8,931	169,309	6,528	237,932	1,007,690
Restatements	(3,021)				(70)	(3,091)
Additions during the year	16,111	4,194	39,394	918	4,899	65,516
Disposals during the year	0	(66)			(9,977)	(10,043)
Revaluations	28,292				25,097	53,389
Impairment	(8,632)				(1,895)	(10,527)
Depreciation for year	(11,002)	(2,127)	(5,095)			(18,224)
Net Book Value as at 31/03/07	606,738	10,932	203,608	7,446	255,986	1,084,710

Revaluations: Fixed Assets were initially valued at 31st March 1994 and are subject to a 5 year rolling programme of revaluation. Valuations have been undertaken by qualified City Council staff in accordance with the "RICS Appraisal and Valuation Manual". The following measurement bases were used for the relevant fixed asset classification:

- Investment properties and assets surplus to requirements – net realisable value.
- Other land and buildings – either of net current replacement cost or net realisable value in existing use.
- Vehicles, plant & equipment, Infrastructure assets and community assets – depreciated historical cost.

Revaluations have been carried out in 2006/07 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.

A charge is made to the income and expenditure accounts of services to write down the value of assets over their expected life (depreciation). 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 e.g. parks as these assets have an indeterminable useful life and any depreciation on these assets is considered immaterial.

17. Revaluation of fixed assets

The following statement shows the total value of the revaluations carried out in the financial years 2002/03 to 2006/07. The valuations were carried out by Mr A. Jack MRICS, from the Corporate Property Division – City Development Directorate. The basis for valuation is set out in the statement of accounting policies.

Year of revaluation	Revaluation of Other Land and Buildings £000	Revaluation of Non- Operational Assets £000	Total Value of Revaluations £000
Valued at historical cost	0	0	0
Valued at current value in:			
2002/03	39,395	31,277	70,672
2003/04	69,720	1,354	71,074
2004/05	84,388	6,680	91,068
2005/06	19,037	72,382	91,419
2006/07	28,292	25,097	53,389
Total	240,832	136,790	377,622

18. Summary of capital expenditure and sources of finance

The table below shows how capital expenditure in 2006/2007 has been financed:

2005/2006 £000		2006/2007 £000
69,496	Operational Assets	78,364
3,722	Non-operational Assets	4,899
8,154	Intangible Assets	7,031
13,363	Deferred Charges	14,018
12,185	Debtors	580
106,920	Total	104,892
	Paid for (Financed by):	
44,047	Borrowing	33,140
29,520	Grants and other contributions received or due	37,927
33,353	Proceeds of asset sales and other capital receipts	18,587
0	Use of revenue monies	15,238
106,920	Total	104,892

19. 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	2005/06 £000	2006/07 £000
Expenditure and Restatements:		
Capital contribution to Coventry North Regeneration Limited	1,139	42
Housing improvement and adaptation grants	4,540	4,584
Grants to community / regeneration schemes	3,519	3,543
Information Technology	0	25
Local Authority social housing grant schemes	1,975	4,368
Voluntary aided schools	139	34
Other	2,051	1,422
Total	13,363	14,018
Amount written off to revenue	(13,363)	(14,018)

20. Capital commitments

The City Council has an approved capital programme for 2007/08 of £79.2m and a provisional programme of £59.7m for 2008/09 and £20.4m for 2009/10. The following are significant legally committed to finish schemes already started on 31st March 2007:

Significant Capital Commitments 2006/2007	Outstanding Commitment £000	Contract Value £000	Date for Completion
Herbert Art Gallery and Museum Phase 2	9,139	11,006	29/02/08
Replacement of Aldermoor Farm Primary School	3,748	4,913	30/11/07
Redevelopment of Tile Hill Library	1,251	1,557	21/09/07
Far Gosford Street Regeneration	463	1,084	02/05/07
Willenhall Community School Development	297	4,197	15/06/07
Jardine Crescent Phase 2 Improvement Works	138	233	01/04/07
Coundon Court School & Community College 6 th Form Centre and Performing Arts Facility (Retention)	126	3,945	11/02/07
Radford Common Play Area (Final Payment Due)	101	172	31/03/07
	15,263	27,107	

21. Movement in intangible assets 2006/07

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.

Movement	Purchased Software Licences £000	Licences, Trademarks And artistic Originals £000	Patents £000	Total £000
Original Cost	11,260	0	0	11,260
Amortisation to 1 st April 2006	(11,251)	0	0	(11,251)
Balance to 1st April 2006	9	0	0	9
Expenditure in year	7,031	0	0	7,031
Written off to revenue in year	(6,025)	0	0	(6,025)
Balance as at 31st March 2007	1,015	0	0	1,015

22. Analysis of fixed assets

The City Council owned the following assets at 31st March 2007:

	31 st March 2006	31 st March 2007	
Land & Buildings			
Schools (of which 26 part owned – voluntary aided)	114	114	
Youth & Community Centres, Play Schemes	13	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	50	48	
Refuse disposal facility	1	1	
Depots, workshops etc.	2	1	
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
Allotment sites	43	43	
Golf course & driving range	1	1	
Libraries	10	10	
Art galleries & museums	5	5	
Museum collections	3	3	
Tourist Information Centre	1	0	
Play centres	2	2	
Pupil Referral Unit	0	1	
Coombe Country Park Visitors Centre	1	1	
Investment Properties	716	704	Buildings
Commercial Property			
Office space used by the Council's staff	28,799	29,604	sq m
Infrastructure			
Roads	847.3	849.4	km
Street lights	33,787	34,067	
Traffic Lights & Pelican Crossings	239	246	
Footbridges	105	105	
Road Bridges	228	223	
Car park spaces	4,635	4,635	
Vehicles			
Vehicles (Owned and leased)	560	664	

23. 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 SORP requires charges to be made evenly throughout the period of the lease. The Council also owns a number of properties that it leases to generate income. The table below sets out the rentals paid and received included in the Income and Expenditure Account.

Land & Buildings 2005/2006 £000	Other 2005/2006 £000		Land & Buildings 2006/2007 £000	Other 2006/2007 £000
		Rentals Paid		
713	3,907	Total Operating lease rentals paid	761	3,680
0	0	Total finance lease rentals paid	0	0
		Rentals Receivable		
15,246	1	Total operating lease rentals receivable	15,694	0
0	2	Total finance lease rentals receivable	0	0

The City Council was committed at 31 March 2007 to making payments of £7.03m. under operating leases comprising the following elements:

	Land & Buildings £000	Other £000
Leases expiring 2006/07	1	1,218
Leases expiring between 2007/08 and 2010/11	197	4,571
Leases expiring after 2010/11	565	477

The gross value of assets held by the Council in its property portfolio for use in operating leases is £14,422,237 (valued at the 31 March 2006 and subject to £16,544 depreciation to 31st March 2007).

24. 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 26.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p>Birmingham Airport Holdings Limited</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</p> <p>£2.2m subordinated loan stock was repaid to Coventry City Council during 2006/07.</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2006</p> <p>254,400</p> <p>29,188</p> <p>19,458</p>	<p>31 March 2007 Draft</p> <p>Not available</p>
<p>Coventry Solihull Waste Disposal Company (CSWDC) Limited</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.</p> <p>The company owes £0.4m (as at 31/3/07) to the City Council relating to a shareholder loan. The loans are secured by way of an unlimited debenture and first charge over the Company's undertakings, property and assets.</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit \ (loss) after taxation</p>	<p>31 March 2006</p> <p>(2,588)</p> <p>52</p> <p>(10)</p>	<p>31 March 2007 Draft</p> <p>(1,611)</p> <p>1,531</p> <p>977</p>
<p>Coventry Venture Capital Limited</p> <p>The company has an investment in a property on the University of Warwick Science Park.</p> <p>The Council holds ; 5,000 preferred ordinary shares (17.53%)</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2006</p> <p>265</p> <p>13</p> <p>16</p>	<p>31 March 2007</p> <p>Not Available</p>

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p>University of Warwick Science Park Business Innovation Centre Limited</p> <p>This company was established by 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 515</p> <p>Loss before Taxation 0</p> <p>Loss after Taxation 0</p>	<p>30 Sept 2005 restated</p>	<p>30 Sept 2006</p> <p>480</p> <p>(31)</p> <p>(31)</p>
<p>University of Warwick Science Park Limited</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 12,483</p> <p>Profit before taxation 237</p> <p>Profit after taxation 16</p>	<p>30 Sept 2005 restated</p>	<p>30 Sept 2006</p> <p>12,681</p> <p>337</p> <p>198</p>
<p>The Arena</p> <p>North Coventry Holdings Limited</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) & 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 0</p> <p>Loss before taxation (30,000)</p> <p>Loss after taxation (30,000)</p>	<p>31 March 2006</p>	<p>31 March 2007 Draft</p> <p>0</p> <p>0</p> <p>0</p>

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p>The Arena (continued)</p> <p>Coventry North Regeneration Limited</p> <p>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 was to build the Coventry Arena. The 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.</p> <p>Post completion, the Company's principal activity is landlord of the Arena.</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 0</p> <p>Profit before taxation (1,139)</p> <p>Profit after taxation (1,139)</p>	<p>31 March 2006</p>	<p>31 March 2007 Draft</p>
<p>Arena Coventry Limited</p> <p>North Coventry Holdings Ltd owns 50% shares in Arena Coventry Ltd (ACL) (value £nil). ACL is the operating company of the Arena and is included within the Council's group accounts as a joint venture.</p>	<p>Net Assets (3,611)</p> <p>Profit before taxation (3,427)</p> <p>Profit after taxation (3,427)</p>	<p>31 May 2006</p>	<p>31 March 2007 Draft Management Accounts</p>
<p>Arena Coventry (2006) Limited</p> <p>ACL owns 100% of shares in a new subsidiary Arena Coventry (2006) Ltd. Arena Coventry (2006) Ltd holds the 50-year headlease from CCC together with the benefit of the occupational sublease.</p> <p>Copies of ACL's and Arena Coventry (2006) Ltd's accounts can be acquired from: Company Secretary Arena Coventry Ltd Ricoh Arena Phoenix Way Foleshill Coventry CV6 6GE</p>	<p>Net Assets N/a</p> <p>Profit before taxation N/a</p> <p>Profit after taxation N/a</p>	<p>31 May 2006</p>	<p>31 May 2007 Draft Management Accounts</p> <p>Consolidated into ACL accounts above.</p>

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

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

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 summarised below:

Financial Instruments	Value of Financial Instruments by Type of Interest Received or Paid		
	Fixed Interest £m	Variable Interest £m	No Interest £m
Assets (including shares and long term loans)	4.3	12.8	10.5
Liabilities (long term loans)	(255.9)	(63.0)	-
Total Value by Type of Interest	(251.6)	(50.2)	10.5

The assets include investments held in companies as set out in notes 24 and 26 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 Income & Expenditure 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 32 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 £334m, reflecting the amount of fixed debt taken out in the past at higher rates of interest.

26. 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 24 Associated company interests and holdings.

2005/2006 £000	Long Term Investments	2006/2007 £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
21,819		21,819

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 £8.9m. 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 it's 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.

27. Long Term Debtors

This note identifies amounts owing to the authority, which are being repaid over various periods longer than one year.

2005/2006 £000	Long Term Debtors	2006/2007 £000
2,186	Birmingham International Airport	0
267	Housing Loans	216
1,311	Science Park Debenture	1,310
1,200	Waste Disposal Company	800
1,066	Binley Innovation Centre	1,066
755	Pathways to Care Loans	615
653	Residential Property Debts	861
558	Coventry North Regeneration Ltd	1,000
376	Mortgages	319
333	Further Education College Debt	267
0	Belgrade Theatre	370
0	Spon End Building Preservation Trust	85
0	John White Community Centre	85
110	Other	0
8,815	Total Long Term Debtors	6,994

2005/2006 £000	PFI Prepayments	2006/2007 £000
1,600	Caludon Castle School PFI Contract	1,952
1,600	Total PFI Prepayments	1,952

28. Debtors

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

Debtors	31 st March 2006 £000	31 st March 2007 £000
Government Departments	22,128	22,419
Other Local Authorities	6,011	5,734
Sundry Debtors	55,083	35,614
Debts relating to local taxation	12,978	12,813
Total Debtors	96,200	76,580
Payments in advance	19,914	21,041

29. Creditors

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

Creditors	31 st March 2006 £000	31 st March 2007 £000
Government Departments	10,800	13,026
Other Local Authorities	5,775	4,652
Sundry Creditors	45,353	49,105
Creditors relating to local taxation	2,249	3,192
Total Creditors	64,177	69,975
Receipts in advance	24,872	26,334

30. 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 2006/2007 is explained below:

	Balance at 1 st April 2006 £000	Movement During year £000	Balance at 31 st March 2007 £000
Self-Insurance, Legal Claims and other provisions note 1)	(14,392)	(189)	(14,581)
Provision for Doubtful Debt (note 2)	(10,028)	(892)	(10,920)
	(24,420)	(1,081)	(25,501)

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. There are two specific areas where existing legal claims against the Council have caused us to set aside financial provisions. These areas are those of Equal Pay Claims and a pending prosecution by the Health and Safety Executive for an accident involving a City Council vehicle. The amounts set aside have not been disclosed because the Council's view is that this could prejudice the outcome of the legal process.
- 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 2007 the main elements of the provision were £4.3m in respect of local taxation (£3.7m in 2005/06) and £4.6m in respect of housing benefit (£4.1m in 2005/06).

31. 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.

	2005/2006 £000	2006/2007 £000
Balance as at 1st April	(101,535)	(124,503)
Grants / contributions re capital expenditure	(29,520)	(37,927)
Government grants written down in year	2,708	2,878
Grants re deferred charges	3,844	9,624
Balance as at 31st March	(124,503)	(149,928)

32. Long term loans

The City Council's long term loans as at 31st March 2007 are detailed below (2005/2006 figures are also shown). The table shows both maturity periods and sources of the loans.

	2005/2006 £000	2006/2007 £000		2005/2006 £000	2006/2007 £000
Repayable in:			Borrowed from:		
1 – 2 years	490	506	Public Works Loans Board	208,279	214,889
2 – 5 years	1,636	2,781	Money Market	70,023	70,000
5 – 10 years	28,357	17,092	Other Local Authorities	22,422	21,984
Over 10 years	282,249	298,502	Members of the Public	4	4
			Stock Issue	12,004	12,004
	312,732	318,881		312,732	318,881

33. Movement on Reserves

This statement shows the movements on the Council's reserves. It distinguishes between movements resulting from the gains and losses for the year and movements resulting from transfers between reserves, most of which the Council is required to make in accordance with statute or non-statutory proper practice.

	Balance as at 1 st April 2006 £000	(Gains) / losses for the year £000	Movement in Reserves £000	Balance as at 31 st March 2007 £000
Fixed Asset Restatement Account	(313,669)	(50,297)	10,043	(353,923)
Capital Financing Account	(298,068)		(6,634)	(304,702)
Usable Capital Receipts Reserve	(3,814)		3,814	0
Pensions Reserve	254,565	(49,381)	8,223	213,407
Management of Capital	(16,962)		13,560	(3,402)
Schools	(9,272)		(1,294)	(10,566)
Insurance Fund	(6,178)		(1,139)	(7,317)
Collection Fund	(1,770)		1,134	(636)
Other Earmarked Reserves	(18,146)		7,830	(10,316)
General Fund Reserves	(11,138)	36,609	(35,537)	(10,066)
Total	(424,452)	(63,069)	0	(487,521)

- **Fixed Asset Restatement Account**

Fixed Asset Restatement Account reflects the disposal and change in value of fixed assets.

- **Capital Financing Account**

The Capital Financing Account primarily relates to the financing of capital expenditure from capital receipts and revenue contributions.

- **Capital Receipts**

The Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years.

- **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 2006/2007 expenditure programmes.

- **Insurance Fund**

The City Council maintains an Insurance Fund to meet potential claims against the Council. At the end of 2006/2007 it totalled £7.3million. 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 £4.5 million, see note 30 to the balance sheet.

The Council now self-funds individual claims up to a maximum 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.

- **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.

- **Schools Reserves**

The balances available to schools are held under delegated schemes. These balances are controlled by school governors and committed to be spent on the education service. These 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 £213.4m at 31st March 2007 (£254.6m as at 31st March 2006). Note 14 to the balance sheet gives more information about this reserve and the impact of FRS 17.

34. 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. We are not able to quantify the value of such claims at this stage.

A contingent liability exists in respect of a compensation claim, which has been made by the Britannia Hotel against the Council, for loss of business resulting from a Compulsory Purchase Order carried out by the Council. Although the claimants are statutorily entitled to compensation, the obligation is not recognised at present, because the amount cannot be measured with sufficient reliability, and to date, no supporting evidence has been provided.

35. 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 2007 was £1.58 million (£1.61 million 2005/2006) on its balance sheet as a creditor. The main funds held relate to:

- (i) Tenants contributions towards essential repair and maintenance of common areas in multi occupied buildings £1,137,101 (£1,101,632 in 2005/2006).
- (ii) Social Services Clients Funds £114,034 (£140,742 in 2005/2006) – Funds held on behalf of Social Services clients.
- (iii) Other funds £329,035 (£374,444 in 2005/06), including bequests/donations for maintenance of gardens, landscape works, Education and Environmental Services and Charity Donations

36. Reconciliation of Income & Expenditure Account to cash flow

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

2005/2006 £m		2006/2007 £m	£m
55.1	General Fund Deficit at 31 st March 2007		35.8
	Less:		
(35.5)	Depreciation	(25.9)	
(0.1)	Deferred charges	(0.1)	
(0.1)	Stocks and work in progress	(0.1)	
(15.5)	Debtors	(6.3)	
(6.4)	Provisions set aside in year	(1.1)	
7.8	Payments in advance	1.1	
(3.9)	Creditors	9.9	
(2.6)	Receipts in advance	(1.4)	
(8.7)	Other movement	(13.7)	
		<u>(13.7)</u>	(37.6)
(9.9)	Net Cash flow from revenue activities		(1.8)

37. Movement in cash & cash equivalents

	As at 31 st March 2006 £m	As at 31 st March 2007 £m	Movement
Cash in hand of officers	11.6	10.7	(0.9)
Cash overdrawn	(12.4)	(14.1)	(1.7)
Decrease in cash and cash equivalents	(0.8)	(3.4)	(2.6)

The Council defines as its liquid resources in the cashflow statement on page 18 as short term deposits with fund managers.

38. Analysis of Revenue Grants

2005/2006 £m	Grant	2006/2007 £m
34.9	DfES	211.9
77.1	Housing Benefit Subsidy	84.9
24.1	Council Tax Benefit Subsidy	24.5
24.2	Learning Skills Council (LSC)	23.5
181.7	Revenue Support Grant	21.0
15.4	Supporting People	15.8
8.6	Regeneration Grants	13.0
29.2	Other Grants	32.0
395.2	Total	426.6

39. Analysis of Capital Grants

2005/2006 £000	Grant	2006/2007 £000
8,287	Other miscellaneous Government Grants	16,846
6,671	Standards Fund (Education)	9,447
5,557	Private Sector / Other miscellaneous contributions	915
2,213	Lottery	3,100
1,924	New Deals for Communities	2,825
1,583	European Regional Development Fund (ERDF)	1,321
1,406	Centro transport grant	2,412
1,288	Disabled Facilities Grants	1,008
591	Neighbourhood Renewal Fund	53
29,520	Total	37,927

40. Landfill Allowance Trading Scheme (LATS)

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS). The scheme commenced operation on 1st April 2005 and allocates tradable landfill allowances to each waste disposal authority, which allow a certain level of landfill to be used. Authorities are permitted to "trade" allowances with other local authorities where they need more or less than their allocation. Authorities are also permitted to carry forward some unused allowances to the following year and to use a proportion of allowances from the next year.

The Council has followed LAAP 64 in accounting for LATS.

In 2006/07 the Council was allocated an allowance of 27,027 tonnes, which has a notional value of £485,945 (£17.98 per tonne). From this, 692 tonnes had been used in 2005/06 and 18,031 tonnes (notional value of £324,203) were used in 2006/07. This leaves a balance of 8,304 tonnes which will be carried forward to 2007/08.

41. Reconciliation of Finance and Liquid Resources

	2005/06 £000	Movement £000	2006/07 £000
Long Term Loans	(312,732)	(6,149)	(318,881)
Temporary Borrowing	(26,168)	(368)	(26,536)
Short Term Investments	66,726	(12,402)	54,324
Total	(272,174)	(18,919)	(291,093)

42. Post Balance Sheet Events

The Statement of Accounts were signed by the Director of Finance and ICT and authorised for issue on the 20th June. Events happening between the balance sheet date and this date are classed as post balance events, which arose due to events happening before the balance sheet date, and have been incorporated into the financial statements.

Any post balance sheet events which arose due to events happening after the 31st March 2007 would be classed as a non- adjusting events, which would require disclosure but would not be included in the financial statements. There have been no such events requiring disclosure since the balance sheet date.

43. Analysis of Net Assets Employed

The Accounting Code of Practice requires disclosure of the authority's overall net asset position with regard to the General Fund and any trading undertakings.

	Restated 2005/06 £000	2006/07 £000
General Fund	425,291	488,610
Trading Operations	(839)	(1,089)
Total	424,452	487,521

44. Disclosure of Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2006/07 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Original grant for schools budget in current year	18,365	152,445	170,810
Adjustment to finalised grant allocation	(145)	(37)	(182)
DSG receivable for the year	18,220	152,408	170,628
Actual expenditure for the year	(17,209)	(151,388)	(168,597)
(Over)/underspend for the year	1,011	1,020	2,031
Planned top-up funding of ISB from Council resources	0	340	340
Top up funding of centrally retained from Council resources	89	0	89
Use of schools balances brought forward	0	0	0
(Over)/underspend from prior year	0	0	0
(Over)/underspend carried forward to 2007/08	1,100	1,360	2,460

Additional financial statements

A. Collection fund

2005/2006 £000		2006/2007	
		£000	£000
	INCOME		
(86,520)	Billed to Council Tax payers	(90,647)	
(23,407)	Council Tax Benefit	(24,063)	
2	Council Tax Transitional Relief	-	
(92,445)	Business Rates Collectable	(96,242)	
(9)	Adjustment of previous years' Community Charges	(4)	
(202,379)	TOTAL INCOME		(210,956)
	EXPENDITURE		
	Precepts:		
97,492	Coventry City Council	101,990	
7,199	West Midlands Police	7,613	
3,545	West Midlands Fire	3,755	113,358
	Distribution of Business Rates collected:		
92,058	Payment to National Pool	95,854	
387	Costs of collection allowance	388	96,242
	Distribution of previous year's Collection Fund surplus / deficit		
1,449	Coventry City Council	1,529	
54	West Midlands Police	112	
26	West Midlands Fire	55	
(1,529)	Less Provision for surplus / deficit distribution	(1,696)	0
200,681	TOTAL EXPENDITURE		209,600
(1,698)	(SURPLUS) / DEFICIT FOR THE YEAR		(1,356)
621	Increase / (Decrease) in Provisions for Possible Non-Payment of Council Tax		793
(1,077)	MOVEMENT ON SURPLUS HOLDING ACCOUNT FOR YEAR		(563)
(2,221)	Total Surplus brought forward at previous year end	(1,769)	
1,529	Less Surplus committed from last year	1,696	
(1,077)	Movement on surplus holding account	(563)	
(1,769)	Balance carried forward at 31st March 2006		(636)
1,696	Surplus already committed in setting the 2007/08 Council Tax		-
(73)	EXCESS (SURPLUS) DEFICIT CARRIED FORWARD TO FOLLOWING YEARS' TAX SETTING		(636)

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 2006-07 was 98.8%. The Government determines the level of rates payable, which was 43.3p per £ of rateable value, (42.2p in 2005/2006). The Valuation Office Agency sets the rateable value of each property and the total was £274,281,109 at 31st March 2007 (£271,666,721 at 31th March 2006). 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 2006/07 totalled £0.6m and the provision for bad and doubtful debts has risen by £0.3million to £1.1 million in 2006/07.

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 98.6%. The total number of dwellings on the valuation list is 128,752 of which 5,526 are exempt. Details of the taxbase calculation are shown in the table below:

Valuation Band	Number of Dwellings subject to tax	Band D Equivalent (after adjustments)
Band A entitled to disabled relief	100	46.2
A	50,487	28,914.5
B	36,947	25,798.3
C	20,366	16,577.2
D	7,977	7,381.4
E	4,000	4,604.7
F	2,050	2,798.9
G	1,208	1,902.9
H	91	167.8
Total	123,226	88,191.9
Estimated eventual collection rate		98.6%
Total Council Tax Base at Band D for 2006/07		86,957.2
Total Council Tax Base at Band D for 2005/06		86,030.9

4. Provisions and write offs

Level of Provisions & Write Offs	Council Tax £000	Business Rates £000	Community Charge £000
Provision brought forward	(2,389)	(769)	(538)
Written off in year	540	640	0
(Increase) / decrease in provision	(793)	(962)	4
Provision Carried Forward	(2,642)	(1,091)	(534)
Net Debtor Carried Forward	10,655	1,623	534

B. Group Accounts

- The accounts have been prepared in accordance with the 2006 SORP and relevant accounting standards. As required by the SORP, and where appropriate the accounts of other group entities have been adjusted to align their accounting policies with the UKGAPP compliant accounts of the Local Authority parent. The SORP requires that where possible the accounts of subsidiaries and joint ventures should be fully audited accounts prior to consolidation. The 2006/07 Group accounts have been prepared using management accounts for Arena Coventry Ltd (ACL) and draft accounts for North Coventry Holdings (NCH), Coventry North Regeneration (CNR) and Coventry Solihull Waste Disposal Company (CSWDC). At the time of completing Coventry City Council's group accounts, fully audited 2006/07 accounts were not available for any of these companies.
- Note 24 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)** and **Arena Coventry Ltd (ACL)** are included as **joint ventures** within the group. The group accounts that follow show the consolidated financial position of the authority and its interest in these four companies.
- This is the third year that Coventry City Council have prepared group accounts. Comparative figures for 2005/06 are restated for accounting policy changes in Coventry City Councils accounts.

1. The Group Income and expenditure account

2005/2006 Restated Net Expenditure £000		2006/2007		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	Spending by Service			
18,414	Central services to the public	48,502	(33,478)	15,024
(391)	Courts and probation	1	(374)	(373)
70,147	Cultural, environmental and planning services	103,500	(46,732)	56,768
198,657	Education Services	304,040	(271,266)	32,774
3,193	Highways, roads and transport services	22,330	(10,673)	11,657
8,043	Housing services	114,687	(107,120)	7,567
105,005	Social services	136,478	(28,028)	108,450
(11,302)	Corporate and democratic core	10,322	0	10,322
9,815	Non-Distributed Costs	3,150	0	3,150
401,581		743,010	(497,671)	245,339
(8,156)	Turnover Joint Venture	0	(11,744)	(11,744)
9,447	Cost of sales JV Joint Venture	10,395		10,395
32,458	Exceptional item (impairment)	(17)		(17)
435,330	Net Cost of Services	753,388	(509,415)	243,973
(29)	Gain or loss on disposal of fixed asset			123
35	Contribution of housing capital receipts			17
6	Precepts of local precepting authorities			5
1,693	Net (surplus) / deficit from trading			25
15,851	Interest payable			16,977
97	Share of interest payable by JV			658
(4,857)	External investment income			(4,439)
331	Dividends & interest			(802)
(171)	Share of interest receivable by JV			(47)
7,389	FRS17 Interest / Return			3,363
219	Share of corporation tax of Joint Venture			313
14,873	Levy payments to other bodies			15,201
(297)	Extra Ordinary Item			(625)
470,470				274,742
0	Minority interest			0
470,470	Net Expenditure			274,742
(97,493)	Net precept demanded from collection fund			(101,989)
(1,448)	Collection fund surplus at 31st March 2006			(1,529)
(101,638)	Contribution from non-domestic rate pool			(109,149)
(181,711)	Revenue Support Grant			(27,244)
(382,290)	Total Income from Government Grants and Local Taxpayers			(239,911)
88,180	(Surplus) / Deficit for the year			34,831

2. Reconciliation of the Single Entry Deficit for the year to the Group Deficit

2005/06 £000		2006/07 £000
55,070	Deficit on the authorities single entity Income & Expenditure account for the year	35,841
(1,139)	Less : subsidiary and associate dividend income and any other distributions from group entities included in the single entity deficit on the Income & Expenditure account	339
53,931	Deficit in the group Income & Expenditure attributable to the Authority Add : (Surplus) / deficit arising from other entities included in the group accounts	36,180
33,109	Subsidiaries	(299)
1,140	Joint Ventures	(1,050)
88,180	Group account deficit for the year	34,831

3. Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Group for the year. The gain on revaluation of fixed assets (mostly land and buildings) and actuarial loss on pension assets and liabilities represents gains and losses from re-measuring (broadly revaluing) certain assets and liabilities to current value at the balance sheet date and do not contribute to the resources that can be used to fund the Council's Services.

2005/06 £000		2006/07		
		Group £000	Joint Ventures £000	Total £000
88,180	Deficit on the Income & Expenditure account for the year	35,881	(1,050)	34,831
(93,247)	Gains arising on revaluation of fixed assets	(50,297)	–	(50,297)
(9,625)	Actuarial loss on pension fund assets and liabilities	(49,381)	57	(49,324)
5,758	Other	(1,245)	582	(663)
(8,934)	Total recognised gains and losses for the year	(65,042)	(411)	(65,453)

The effect of the prior period adjustments on the results of the preceding period has no overall effect on the General Fund deficit brought forward.

4. The Group Balance sheet

This statement summarises the group's financial position as at 31 March 2007. It shows the balances and reserves at the group's disposal, fixed assets and current assets employed in operation and the group's long term borrowing position.

As at 31st March 2006 £000	Group Balance Sheet	As at 31st March 2007 £000		Notes
	ASSETS			
9	Intangible Assets		1,015	
	Tangible Fixed Assets			
	Operational Assets			
584,990	- Other land and buildings	606,738		
8,931	- Vehicles, plant & equipment	10,932		
169,309	- Infrastructure assets	203,609		
6,528	-Community assets	7,446	828,725	
	Non-Operational Assets			
237,932	- Investment properties	255,986		
32,773	- Under construction	50,519	306,505	
10,110	Long Term Investments		11,868	
1,600	Prepayments		1,952	
32,061	Share in gross assets of JV		33,165	
(22,386)	Share in gross liabilities of JV		(25,753)	
8,815	Long Term Debtors		6,994	
2,179	Deferred Premiums & Early Repayment of Debt		2,071	
1,072,851	Total Long Term Assets		1,166,542	
	CURRENT ASSETS			
837	Stock	693		
97,180	Debtors	76,581		
(10,028)	Inc in bad debt provision	(10,920)		
66,726	Short term investments	54,324		
19,914	Payments in advance	21,041		
11,564	Cash	10,740	152,459	
	CURRENT LIABILITIES			
(26,168)	Short term loans	(26,536)		
(65,157)	Creditors	(69,975)		
(27,546)	Receipts in advance	(26,334)		
(12,363)	Bank overdraft	(14,155)	(137,000)	
1,127,810	TOTAL ASSETS LESS CURRENT LIABILITIES		1,182,001	
	LONG TERM LIABILITIES			
(312,731)	Long Term Loans		(318,881)	
(258)	Deferred Credits		(219)	
(124,503)	Government Grants Deferred		(149,928)	
(14,392)	Other provisions		(14,581)	
(254,565)	Pensions liability		(213,407)	
(212)	Grants deferred		-	
(1,617)	Other fund balances		-	
419,532	TOTAL ASSETS LESS LIABILITIES		484,985	

4. The Group Balance sheet (continued)

Restated as at 31st March 2006 £000	Group Balance Sheet (continued)	As at 31st March 2007		Notes
		£000	£000	
	BALANCES AND RESERVES			
(313,668)	Fixed Asset Restatement Account		(353,923)	4
(329,826)	Capital Financing Account		(337,852)	4
254,565	Pension Reserve		213,407	4
(3,814)	Usable capital receipts reserve		-	
(61,697)	Specific Reserves		(41,667)	4
(1,770)	Collection Fund Balance		(636)	4
36,678	Profit & Loss Reserve		35,686	4
(419,532)	GROUP BALANCES AND RESERVES		(484,985)	
-	Minority Interest		-	
(419,532)	TOTAL BALANCES AND RESERVES		(484,985)	

5. The Group Cash Flow Statement

2005/2006 £m	Cashflow Statement	2006/2007 £m
(21.6)	Net Cash Inflows from Revenue Activities	(13.0)
	Dividends from Joint Ventures and Associates	-
	Returns on Investments and Servicing of Finance	
16.0	- Interest paid	16.3
(3.5)	- Interest received	(5.1)
	Taxation	0
(9.1)		(1.8)
	Capital Expenditure and Financial Investment	
87.2	Purchase of fixed assets	84.4
(16.2)	Sale of fixed assets	(33.0)
	Purchase of long term investments	(0.4)
-	Capital grants received	(70.4)
7.7	Deferred charges	15.4
11.3	Intangible assets	7.9
(33.6)	Other capital cash receipts	20.7
	Equity Dividends paid	
	Acquisitions and disposals	
47.3	Net Cash Inflow before financing	22.8
	MANAGEMENT OF LIQUID RESOURCES	
21.7	Liquid resources	(12.4)
	FINANCING	
	Cash Outflows	
18.4	Grants paid	0.4
-	Repayments of amounts borrowed	74.1
	Cash Inflows	
(77.0)	New loans raised	(77.6)
	Capital contributions	(1.6)
(6.1)	Short term loans	(3.1)
4.3	(INCREASE) / DECREASE IN CASH	2.6

Disclosure notes to the Group Accounts

1. Prior Period Adjustments

The 2005/06 Group Income and Expenditure account, Balance Sheet and Statement of Total Gains and Losses have been restated to reflect changes in accounting policy required by the SORP 2006. The effect of this prior period adjustment on the results of the preceding period increases the deficit for the year from £3.885m to £88.18m but has no overall effect on the General Fund deficit brought forward.

2. Extraordinary Items

The £0.625m extraordinary income in ACL relates to income from the sale of development land for a hotel to CNR.

3. Analysis of Net Assets Employed

The Accounting Code of Practice requires disclosure of the authority's overall net asset position with regard to the Group, Joint Ventures and any trading undertakings.

	Restated 2005/06 £000	2006/07 £000
Group	425,079	490,369
Joint Ventures	(4,708)	(4,295)
Trading Operations	(839)	(1,089)
Total	419,532	484,985

4. Movement on Reserves

This statement shows the movements on the Group's reserves. It distinguishes between movements resulting from the gains and losses for the year and movements resulting from transfers between reserves.

	Balance as at 1 st April 2006 £000	(Gains) / losses for the year Group (incl Subsidiaries) £000	Movement in Reserves Group (incl Subsidiaries) £000	Movement in Reserves Joint Ventures £000	Balance as at 31 st March 2007 £000
Fixed Asset Restatement Account	(313,668)	(50,297)	10,042	0	(353,923)
Capital Financing Account	(329,826)	0	(8,026)	0	(337,852)
Usable Capital Receipts Reserve	(3,814)	0	3,814	0	0
Pensions Reserve	254,565	(49,381)	8,223	0	213,407
Specific Reserve	(61,697)	36,609	(16,579)	0	(41,667)
Collection Fund Balance	(1,770)	0	1,134	0	(636)
Profit and loss	36,678	(579)	0	(413)	35,686
Total	(419,532)	(63,648)	(1,392)	(413)	(484,985)

5. Joint venture disclosure

Coventry & Solihull Waste Disposal Company (CSWDC)

- i. Coventry & Solihull Waste Disposal Company is a joint venture company between Coventry City Council and Solihull Metropolitan Borough Council. The company's business is the disposal of waste.
- ii. Information relating to the proportion of shares held by Coventry City Council are included in note 24 to the single entity accounts.
- iii. **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 2nd 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 1st 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.

iv. **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 £6,674,726 (2006: £6,326,313). Income received in advance at 31 March 2007 amounted to £5,608,440 (2006: £5,568,477).

During the year payments to the two shareholder councils amounted in aggregate to £264,925 (2006: £339,457) for the provision of various services. The amounts due to the councils at the year end were £6,988,256 (2006: £7,101,499).

- v. There is an accounting presumption that where an investor holds 20% or more of the voting rights of another entity, that the investor exercises significant influence over the operating and financial policies of that entity. Coventry City Council's relationship with Coventry Solihull Waste Disposal Company (CSWDC) rebuts this presumption because whilst it holds more than 20% of voting rights and shares within CSWDC all decisions are taken jointly with Solihull MBC (the other shareholder) and CSWDC is therefore included in the group accounts as a joint venture.

Arena Coventry Ltd (ACL)

- vi. ACL is a joint venture company between North Coventry Holdings Ltd, a wholly owned subsidiary of Coventry City Council and Football Investors Ltd, a subsidiary of The Alan Edward Higgs Charity. The company is principally engaged in the management of the Ricoh Arena in Coventry.
- vii. The accounting period for ACL is 1st June to the 31st May.
- viii. Information relating to the proportion of shares held by Coventry City Council are included in note 24 to the single entity accounts.
- ix. Related party transaction – During the year, the company had rates and operating expenses to the value of £203,767 (2005 - £17,660) and £125,285 was outstanding at 31 May 2006 (2005 - £11,038).

During the year the company made a number of variation requests to Coventry North Regeneration Limited (CNR) for the construction of the Ricoh Arena which totalled £957,721. The balance owed to CNR at the year end was £364,902 (2005 - £nil). CNR had a balance outstanding of £67,064 to Arena Coventry Limited at the year end (2005 - £11,860). This primarily related to services to the exhibition hall. At the year end, CNR had provided a loan of £760,421 which bears interest at the rate 1.5% over base rate. The loan is repayable by 31 July 2009.

x. **Post Balance Sheet Events**

Details of significant events that have occurred since the balance sheet date are as follows:

- On 1 June 2006, the company drew down a £22,000,000 loan from Yorkshire Bank. The term of the loan is over twenty years.
- On 2 June 2006, Arena Coventry (2006) Ltd, a wholly owned subsidiary of Arena Coventry Ltd, purchased the 50 year head lease to the Ricoh Arena, commencing 19 December 2003, from Coventry North Regeneration Ltd for £21,000,000. At this point Arena Coventry (2006) Ltd was replaced by Coventry Regeneration Ltd as lessor of the Ricoh Arena.
- On 2 June 2006, the company sold a parcel of the leased land back to Coventry City Council for £1,250,000

- xi. There is an accounting presumption that where an investor holds 20% or more of the voting rights of another entity, that the investor exercises significant influence over the operating and financial policies of that entity. ACL's articles of association (points 20 and 29) which concerns the voting rights of members rebuts this presumption and therefore ACL is included in the group accounts as a joint venture.

6. Additional information

Additional information relating to subsidiaries and joint ventures, including net assets and results and where accounts of the companies may be acquired are included in note 24 to the single entity accounts.

Note - The figures in the Group Account statements are based on Arena Coventry Ltd (ACL) management accounts at 31st March 2007. **The notes** to the Groups Accounts are based on ACL audited accounts at 31st May 2006.

7. Cash flow statement disclosure

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 net deficit on the group income and expenditure account to the revenue /operating activities net cash flow.

Restated 2005/2006 £m		2006/2007	
		£m	£m
54.9	Group deficit as at 31st March 2007		35.6
	Less:		
(35.9)	Depreciation	(25.9)	
(11.1)	Servicing of finance	(11.0)	
			(36.9)
	Movement in items on an accruals basis:		
(0.1)	Deferred charges	(0.1)	
(0.1)	Stocks and work in progress	(0.1)	
(15.5)	Short term debtors	(6.5)	
(6.4)	Provisions set aside in year	(1.1)	
7.8	Payments in advance	1.1	
(3.9)	Creditors	10.1	
(2.6)	Receipts in advance	(1.4)	
(8.7)	Bequests and other balances	(13.7)	
			(11.7)
(21.6)	Net cash flow from revenue activities		(13.0)

Statement of accounting policies

1. General

The Statement of Accounts summarises the council's transactions for the 2006/07 financial year and its position at the year-end of 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2006 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Changes in Accounting Policy

In the 2006/07 Statement of Accounts, the council has adopted the following new accounting policies:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

The accounting policies have been adopted to comply with both the 2006 CIPFA \LASAAC SORP and UK GAAP. The 2005/06 primary financial statements have been restated in line with the new policies to provide a comparison for 2006/07. The effect of this prior period adjustment on the results of the preceding period for the single entity accounts reduces the net operating expenditure by £4.1m, but has no overall effect on the General Fund deficit brought forward at the start of 2006/07. For the current reporting period the changes in accounting policies has reduced the net operating expenditure by £2m.

3. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account.

4. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

5. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council - these reserves are explained in the relevant policies below.

6. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council e.g. software licences. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

7. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

Non-operational assets - net realisable value

Other land and buildings – either of net current replacement cost or net realisable value in existing use

Vehicles, plant & equipment, infrastructure assets and community assets - depreciated historical cost.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account

otherwise - written off against the Fixed Asset Restatement Reserve.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

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

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

8. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

9. Repurchase of borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income & Expenditure 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.

10. Government grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

11. Deferred charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

12. Value Added Tax (VAT)

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

13. Investments

The Council has material interests in companies and other entities that have the nature of subsidiaries and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities, as well as marketable securities, are recorded as investments, i.e. at cost, less any provision for losses.

14. 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 the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

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 at market value and revalued on a 5 yearly basis

Rental income received is credited to the income and expenditure accounts.

15. Stocks and Work in progress

Stock is included in the balance sheet at the lower of cost and net realisable. Work in progress is subject to an interim valuation at the year end and recorded in the balance sheet at cost plus any profit.

16. Pensions and FRS17 – retirement schemes

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.

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 2006/07 contributions were set based on a March 2004 actuarial review.

Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the indicative rate of return on high quality iBoxx Sterling AA corporate Bond).

The assets of the West Midlands Pension Fund attributable to the council are included in the balance sheet at their fair value:

- quoted securities - mid-market value
- unquoted securities - professional estimate

- unitised securities - average of the bid and offer rates
- property - market value.

The change in the net pensions liability is analysed into seven components:

current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked

past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Income and Expenditure Account

expected return on assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Income and Expenditure Account

gains/losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses

contributions paid to the West Midlands pension fund - cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

17. Professional and Other Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – for example the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

18. 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 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 and the contract is for a period of 25 years. It is anticipated that the service will commence in July 2007.

The transactions relating to PFI contracts have been 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 schemes, the balance of risks and rewards has been assessed as being borne by the PFI operator. Therefore the assets to be provided under the PFI contracts are not shown as a Fixed Asset on the City Council's balance sheet.

The Income & Expenditure Account includes the annual unitary charge for the contract and the PFI grant receivable in respect of the financial year.

At the end of the contracts the facilities and sites will transfer back to the Council at nil consideration. When unitary charge payments begin to be made this is to be accounted for by identifying the element of the contract payments which notionally relate to their acquisition and treating it as a prepayment, creating a long term debtor which is built up over the life of the contract. The total value of the assets the Council will receive is estimated on a depreciated replacement cost basis at current prices. This figure is depreciated on a straight line basis to estimate the notional annual prepayment value in the unitary charge and is adjusted for inflation and other factors as part of the five year rolling programme of asset revaluations.

During 2005/06 a capital payment was made to the contractor in respect of the Caludon Castle School PFI. This is held as a prepayment and amortised to the revenue account over the life of the contract.

Full details of the PFI contracts are disclosed in note 9.

19. Group accounts

The group accounts have been prepared by fully implementing the 2006 SORP's group accounts requirement.

Glossary of terms

Actuarial Assumptions - these are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation – the gradual write off of initial costs of intangible assets.

Bad Debt Provision - bad debts are amounts owed to the Council which it does not believe will ever be paid back to them. The Council makes a provision for the amount of bad debt it expects to occur.

Capital Contract – this is a contract the Council has with a company to carry out major building or construction work that will take a significant amount of time.

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.

Capital Receipts – Income received from selling fixed assets.

CIPFA – This is the Chartered Institute of Public Finance and Accountancy. This is an institute that represents accounting in the Public Sector.

Contingent Liabilities – these are amounts that the Council may be, but is not definitely, liable for.

Council Tax – a tax paid by residents of the city that is based on the value of property lived in and is paid to the Council and spent on local services.

Creditors – These are people or organisations which the Council owes money to for work, goods or services which have not been paid for by the end of the financial year.

Current Assets – these are assets that are held for a short period of time, for example cash in the bank, stocks and debtors.

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

Deferred Charge – expenditure that may properly be incurred, but does not result in an asset owned by the Council.

Depreciation – the amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of a fixed asset value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves – money set aside for a specific purpose.

Finance Lease – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease owns the asset then this is known as a finance lease (see also operating lease).

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.

Impairment – an asset has been impaired when it is judged to have lost value.

Intangible Assets – Purchased intangible assets (eg. software licences) should therefore be classed as assets.

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.

Market Value of Assets – this is the price that an asset can currently be bought or sold at.

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.

Net asset value – the value of the Council's assets less its liabilities.

Operating Leases – a lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease **does not** own the asset then this is known as an operating lease. In this case the person is paying to borrow an asset (see also Finance Leases).

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

Prior Year Adjustments – these are changes made to the previous year's accounts to show things that were not known until after the prior year accounts were produced.

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.

Work in Progress – if the Council is in the process of constructing an asset at the time when the accounts are prepared the value of this work is shown in the accounts as 'Work in Progress'.

Audit Certificate