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Unaudited

Statement of Accounts

2007/2008

Coventry City Council

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Section 1.

Explanatory Foreword

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

The purpose of this foreword is to :

- Explain what the main information contained in the Statement of Accounts shows.
- Give an overview of the Council's financial performance in 2007/2008

Explanation of the statements

This Statement of Accounts summarises the City Council's finances for the financial year 2007/2008 (1st April 2007 to 31st March 2008).

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. It is this latter figure, which is regularly reported to Management Board and considered as part of Budgetary Control and Council Tax setting.

- 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 2008. 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 2007/2008. 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 2007/08

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 £240.1 million for the 2007/2008 financial year. This is compared to the outturn below:

	Budget £m	Outturn £m	Difference £m
Net Cost of Services	240.1	240.1	0.0
Income: Government Grants & Local Tax Payers	(240.1)	(240.1)	0.0
(Surplus) / Deficit for the year	**0.0**	**0.0**	**0.0**

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

Explanation of Variance:	£m
Home to School /Looked After Children transport – provision of additional routes as well as an increase in the use of taxis	0.9
Pay award being 0.5% more than budgeted	0.8
Legal Costs – relating to equal pay claims	0.7
Catering Costs – due to a downturn of sales and an increase in the cost of provisions	0.4
Lower costs on support services, such as administration, personnel, ICT, finance and legal services	(1.8)
Additional income and reduced costs in all other services	(1.0)
(Surplus) / Deficit for the year	**0.0**

2. Capital

The original capital budget for 2007/08 was £84.4m. During the year there has been a net addition to the programme of £3.5m resulting in a final revised budget for the year of £87.9m.

	£m
Revised Budget	87.9
Capital Spending	94.5
Variance	**6.6**

This variance comprises net accelerated spending of £6.6m brought forward from 2008/09.

	£m
City Development, including City Centre and other regeneration schemes.	31.9
Children, Learning & Young People, including schools projects and other children's services.	19.4
City Services, including maintenance of roads and bridges.	16.5
Culture, Leisure & Libraries, including investment in museums, parks and library refurbishments.	14.2
Climate Change, Housing & Sustainability including social housing grants and private sector renewal schemes.	7.5
Other Services	5.0
Total Expenditure	**94.5**

3. 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 represent 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 the issue. Further details can be found in notes 14 and 15 (page 28).

4. Changes in Accounting Policies

In the 2007/08 Statement of Accounts, the council has adopted the following new accounting policies:

I. Valuation gains on assets included in the balance sheet at current value from the 1st April 2007 are now matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains arising from before the 1st April 2007 have been consolidated into the Capital Adjustment Account.

II. Financial assets and liabilities are initially measured at fair value, representing an assessment of their market value.

III. Premiums & Discounts on the early repayment of debt are taken to the Income and Expenditure Account unless they are eligible to be applied to adjust the carrying amount of the replacement loan under the SORP 2007 requirements.

IV. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument.

V. In addition, Education and Social Services Reporting headings have been removed from the Income and Expenditure Account and replaced with Children's Services and Adult Services. The net cost of service has been restated accordingly.

The accounting policies have been adopted to comply with both the 2007 CIPFA \ LASAAC SORP and UK GAAP. Previous year comparators have been restated for items i and v above. Transition arrangements exist for items ii, iii and iv, which do not require the restating of previous years figures. The effect of this prior period adjustment on the results of the preceding period has no overall effect on the net operating expenditure or the General Fund surplus brought forward at the start of 2007/08.

5. 2008/09 Budgets

The Council set its revenue & capital budgets for 2008/09 on the 19th February 2008. Funding of the approved revenue budgets and the capital programme is as follows:

Revenue	**£m**
Revenue Support Grant (RSG)	145.4
Council Tax	112.3
Total Revenue Budget	**257.7**

Capital	**£m**
Borrowing	22.3
Grants and Public Sector Contributions	40.2
Revenue Contributions	6.3
Capital Receipts	20.0
Total Capital Programme	**88.8**

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 Legal Services;
- 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 Legal Services' responsibilities

The Director of Finance and Legal Services 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 2008).

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

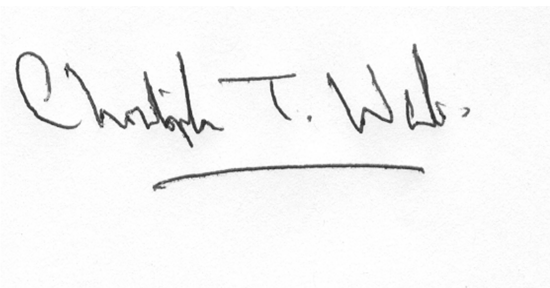
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;
- applied the accounting concept of a 'going concern' by assuming that the Council's services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

The Director of Finance and Legal Services 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 2008 and its income and expenditure for the year ended 31st March 2008, and that the accounts are authorised for issue.



C West, CPFA
Director of Finance and Legal Services
12th June 2008

Section 4.
Annual Governance Statement

1. Scope of responsibility

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

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

1.3 Coventry City Council has not yet adopted a code of corporate governance. However, it has recently assessed current arrangements reflected in existing strategies, policies and procedures against the principles reflected in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

1.4 This statement explains how Coventry City Council has complied with the CIPFA/SOLACE guidance and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

2.3 The governance framework has been in place at Coventry City Council for the year ended 31 March 2008 and up to the date of approval of the Statement of Accounts.

3. The governance framework

The key elements of the systems and processes that comprise the authority's governance arrangements are as follows:

3.1 There is a governance/internal control environment that supports the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in the published policy documents listed below:

- The Community Plan
- 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/Member appraisals during 2007-08.

3.2 Coventry's second Community Plan, published in July 2004, set out strategic aims reflecting both national and local priorities. This was revised in January 2006 to incorporate the Local Area Agreement. The Community Plan was drawn up after consultation with 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 designed to be a contract between central and local government to deliver both central and local priorities, and is the vehicle for allocating area based funding.

3.3 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 Council is involved in a number of partnerships, of varying significance and is in the process of developing protocols covering all aspects of partnership working.

3.4 The Corporate Plan for the three years from 2007/08 to 2009/10 sets out the Council's vision and core values, including its contribution to the Community Plan, and affirms its commitment to continuous service improvement. The plan is part of a comprehensive performance management framework designed to help the Council improve its services and the way it works, in a planned and systematic way. 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 Member portfolios.

3.5 Throughout this process, clear channels of communications exist with all sections of the community and other stakeholders to ensure the Council considers local needs and communicates both expected and actual outcomes for citizens and service users.

3.6 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, including roles and responsibilities of both Councillors and officers, shows how decisions are made and the procedures to ensure that these are efficient, transparent and accountable to local citizens. The Council facilitates policy and decision-making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee.

3.7 Coventry City Council has developed a comprehensive set of policies and procedures, including those relating to the expected behaviours of members and staff. These are subject to regular review to ensure the Council continues to enhance and strengthen its internal control environment. Systems exist to ensure compliance with policies and procedures, including statute and regulations. This is supported by Internal Audit who complete an annual risk based plan, which assesses compliance with key procedures and policies.

3.8 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 senior managers and elected Members. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Corporate Risk Management Group.

3.9 The Council, through its Whistleblowing and Complaints Policies, has introduced procedures to deal with concerns raised by both employees and members of the public. These policies have been widely communicated and are subject to regular review to ensure they are working effectively.

3.10 An Audit Sub Group provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. The Audit Sub Group's terms of reference were developed in conjunction with CIPFA guidance and the Group carries out an annual self-assessment to measure the effectiveness of the Audit Sub Group, based on recommended CIPFA practice.

4. Review of effectiveness

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

4.2 The Council has developed a comprehensive framework for overseeing its governance environment. This includes:

- Regular and detailed monitoring of the Council's performance by both Management Board and Members against targets and objectives set in the Community and Corporate Plans.
- Ongoing reviews of the Council's Constitution, overseen by the Standards Committee.
- Regular reviews of Council's strategies and procedures to ensure they continue to reflect the needs of the Council.

4.3 The review of effectiveness has also been informed by:

- The outcome of the Internal Audit review of the Council's current governance arrangements reflected in existing strategies, policies and procedures, against the principles reflected in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
- The work of the Internal Audit Service during 2007-08. The Service works to a risk based audit plan, which is approved annually by Scrutiny Board 1 – Audit Sub Group. An annual report is also produced and presented to the Group. The report identifies those issues, which in the opinion of the Internal Audit Manager, should be considered when producing the Annual Governance Statement.
- A review of the effectiveness of the Council's system of Internal Audit.
- The work plan and reports submitted to both Scrutiny Board 1 – Audit Sub Group and the Standards Committee.
- Reports from the external auditors and other inspection agencies.

4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Scrutiny Board 1- Audit Sub Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

5.1 All significant control / governance 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 Risk Register is also subject to regular review by the Council’s Management Board, Cabinet and Scrutiny Board 1- Audit Sub Group.

5.2 Furthermore, the Council is seeking to continuously improve its management arrangements to improve service delivery, efficiency and value for money, whilst achieving 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 to deliver the Local Area Agreement.

c) The Council's approach to delivering improved value for money, which is derived from its Value for Money Strategy, approved in 2006. The Council entered into a Value for Money Partnership with PricewaterhouseCoopers in 2007, with a key objective of delivering service improvement and cost reduction. A programme of reviews has been developed, with a number of reviews currently in progress. Value for Money self-assessments were undertaken to contribute to service plans in 2007/08, and continue to contribute to the embedding of value for money principles in its ongoing service activities. The Council will continue to implement its Strategy, both through the work of the Partnership and within individual services, with the key aim of linking together finance, performance and risk management.

d) Addressing the actions highlighted in Internal Audit's review of the Council's governance arrangements against the principles reflected in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The review concluded that overall the Council's current arrangements in the main are consistent with the CIPFA principles. A number of areas for improvement were identified including:

- The need to develop a local code of corporate governance.
- To develop protocols to support the area of partnerships.
- To develop an assurance framework to support reviewing the effectiveness of the Council's governance arrangements.

5.3 The review of internal control has also highlighted a number of areas for improvement. In each case, actions plans have been agreed to address issues identified. These include:

a) To monitor enhancements in procedures covering sickness absence to assess the effectiveness of such changes.

b) To enhance systems in place to ensure that all Coventry Schools comply with the Financial Management Standard in Schools by March 2010.

c) To establish a formal Council-wide framework for information security management to ensure that risks associated with the security and administration of the Council's IT Systems are effectively managed.

d) To further enhance procedures covering the area of recruitment to ensure that all appropriate pre-employment checks are completed prior to employees commencing work.

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

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.

BEV MESSINGER
Acting Chief Executive
30th June 2008

COUNCILLOR KEN TAYLOR
Leader of the Council
30th June 2008

I certify that the Statement of Accounts has been approved by Coventry Metropolitan Borough Council at its meeting on 30th June 2008. Signed on behalf of Coventry City Council:

COUNCILLOR ANDREW MATCHET
Lord Mayor
30th June 2008

Main financial statements

A. Income & Expenditure account

2006/07 Net Expenditure £000		2007/08 Gross Expenditure £000	2007/08 Gross Income £000	2007/08 Net Expenditure £000
15,024	Central services to the public	44,576	(37,749)	6,827
(373)	Courts	2	(377)	(375)
56,999	Cultural, environmental and planning services	112,486	(48,173)	64,313
71,010	Children's Services	372,773	(295,954)	76,819
11,657	Highways, roads and transport services	16,651	(8,971)	7,680
7,567	Housing Services	122,724	(114,113)	8,611
70,214	Adult Services	105,067	(25,801)	79,266
3,150	Non-distributed costs	8,108	0	8,108
10,322	Corporate and democratic core	10,474	0	10,474
245,570	**Net Cost of Services**	**792,861**	**(531,138)**	**261,723**
	Other Operating Expenditure			
(4,439)	External investment income			(3,260)
65	(Profit)/loss on disposal of Fixed Assets			(12)
16,977	Interest payable & similar charges			16,324
3,363	Pension interest cost and return on assets			1,116
15,201	Levy payments to other bodies			15,523
25	Net (Surplus)/Deficit from trading operations			1,777
(1,032)	Dividends & interest receivable			(773)
17	Contribution of housing capital receipts to Government Pool			22
5	Precepts of local precepting authorities			5
275,752	**Net Operating Expenditure**			**292,445**
	Income from Government Grants and Local Taxpayers			
(101,989)	Net precept demanded from Collection Fund			(105,982)
(1,529)	Collection fund surplus			0
(109,149)	Contribution from Non-domestic rate pool			(114,837)
(27,244)	Revenue support grant*			(25,395)
(239,911)	**Total Income from Government Grants and Local Taxpayers**			**(246,214)**
35,841	**(Surplus) or Deficit for the year transferred to working balance**			**46,231**

***** This figure includes PFI Grant of £1.873 million and Business Growth Incentive Scheme Grant of £4.299 million in 2006/07 and £3.252m PFI Grant and £2.869m Business Growth Incentive Scheme Grant in 2007/08.

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 Income and Expenditure Account and the General Fund outturn. It takes the income and expenditure deficit (under UKGAAP), adjusts it for depreciation, movement in reserves plus other allowable Local Authority accounting adjustments, (total value £46.2m) to arrive at a General Fund £0.036m deficit position against a budget of £240.0m. It is this variation that is used to measure the Council's performance.

2006/07 £000	**Statement of movement on the General Fund Balance**	**2007/08 £000**
35,841	(Surplus) / Deficit for year on the Income & Expenditure account	46,231
(36,572)	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 16 for further details)	(46,195)
(731)	**(Increase) or decrease in the General Fund Balance for the year**	**36**
(11,138)	**General Fund balance brought forward**	(10,066)
(731)	(Increase) / decrease in the General Fund Balance for the year	36
1,803	Other net transfers from the General Fund Balance Reserve	5,651
(10,066)	**General Fund balance carried forward**	(4,379)

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.

2006/07 £000	Statement of total recognised gains and losses	2007/08 £000
35,841	Deficit on the Income & Expenditure account	46,231
(50,297)	(Gains) / loss arising on revaluation of fixed assets	(47,294)
0	(Gains) / loss arising on revaluation of available for sale financial assets	(825)
(49,381)	Actuarial (gain) / loss on pension fund assets and liabilities	87,297
768	Any other (gains) / losses required to be included	2,871
(63,069)	**Total recognised (gains) and losses for the year**	**88,280**

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.

An exceptional £3.246m has been included in the 2007/08 other gains\ losses resulting from the transition arrangements for the changes in accounting policies detailed on page 4. The exceptional adjustment has been written down to the Statement of Movement of General Fund instead of the income and expenditure account. The effect of the prior period adjustments has no overall effect on the General Fund surplus brought forward.

D. Balance sheet

This statement summarises the council's financial position as at 31st March 2008. 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.

As at 31st March 2007 £000	Balance Sheet	As at 31st March 2008 £000	£000	Notes
	ASSETS			
1,015	Intangible Assets		1,427	22
	Tangible Fixed Assets			
	Operational Assets			17
606,738	- Other land and buildings	619,689		
10,932	- Vehicles, plant & equipment	8,325		
203,608	- Infrastructure assets	218,294		
7,446	- Community assets	8,558	854,866	
	Non-Operational Assets			
222,029	- Investment properties	228,400		
33,492	- Surplus properties	35,387		
465	- Other	569		
50,520	- Under construction	88,326	352,682	
21,819	Long Term Investments		22,644	27
8,946	Long Term Debtors		8,670	28
2,071	Deferred Premiums on early redemption of debt		0	
1,169,081	**TOTAL LONG TERM ASSETS**		**1,240,289**	
	CURRENT ASSETS			
693	Stocks and Work in Progress	591		
54,324	Short term investments	36,096		
84,843	Short term debtors	96,560		29
10,740	Cash	9,725	142,972	
150,600				
	CURRENT LIABILITIES			
(26,536)	Temporary borrowing	(33,884)		
(68,117)	Creditors	(67,631)		30
(26,334)	Receipts in advance	(22,613)		30
(14,156)	Cash overdrawn	(11,589)	(135,717)	
(135,143)				
1,184,538	**TOTAL ASSETS LESS CURRENT LIABILITIES**		**1,247,544**	

D. Balance sheet (Continued)

As at 31st March 2007 £000	Balance Sheet	As at 31st March 2008 £000	£000	Notes
1,184,538	**TOTAL ASSETS LESS CURRENT LIABILITIES (brought forward)**		**1,247,544**	
	LONG TERM LIABILITIES			
(318,881)	Long Term Loans	(330,167)		
(220)	Deferred discounts on early redemption of debt	0		
(14,581)	Other provisions	(16,009)		31
(213,407)	Liability related to Pension scheme	(309,178)		
(149,928)	Government grants deferred	(192,949)	(848,303)	32
487,521	**TOTAL ASSETS LESS LIABILITIES**		**399,241**	
	EQUITY			
(658,625)	Capital Adjustment Account		(619,958)	33
0	Revaluation Reserve		(54,036)	33
0	Financial Instruments Adjustment Account		3,068	33
0	Available for Sale Financial Instruments Reserve		(825)	33
213,407	Pension Reserve		309,178	33
0	Unapplied Capital Receipts		0	33
(636)	Collection Fund Balance		(868)	33
(41,667)	Specific Reserves		(35,800)	33
(487,521)	**TOTAL EQUITY**		**(399,241)**	

E. The Council's cash flow statement

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

2006/2007 £m		2007/2008 £m	£m
	REVENUE ACTIVITIES		
	Cash Outflows		
346.5	Cash paid to and on behalf of employees	364.9	
281.9	Other operating cash payments	277.9	
81.9	Housing benefit paid out	89.2	
96.2	NNDR payments to National pool	98.4	
11.3	Precepts to joint authorities	11.9	842.3
817.8			
	Cash Inflows		
(90.4)	Council Tax receipts	(94.0)	
(109.1)	Non-domestic rate receipts	(114.9)	
(96.2)	NNDR receipts from National pool	(98.4)	
(21.1)	Revenue Support Grant	(19.2)	
(106.0)	DSS Grant for rebates	(113.8)	
(299.6)	Other Government grants	(319.1)	
(108.2)	Cash received for goods and services	(107.8)	(867.2)
(830.6)			
	SERVICING OF FINANCE		
	Cash Outflows		
16.4	Interest paid	16.3	
	Cash Inflows		
(5.4)	Interest received	(4.0)	
11.0			12.3
(1.8)	**Revenue Activities Net Cash Flow**		**(12.6)**
	CAPITAL ACTIVITIES		
	Cash Outflows		
83.3	Purchase of fixed assets	76.7	
14.6	Deferred charges	14.9	
7.9	Intangible assets	3.2	94.8
105.8			
	Cash Inflows		
(12.0)	Sale of fixed assets	(7.5)	
(42.6)	Grant received	(41.3)	
(27.8)	Other receipts	(2.5)	(51.3)
(82.4)			
21.6	**Net Cash Flow before financing**		**30.9**
	MANAGEMENT OF LIQUID RESOURCES		
(12.4)	Liquid resources		(18.6)
	FINANCING		
	Cash Outflows		
74.1	Repayments of amounts borrowed		64.9
	Cash Inflows		
(77.6)	New loans raised		(71.5)
(3.1)	Short term loans		(7.2)
2.6	**(Increase) / Decrease in cash**		**(1.5)**

Notes to the main financial statements

1. Prior Period Adjustments

In the 2007/08 Statement of Accounts, the council has adopted a number of new accounting policies to comply with both the 2007 CIPFA \ LASAAC SORP and UK GAAP.

I. Education and Social Services Reporting headings have been removed from the Income and Expenditure Account and replaced with Children's Services and Adult Services. The net cost of service has been restated accordingly.

Restated Income and Expenditure Account Extract

Spending by Service	Income & Expenditure Account in 2006/07 Statement of Accounts £000	Adjustment £000	2006/07 comparatives in Income and Expenditure Account £000
Education services	32,774	(32,774)	0
Social services	108,450	(108,450)	0
Children's services	0	71,010	71,010
Adult services	0	70,214	70,214
Net Cost of Service	**245,570**	**0**	**245,570**

II. The Balance Sheet figures for 31st March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 7). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £354m on the FARA at 31st March 2007 has been written off to the Capital Financing Account (£305m credit balance) to form the new Capital Adjustment Account with a balance of £659m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31st March 2008 therefore only shows revaluation gains accumulated since 1st April 2007.

The effect of these prior period adjustments on the results of the preceding period has no overall effect on the net operating expenditure or the General Fund deficit brought forward at the start of 2007/08.

In addition to the above the 2007 SORP does not require the prior year comparators to be restated for the following changes in accounting policy. However, the SORP does require the balance sheet to be restated as at the 1st April 2007 with any resulting adjustment charged to the Statement of Movement on General Fund.

III. Financial assets and liabilities are initially measured at fair value, representing an assessment of their market value.

IV. Premiums & Discounts on the early repayment of debt are taken to the Income and Expenditure Account unless they are eligible to be applied to adjust the carrying amount of the replacement loan under the SORP 2007 requirements.

V. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument.

The overall impact on the Statement of Movement on General Fund of these changes are described in more detail below:

The council has borrowed £20m under four 50 year stepped loans. At the 1st April 2007 the loan calculated on an effective interest rate should have an amortised cost of £49.05m. The £0.95m interest catch up has been charged to the Statement of Movement on General Fund.

The council has £2.1m of loans made to other organisations at less than market rates. At the 1st April 2007 it is calculated that the loan should have an amortised cost of £1.7m under the effective interest rate method. The reduction representing interest forgone has been charged to the Statement of Movement on General Fund.

Unamortised premiums of £2.1m and discounts of £0.2m on the early redemption of debt which took place before 2006/07 have been written off to the Statement of Movement on General Fund

The impact totalling £3.246m of these exceptional adjustments relating to the stepped and soft loans and premiums and discounts has been neutralised through statutory provision by an appropriation to the Financial Instrument Account.

At the 1st April 2007 equity shareholdings valued at £21.8m at historic cost have a fair value of £22.6m. The increase in fair value has been taken to the Available for Sale Financial Instrument Reserve.

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 Compulsive Competitive Tendering 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.

2006/07		**2007/08**		
(Surplus) / Deficit before Reserve Movement		**Expenditure**	**Income**	**(Surplus) / Deficit before Reserve Movement**
£000		**£000**	**£000**	**£000**
268	Building Cleaning	4,681	(4,440)	241
(224)	Building Services	6,555	(6,608)	(53)
843	Catering Services	7,461	(6,242)	1,219
(694)	Commercial Waste Services	2,593	(3,041)	(448)
117	Ground Services	3,601	(2,942)	659
(110)	Fleet & Workshops	6,834	(6,686)	148
(175)	Stores	215	(204)	11
25	**(Surplus) / Deficit from Trading Operations**	**31,940**	**(30,163)**	**1,777**

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 2007/2008 the City Council incurred £4,000 expenditure. (£3,555 2006/2007).

4. Audit note

In 2007/08 Coventry Council incurred the following fees relating to external audit and inspection:

2006/07 £000		2007/08 £000
367	Fees payable to the external auditors in respect of statutory external audit services	410
69	Fees payable to the Audit Commission in respect of statutory inspection	22
179	Fees payable to the external auditors in respect of the certification of grant claims and returns	125
2	Fees payable in respect of other services provided by the external auditors	1
617		558

The 2006/07 figures have been restated to reflect the work carried out in the year of account.

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 and Expenditure account, some of which is funded from grant or other income sources. Expenditure incurred during 2007/2008 is summarised below:

2006/07 £000	Publicity	2007/08 £000
1,411	Recruitment advertising	1,261
2,502	Other advertising / publicity	2,851
3,913	**Total**	**4,112**

6. Local Area Agreement (LAA)

The council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grant to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the third year of its three-year agreement.

The purpose of the LAA is:

- to form an agreement between the Coventry Local Strategic Partnership (LSP), Government (represented by Government Office West Midlands), and other external agencies, to ensure that together we achieve the 2010 vision in the community plan

- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement

- to improve the effectiveness and efficiency of public services in Coventry by pooling and aligning funding streams.

The LAA Partners are:

- local government bodies – Coventry City Council

- community protection authorities – West Midlands Police and West Midlands Fire Service

- health bodies – Coventry Primary Care Trust

- learning bodies – Learning Skills Council, Warwick University, Coventry University and Henley College

- private sector partners – PSA Peugeot Citroen, Cov & Warks Chamber of Commerce, Jaguar & Land Rover and Federation of Small Business

- community sector partners – Community Empowerment Network and Community Volunteers

- voluntary organisations – Coventry Voluntary Service Council, Coventry Law Centre, Citizens Advice Bureau and Coventry Cyrenians.

Coventry City Council acts as accountable body for the LAA and also decides the share of grant that will be received by each partner. This means that we are responsible for managing the distribution of the grant paid by the Government Office to the partners involved and should recognise all income and expenditure in our accounts

The total amount of LAA grant received by the LSP in 2007/08 is £28.5m. The council received £28.5m of this total to fund its own services.

7. Officers' emoluments

The City Council is required to disclose the number of employees whose remuneration during 2007/2008 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:

2006/07			2007/08	
Staff employed by schools	**Other staff**	**Remuneration Band - £**	**Staff employed by schools**	**Other staff**
91	74	£50,000 - £59,999	99	78
20	16	£60,000 - £69,999	30	21
9	10	£70,000 - £79,999	10	8
5	10	£80,000 - £89,999	5	9
0	1	£90,000 - £99,999	1	6
2	2	£100,000 - £109,999	1	2
0	1	£110,000 - £119,999	0	2
0	0	£120,000 - £129,999	0	2
0	0	£130,000 - £139,999	0	1
0	1	£140,000 - £149,999	0	1
127	**115**	**Total**	**146**	**130**

Please note the 2006/07 figures have been restated to include employees' contributions.

8. 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 2007/2008, income received was £15.2 million (£5.9 million 2006/2007) and related expenditure was £14.7 million (£5.5 million 2006/2007). 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 cost in the Income and Expenditure Account.

9. 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.

2006/07 £000		2007/08 £000	2007/08 £000
(286)	BID levy income		(274)
9	Cost of collecting levy	10	
282	Payment to CVone	264	
6	Increased provision for bad debts	0	
297	Total Expenditure		274
11	**(Surplus) / Deficit for the year**		0

The Council is also the billing authority for the City-wide business improvement district managed by Coventry Best for Business. The objectives are:

- to improve perceptions of Coventry and its business community so they are recognised as vibrant and enterprising and to raise their reputation nationally and internationally;

- to enhance quality of life for Coventry's residents and employees in Coventry's business;

- to promote a better image for the city to help recruit and retain high quality staff, create new trading opportunities as prosperity increases and new businesses move in, and build Coventry as the place to do business.

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.

2006/07 £000		2007/08 £000	2007/08 £000
0	BID levy income		(621)
0	Cost of collecting levy	25	
0	Payment to Coventry Best for Business	596	
0	Increased provision for bad debts	0	
0	Total Expenditure		621
0	**(Surplus) / Deficit for the year**		0

10. 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 Council was awarded a PFI credit of £24.30m, which is forecast to generate grants of £56.30m over the same period. An additional allocation of PFI credits (£2.475m) has been agreed in principle by DCSF for a purpose built, stand alone multi-agency centre at the school. Financial close for this element of the scheme was expected to be during 2007/08, however this is now anticipated to occur during the fourth quarter of 2008/09.

In 2007/08 expenditure on unitary charge payments to the contractor was £3.1m.

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

	£000
2008/09 – 2012/13	15,298
2013/14 – 2017/18	14,875
2018/19 – 2022/23	14,845
2023/24 – 2027/28	15,187
2028/29 – 2032/33	15,854
2033/34 – 2034/35	5,782
Total	**81,841**

The payments to the contactor 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 (2007/08 : £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 (2007/08: £0.023m).

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. All units became operational during 2007/08. Following the commencement of services, the Council has entered into a 25 year lease with Anchor Trust.

Payments made to the contractor during 2007/08 were £2.1m.

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 that the Council will make under the contract are as follows:

	£000
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	**201,015**

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. 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 £12.988m 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 (2007/08 : £0.411m). 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.

11. 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 2007/2008 transactions were as follows:

2006/07 £000		2007/08 £000
	Members	
876	Allowances paid	910
	Precepts	
7,613	West Midlands Police	7,993
3,755	West Midlands Fire	3,883
15,108	Passenger Transport Levy	15,416
93	National Rivers Authority Levy	107

Coventry City Council received £83,000 for repayment of cash flow assistance from Coventry North Regeneration Ltd (CNR) during the year, £69,000 (2006/07: £286,000) in interest, and provided £39,000 as the balance of capital contributions to fund construction costs (cumulative to 31st March 2008 £1.431m) (2006/07 provided £41,000). The Council provided the balance of capital contributions to fund construction costs of the Arena and a bad debt write off (£0.039m). CNR applied the balance on its capital contributions account (£1.431m) in paying up shares to be issued to the Council. On the 25th March 2008 CNR issued 1 share of nominal value £1 to CCC for £1.431m. On 25th March 2008 NCH undertook a share swap with CCC of 1 share in CNR of nominal value £1 in return for NCH issuing 1 share to CCC of nominal value £1 for £1.431m.

Coventry City Council received from Coventry & Solihull Waste Disposal Company £195,007 (2007 - £264,925) for the provision of various services and paid Coventry & Solihull Waste Disposal Company £4,578,718 for the provision of the waste disposal services. The amounts due to the council at the year-end was £3,830,498 (2007 - £6,988,256).

Members of the council have direct control over the council's financial and operating policies. During 2007/08, work and services to the value of £50,800 were commissioned from companies in which five members had an interest. Contracts were entered into in full compliance with the council's standing orders.

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 54).

12. Building regulations charging account

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

	2005/06 £000	2006/07 £000	2007/08 £000	Total £000
Expenditure	706	739	586	2,031
Income	(711)	(683)	(711)	(2,105)
(Surplus) / Deficit	**(5)**	**56**	**(125)**	**(74)**

13. Pooled budgets

The Council established a partnership agreement with the Coventry Teaching Primary Care Trust in March 2004 using powers under Section 31 of the Health Act 1999 to pool funds from the two organisations to facilitate the long term integration of separate community equipment stores. The 2007/08 gross income and expenditure is set out below.

2006/07 £		2007/08 £
	Income	
141,720	PCT	218,138
548,613	Coventry City Council	586,719
169,586	Government Grants	169,586
859,919	**Total Income**	**974,443**
859,919	**Gross Expenditure**	**974,443**

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 2007/08 gross income and expenditure is set out below.

2006/07 £		2007/08 £
	Income	
299,321	PCT	304,263
0	Coventry City Council	0
299,321	**Total Income**	**304,263**
293,057	**Gross Expenditure**	**298,781**
6,264	**PCT to carry forward unspent to 2008/09**	**5,482**

14. Pension costs

Figures in brackets relate to 2006/2007.

- **Non Teaching Staff**

In 2007/2008 the City Council paid an employer's contribution of £19,975,153 (£17,527,827 in 2006/07) representing 14.8% 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. Following a full actuarial review carried out as at 31st March 2007, employer contribution rates will change from 1st April 2008.

In addition, the Council is also responsible for all pension payments relating to added years benefits awarded to employees who retire early. In 2007/2008, this amounted to £1,963,970 (£1,919,157 in 2006/07).

Further details on pension liabilities are provided in note 15.

Further information can be found in West Midlands Metropolitan Authorities Pension Fund's Annual report, which is available upon request from:
West Midlands Metropolitan Authorities Pension Fund
Pensions Administration Division
Wolverhampton Metropolitan Borough Council
Civic Centre
St Peters Square
WOLVERHAMPTON
WV1 1SL

- **Teaching Staff**

In 2007/2008 the City Council paid £15,020,372 (£14,063,053 in 2006/2007) to the Department for Children, Schools and Families for teachers' pension costs, which represents 14.1% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to added years that it has awarded to teachers who retire early. In 2007/2008 these amounted to £2,389,075 (£2,362,852 in 2006/2007), representing 2.4% 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 these statement of accounts, it is therefore accounted for on the basis as a defined contribution scheme.

15. FRS 17 – 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 2008 the value of assets and liabilities for pensions included in the balance sheet are:

LGPS **£m**	**Teachers** **£m**	**Total 31st March 2007** **£m**		**LGPS** **£m**	**Teachers** **£m**	**Total 31st March 2008** **£m**
674.1	Nil	674.1	Market value of Assets	659.2	Nil	659.2
(857.5)	(30)	(887.5)	Liabilities	(933.7)	(34.7)	(968.4)
(183.4)	**(30)**	**(213.4)**	**Surplus/(Deficit)**	**(274.5)**	**(34.7)**	**(309.2)**

The overall increase in the deficit is analysed as follows:

LGPS 2006/07 **£m**	**Teachers 2006/07** **£m**		**LGPS 2007/08** **£m**	**Teachers 2007/08** **£m**
(223.7)	(30.9)	Deficit b/fwd	(183.4)	(30)
(25.4)	0.0	Current Service Cost	(23.7)	0.0
19.4	2.4	Employer Contributions	22	2.4
(0.3)	(0.9)	Past Service Gain (Cost)	(6.5)	0.0
40.0	0.0	Return on Assets	46.8	0.0
(41.9)	(1.4)	Interest on Pension Liabilities	(46.4)	(1.5)
48.5	0.8	Actuarial Gain /(Loss)	(82.6)	(4.7)
0.0	0.0	Curtailment Gain /(Loss)	(0.7)	(0.9)
(183.4)	**(30)**	**Surplus/(Deficit)**	**(274.5)**	**(34.7)**

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 on 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.

Retirement benefits are recognised 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.

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 2006/07 £m	**Teachers 2006/07 £m**		**LGPS 2007/08 £m**	**Teachers 2007/08 £m**
		<u>Net Cost of Services</u>		
(25.4)	0.0	Current Service Cost	(23.7)	0.0
(0.3)	(0.9)	Past Service Gain (Cost)	(7.2)	(0.9)
		<u>Net Operating Expenditure</u>		
40.0		Return on Assets	46.8	
(41.9)	(1.4)	Interest on Pension Liabilities	(46.4)	(1.5)
(27.6)	**(2.3)**	**Net charge to Income & Expenditure Account**	**(30.5)**	**(2.4)**
		<u>Statement of movement in the General Fund Balance</u>		
27.6	2.3	Reversal of net charges made for retirement benefits in accordance with FRS 17	30.5	2.4
		<u>Actual amount charged against the General Fund Balance for pensions in the year</u>		
19.4		Employers contributions payable to scheme	22.0	
	2.4	Retirement benefits payable to pensioners		2.4

<u>Liabilities</u>

Commutation of Pensions for Lump Sums on Retirement

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 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.

Early experience shows 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, by lowering the 50%, the assumption would have a relatively minor effect on the liabilities.

Mortality Rates
As part of the 2007 actuarial valuations, mortality experience has been analysed across other local authorities over a 3-year period prior to 31st March 2007. As a consequence, revised mortality projections to reflect a "medium cohort" are now being used. Typically, this is adding a little under 10% on to the value of liabilities.

Current service costs will also be expected to increase by 1-2% of pensionable payroll as a consequence of a change in the mortality rates but the effect of this will be seen from 2008/09 onwards.

Change in Discount Rate
In 2007/08, 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 2.3% (actual corporate bond yield of 5.4% less 3.1% inflation assumption) whereas at the end of the year it was 2.5% (actual corporate bond yield 6.1% less 3.6% inflation assumption).

The typical effect of this change in assumptions was a reduction of around 3-4% in the year end liabilities which is reflected in the Actuarial Loss figure of £82.584m.

Assets

Investments
Investments have performed significantly worse than for the FRS17 assumptions over the year to 31st March 2008. This is reflected as an asset loss. Investment markets have risen generally since 31st March 2008, however, the effect of this will not be reflected until next year's figures.

The value of the pension fund assets at 31st March 2008 is based on the market value at 31st December 2007, to which the actuary has applied an assumption as to the movement in the investment market in order to arrive at the valuation at the balance sheet date. Information that became available after 31st March 2008 showed that the market value of investments was overstated by approximately 0.75% and, consequently, the FRS17 pension deficit may be understated.

The main assumptions used in the actuarial calculation are:

	31st March 2007	**31st March 2008**
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.85%	5.35%
Rate of increase in pensions	3.1%	3.6%
Discount rate	5.4%	6.1%

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

	31st March 2007 £m	31st March 2007 %	31st March 2008 £m	31st March 2008 %
Equities	482.0	71.5%	430.5	65.3%
Government Bonds	56.6	8.4%	62.0	9.4%
Other Bonds	26.3	3.9%	24.4	3.7%
Property	51.2	7.6%	46.1	7.0%
Cash / Liquidity	7.4	1.1%	27.0	4.1%
Other	50.6	7.5%	69.2	10.5%
Total	**674.1**		**659.2**	

The expected rate of return on these assets is:

	31st March 2007	31st March 2008
Equities	7.5%	7.5%
Government Bonds	4.7%	4.6%
Other Bonds	5.4%	6.1%
Property	6.5%	6.5%
Cash / Liquidity	5.25%	5.25%
Other	7.5%	7.5%

The actuarial gains / losses identified as movements in the pension reserve in 2007/08 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2008. Previous years figures are shown for comparison purposes.

LGPS Table

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain /(Loss)	51,566	11.7%	19,495	3.9%	93,256	14.8%	6,068	0.9%	(71,312)	10.8%
Liability Gain/ (Loss)	0	-	21,591	2.9%	(16,454)	1.9%	0	-	35,754	3.8%
Change in the demographic & financial assumptions used to estimate liabilities	0	-	(123,998)	16.8%	(65,814)	7.7%	42,465	5%	(47,026)	5.0%
Net Gain / (Loss)	**51,566**	**11.7%**	**(82,912)**	**11.2%**	**10,988**	**1.3%**	**48,533**	**5.7%**	**(82,584)**	**8.8%**

Teachers Table

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000	**%**	**£000**	**%**	**£000**	**%**	**£000**	**%**	**£000**	**%**
Asset Gain /(Loss)	0	-	0	-	0	-	0	-		
Liability Gain/ (Loss)	0	-	45	0.2%	0	-	0	-	(603)	1.7%
Change in the demographic & financial assumptions used to estimate liabilities	0	-	(2,990)	10.1%	(1,416)	4.6%	848	2.8%	(4,110)	11.8%
Net Gain / (Loss)	**0**	**-**	**(2,945)**	**9.9%**	**(1,416)**	**4.6%**	**848**	**2.8%**	**(4,713)**	**13.8%**

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

2006/07 £000		2007/08 £000	2007/08 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year		
(28,751)	Depreciation and impairment of fixed assets	(44,408)	
2,878	Government Grants Deferred written down in the year matching depreciation and impairments	2,819	
(10,154)	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	(7,202)	
2,010	Capital Receipts */ loss on asset disposal	2,244	
0	Amounts by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory instruments	177	
(8,234)	Amount by which pension costs are different from the contributions due under the pension scheme regulations	(8,568)	
(42,251)			**(54,938)**
	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		
11,219	Statutory provision for repayment for debt	11,842	
1,616	Capital expenditure charged to revenue	1,668	
(17)	Transfer from usable capital receipts equal to the contribution to housing pooled capital receipts	(22)	
12,818			**13,488**
	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		
(7,139)	Transfers made at the discretion of the Council to or from reserves that have been earmarked for specific purposes	(4,745)	
(7,139)			**(4,745)**
(36,572)	**Amount by which the surplus on the General Fund for the year was greater than the Income and Expenditure Account result for the year**		**(46,195)**

*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 included in the net cost of services (Housing Services).

17. 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 31/03/07	40,993	28	8,524	975	0	50,520
Additions during the year to assets under construction	27,059	1,667	20,463	145	511	49,845
Movement of assets under construction to assets completed in the year	(8,161)	(28)	(2,997)	(853)	0	(12,039)
Value of assets under construction as at 31/03/08	**59,891**	**1,667**	**25,990**	**267**	**511**	**88,326**
Gross book value as at 31/03/07	673,106	15,952	239,189	7,446	255,986	1,191,679
Cumulative depreciation	(66,368)	(5,020)	(35,581)	0	0	(106,969)
Net book value as at 31/03/07	**606,738**	**10,932**	**203,608**	**7,446**	**255,986**	**1,084,710**
Restatements	(9,977)				909	(9,068)
Additions during the year	15,589	158	20,769	1,112	1,752	39,380
Disposals during the year	(151)				(7,601)	(7,752)
Revaluations	42,464				13,896	56,360
Impairment	(24,050)				(586)	(24,636)
Depreciation for year	(10,924)	(2,765)	(6,083)	0	0	(19,772)
Net Book Value as at 31/03/08	**619,689**	**8,325**	**218,294**	**8,558**	**264,356**	**1,119,222**

Within the balance of fixed assets there is a value with a cost of approximately £36m (net book value £25m) which relates to infrastructure assets. This balance relates to range of highways and other infrastructure assets which have been included within the accounts as a single value since 1994, (when the asset register was established). The Council has identified some 2,000 roads that exist within Coventry which are not included elsewhere within fixed assets, and by implication are included within the £25m balance, however the Council are not able to allocate a specific value for each asset within the £25m balance.

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:

a) Investment properties and assets surplus to requirements – net realisable value.
b) Other land and buildings – either of net current replacement cost or net realisable value in existing use.
c) Vehicles, plant & equipment and infrastructure assets – depreciated historical cost.

Revaluations were carried out in 2007/08 across the Council's property portfolio.

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 have an indeterminable useful life and any depreciation on these assets is considered immaterial.

18. Revaluation of fixed assets

The following statement shows the total value of the revaluations carried out in the financial years 2003/04 to 2007/08. The valuations were carried out by Andy Jacks 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:			
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
2007/08	42,464	13,896	56,360
Total	**243,901**	**119,409**	**363,310**

19. Summary of capital expenditure and sources of finance

The table below shows how capital expenditure in 2007/2008 has been financed:

2006/07 £000		2007/08 £000
78,364	Operational Assets	74,922
4,899	Non-operational Assets	2,263
7,031	Intangible Assets	3,097
14,018	Deferred Charges	14,337
580	Debtors	(150)
104,892	**Total**	**94,469**
	Paid for (Financed by):	
33,140	Borrowing	26,636
37,927	Grants and other contributions received or due	54,597
18,587	Proceeds of asset sales and other capital receipts	10,484
15,238	Revenue contributions	2,752
104,892	**Total**	**94,469**

20. Deferred charges

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

Deferred Charges	**2006/07 £000**	**2007/08 £000**
Expenditure and Restatements:		
Capital contribution to Coventry North Regeneration Ltd	42	39
Housing improvement and adaptation grants	4,584	4,420
Grants to community / regeneration schemes	3,543	3,138
Information Technology	25	0
Local Authority social housing grant schemes	4,368	3,023
Voluntary aided schools	34	371
Other	1,422	3,346
Total	**14,018**	**14,337**
Amount written off to revenue	**(14,018)**	**(14,337)**

21. Capital commitments

The City Council has an approved capital programme for 2008/09 of £89m and a provisional programme of £44m for 2009/10 and £27m for 2010/11. The following are significant legally committed to finish schemes already started on 31st March 2008:

Significant Capital Commitments 2007/2008	Outstanding Commitment £000	Contract Value £000	Date for Completion
Hearsall Common Phase 2 & 3	816	1,161	31/07/2007
Hearsall Common Phase 1	253	1,174	31/03/2008
Kingsgrove To Forum	317	335	31/03/2008
Richard Lee Children's Centre	373	470	31/05/2008
Spon Gate Children's Centre	262	383	31/05/2008
Foleshill Library	133	187	30/06/2008
Aldermoor Farm Primary - Phase 2	798	798	31/08/2008
Gosford Park School	1,747	2,306	31/08/2008
The Herbert Redevelopment	2,753	13,918	31/10/2008
Sowe Valley Primary	1,547	1,716	31/10/2008
Whitley Abbey Sports Hall	737	979	31/10/2008
Swanswell Multi Storey Car Park	3,733	4,271	30/11/2008
Canley Regeneration Scheme	113	117	31/03/2009
Stivichall Primary School	4,222	5,973	31/03/2009
Wide Area Network 2 Project	7,804	10,176	31/03/2010
Primary Schools - Increasing Pupil Places - Fees	661	661	31/03/2010
Canley Crematorium	1,362	1,362	31/03/2011
	27,631	**45,987**	

22. Movement in intangible assets

Intangible assets are those fixed assets that do not have a physical substance but are identifiable and controlled by the council e.g. software licenses. Intangible assets are capitalised when benefits to the Council are derived for more than one year.

2006/07 £000		2007/08 £000
9	Balance brought forward	1,015
7,031	Addition of intangible assets	3,097
(6,025)	Amortisation of intangible assets	(2,685)
1,015	**Total**	**1,427**

23. Analysis of fixed assets

The City Council owned the following assets at 31st March 2008:

	31st March 2007	31st March 2008	
Land & Buildings			
Schools (of which 26 part owned – voluntary aided)	114	114	
Youth & Community Centres, Play Schemes	13	12	
Community Centres	10	9	
Outdoor Education Centre	1	1	
Child Guidance Centre	1	1	
Site Services Houses	11	16	
Neighbourhood Social Care Offices	0	9	
Older people and Adult Social Care establishments	38	33	
Refuse disposal facility	1	1	
Depots, workshops etc.	1	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	1	
Play centres	2	2	
Pupil referral unit	1	1	
Coombe Country Park Visitor Centre	1	1	
Investment Properties	704	697	Buildings
Commercial Property			
Office space used by the Council's staff	29,604	29,450	sq m
Infrastructure			
Roads	849.4	873.2	km
Street Lights	34,067	37,025	
Traffic lights & Pelican crossings	246	3,168	
Footbridges	105	107	
Road Bridges	223	226	
Car park spaces	4,635	4,537	
Vehicles			
Vehicles (Owned and leased)	664	644	

24. 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 2006/2007 £000	Other 2006/2007 £000		Land & Buildings 2007/2008 £000	Other 2007/2008 £000
		Rentals Paid		
761	3,680	Total Operating lease rentals paid	776	3,406
0	0	Total finance lease rentals paid	0	0
		Rentals Receivable		
15,694	0	Total operating lease rentals receivable	15,725	0
0	0	Total finance lease rentals receivable	0	0

The City Council was committed at 31st March 2008 to making payments of £3.054m under operating leases comprising the following elements:

	Land & Buildings £000	Other £000
Leases expiring 2008/09	16	727
Leases expiring between 2009/10 and 2012/13	61	1,573
Leases expiring after 2012/13	669	8

The gross value of assets held by the Council in its property portfolio for use in operating leases is £12,645,840.28 (valued at the 31st March 2007 and subject to no depreciation to 31st March 2008).

25. Associated company interests & holdings

The City Council maintains investments and/or 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 27.

Name and Nature of Business	Financial Results	Year ending £000	Year ending £000
Birmingham Airport Holdings Limited The principal 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. The City Council owns : 5.8% of the 324m ordinary shares £1.8 million preference shares	Net Assets Profit before taxation Profit after taxation	31 March 2007 254,434 17,068 12,070	31 March 2008 Not yet available
Coventry Solihull Waste Disposal Company (CSWDC) Limited 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. The City Council owns: 66% of the ordinary share capital 66% of the preference share capital 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.	Net Assets Profit before taxation Profit / (loss) after taxation	31 March 2007 (1,634) 1,531 1,039	31 March 2008 (598) 1,179 931
Coventry Venture Capital Limited The company has an investment in a property on the University of Warwick Science Park. The Council holds ; 5,000 preferred ordinary shares (17.53%)	Net Assets Profit before taxation Profit after taxation	31 March 2007 124 13 13	31 March 2008 Not yet available
University of Warwick Science Park Business Innovation Centre Limited 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. 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.	Net Assets Profit / (loss) before taxation Profit / (loss) after taxation	30 Sept 2006 480 (31) (31)	30 Sept 2007 757 52 52

<table>
<tr><th rowspan="2">Name and Nature of Business</th><th rowspan="2">Financial Results</th><th colspan="2">Year ending</th></tr>
<tr><th>£000</th><th>£000</th></tr>
<tr><td>University of Warwick Science Park Limited

The company aims to provide a focus for scientific information and technology exchange between University research and the commercial sector.

The City Council owns :
45% of the share capital
£1.31 million of 1% debentures</td><td>Net Assets
Profit before taxation
Profit after taxation</td><td>30 Sept 2006

12,681
337
198</td><td>30 Sept 2007

17,752
418
602</td></tr>
<tr><td>North Coventry Holdings Limited

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.

NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR) & 50% shares in Arena Coventry Limited (ACL)

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.

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

Coventry North Regeneration Limited

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.

The company's principal activity was to build the Coventry Arena. The Arena, located in the Foleshill and Holbrooks wards of Coventry, combines a football stadium, conference and exhibition space, hotel, a casino as well as other leisure and community facilities.

Post completion, the Company's principal activity is landlord of the Arena.

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
CV15RR</td><td>Net Assets
Loss before taxation
Loss after taxation

Net Assets
Profit before taxation
Profit after taxation</td><td>31 March 2007

0
0
0

31 March 2007

1
(40)
(40)</td><td>31 March 2008 Draft

0
(1,431)
(1,431)

31 March 2008 Draft

0
(40)
(40)</td></tr>
</table>

Name and Nature of Business	Financial Results	Year ending £000	Year ending £000
Arena Coventry Limited		31 May 2007	31 March 2008 Draft Management Accounts
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.	Net Assets(liabilities)	(2,927)	(2,854)
	Profit (loss) before taxation	684	(112)
	Profit (loss) after taxation	684	(112)
Arena Coventry (2006) Limited		31 May 2007	31 March 2008
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.			
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		Consolidated into ACL accounts above	Consolidated into ACL accounts above

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

26. Financial instruments

The borrowing and investments disclosed in the Balance sheet are made of the following categories of financial instruments:

	31st March 08 Long Term £000	31st March 08 Current £000	Total £000
Financial liabilities at amortised cost	330,167	125,795	455,962
Financial liabilities at fair value through profit and loss	0	0	0
Total borrowings	**330,167**	**125,795**	**455,962**
Loans and receivables	8,670	54,076	62,746
Available-for-sale financial assets	1,044	0	1,044
Fair Value through the profit & loss	0	21,448	21,448
Unquoted equity investment at cost	21,600	0	21,600
Total investments	**31,314**	**75,524**	**106,838**

The gains and losses recognised in the 2007/08 Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available for sale assets £000	Fair Value £000	£000
Interest expense	16,372	0	0	0	16,372
Losses on derecognition	96	0	0	0	96
Impairment losses	0	1,574	0	0	1,574
Interest payable and similar charges	**16,468**	**1,574**	**0**	**0**	**18,042**
Interest income	0	(1,641)	(773)	(1,356)	(3,770)
Gains on derecognition	(28)	0	0	0	(28)
Interest and investment income	**(28)**	**(1,641)**	**(773)**	**(1,356)**	**(3,798)**
Gains on revaluation			979		979
Losses on revaluation			(154)		(154)
Amounts recycled to the Income & Expenditure Account after impairment	(12)				(12)
Surplus arising on revaluation of financial assets	**(12)**	**0**	**825**	**0**	**813**
Net gain / (loss) for the year	**16,428**	**(67)**	**52**	**(1,356)**	**15,057**

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable parties in an arm's length transaction. The fair value of liabilities and assets can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the flowing assumptions:

- for long term liabilities using PWLB rates as at 31st March 2008 (PWLB circular 064/08) and 5.25% for loans receivable
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 08	
	Carrying amount £000s	**Fair value £000s**
Financial Liabilities	455,962	492,520
Loans and Receivables	106,838	106,838

The fair value of financial liabilities reflects the amount of fixed interest debt taken out in the past at higher rates of interest.

The authority's activities expose it to a variety of financial risks:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the authority.
- **liquidity risk** – the possibility that the authority might not have funds available to meet its commitments to make payments.
- **market risk** – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2007/08 this required that deposits were only made with banks and building societies with a high quality credit rating (minimum F1 short term and A- long term). In addition, the policy limits the maximum that can be deposited with an institution at any point in time to £10m or £5m, depending on the credit rating.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect the current market conditions.

	Amount as at 31st March 2008	**Historical experience of default**	**Historical experience adjusted for market conditions at 31st March 2008**	**Estimated maximum exposure to default and uncollectability**
	£000	**%**	**%**	**£000**
	A	B	C	(A x C)
Deposits with banks and financial institutions – AA Rated Counterparties	25,648	0	0	0
Deposits with banks and financial institutions – A Rated Counterparties	10,000	0.01%	0.01%	1
Trade Debtors	11,745	6.26%	7.25%	852
	47,393			**853**

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The authority does not generally allow credit for trade debtors, such that £8.7m of the £11.7m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	5,797
Three to six months	741
Six months to one year	759
More than one year	1,394
Total	**8,691**

Liquidity Risk

As the authority has ready access to borrowings from the Public Works Loans Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This risk is managed through the use of Prudential Indicators, set as part of the Treasury Management Strategy, limiting the amount of borrowing that matures over the next 10 years.

The maturity analysis of financial liabilities is as follows:

	£000
Less than one year	501
Between one and two years	544
Between two and five years	2,943
More than five years	321,890
Total	**325,878**

In the above table, in order to illustrate liquidity risk, financial liabilities are stated at the value of principal to be repaid in future, rather than at their carrying amounts. As such they exclude interest owed but not paid as at 31st March 2008 and adjustments in arriving at the fair value of stepped interest loans.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest rate risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest rate risk. Prudential Indicators, as set out in the Treasury Management Strategy, are used to manage interest rate risk by limiting the exposure to variable interest rates to 30% of total exposure. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance. Furthermore, the risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	210
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	2,406
Impact on Income and Expenditure Account	**2,616**
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on Income & Expenditure Account or STRGL)	**52,754**

The impact of a 1% fall in interest rates would be as above but with the movement being reversed.

The increase in government grant receivable for financing costs is based on 1% of the total base for capital financing charges included in the calculation of grant entitlement for 2007/08.

Price Risk

The authority does not generally invest in equity shares but does have shareholdings to the value of £22.6m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the prices of shares.

As the shareholdings have arisen in the acquisition of specific interests, the authority is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The £22.6m shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in the STRGL. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £1.13m gain or loss being recognised in the STRGL for 2007/08.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

27. 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 25 Associated company interest and holdings.

2006/07 £000	**Long Term Investments**	**2007/08 £000**
11,650	Birmingham Airport Holdings Ltd	11,650
9,950	Coventry Solihull Waste Disposal Co (CSWDC)	9,950
154	University of Warwick Science Park Innovation Centre Ltd	0
60	University of Warwick Science Park Ltd	1,025
5	Coventry Venture Capital	19
21,819	**Total Long Term Investments**	**22,644**

28. Long term debtors

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

2006/07 £000	Long Term Debtors	2007/08 £000
0	Museum of British Road Transport	163
0	Wide Area Network	97
216	Housing Loans	178
1,310	Science Park Debentures	1,056
800	Waste Disposal Company	400
1,066	Binley Innovation Centre	1,066
615	Pathways to Care Loans	367
861	Residential Property Debts	911
1,000	Coventry North Regeneration Ltd	917
319	Mortgages	251
267	Further Education College Debt	181
370	Belgrade Theatre	308
85	Spon End Building Preservation Trust	85
85	John White Community Centre	85
1,952	Caludon Castle School PFI Contract	2,193
0	New Homes for Old	412
8,946	**Total Long Term Debtors**	**8,670**

29. Debtors

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

Debtors	31st March 2007 £000	31st March 2008 £000
Government Departments	22,419	28,448
Other Local Authorities	5,734	6,742
Sundry Debtors	35,614	38,010
Debts relating to local taxation	12,813	18,514
Payments in advance	19,183	17,340
Impairment Allowance Account (Bad Debt Provision)	(10,920)	(12,494)
Total Debtors	**84,843**	**96,560**

30. Creditors

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

Creditors	**31st March 2007 £000**	**31st March 2008 £000**
Government Departments	13,026	16,970
Other Local Authorities	2,794	3,751
Sundry Creditors	49,105	46,910
Creditors relating to local taxation	3,192	0
Total Creditors	**68,117**	**67,631**
Receipts in advance	**26,334**	**22,613**

31. 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 2007/2008 is explained below:

	Balance at 1st April 2007 £000	**Movement during year £000**	**Balance at 31st March 2008 £000**
Self-Insurance, Legal Claims and other provisions	(14,581)	(1,428)	(16,009)

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 is one specific area relating to Equal Pay Claims where existing legal claims against the Council has caused us to set aside financial provisions. Historically the amounts set aside have not been disclosed because the Council's view is that this could prejudice the outcome of the legal process.

32. 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 adjustment account.

	2006/2007 £000	2007/2008 £000
Balance as at 1st April	**(124,503)**	**(149,928)**
Grants / contributions re capital expenditure	(37,927)	(54,597)
Government grants written down in year	2,878	2,819
Grants re deferred charges	9,624	8,757
Balance as at 31st March	**(149,928)**	**(192,949)**

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 1st April 2007 £000	(Gains)/ losses of the year £000	Movement in Reserves £000	Balance as at 31st March 2008 £000
Capital Adjustment Account	(658,625)	6,742	31,925	(619,958)
Revaluation Reserve	0	(54,036)	0	(54,036)
Usable Capital Receipts Reserve	0	0	0	0
Financial Instruments Adjustment Account	0	3,245	(177)	3,068
Available for Sale Reserve	0	(825)	0	(825)
Pensions Reserve	213,407	87,297	8,474	309,178
Management of Capital	(3,402)	0	2,038	(1,364)
Schools	(10,566)	0	(1,590)	(12,156)
Insurance Fund	(7,317)	0	(108)	(7,425)
Collection Fund	(636)	(374)	142	(868)
Other Earmarked Reserves	(10,792)	0	316	(10,476)
General Fund Reserves	(9,590)	46,231	(41,020)	(4,379)
Total	**(487,521)**	**88,280**	**0**	**(399,241)**

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

- **Revaluation Reserve**
  The Revaluation Reserve records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

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

- **Financial Instruments Adjustment Account**
  The Financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which the gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

- **Available for Sale Financial Instruments Reserve**
  The Available for Sale Financial Instruments Reserve records unrealised revaluation gains arising from holding available for sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

- **Management of Capital Reserve**
  This represents the balance of resources that will be required to meet existing 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 2007/2008 expenditure programmes.

- **Insurance Fund**
  The City Council maintains an Insurance Fund to meet potential claims against the Council. At the end of 2007/2008 it totalled £7.4million. 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 £4.1 million.

  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 £309.2m at 31st March 2008 (£213.4m as at 31st March 2007). Note 15 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.

We are in discussion with another authority in relation to the social care fees for an individual for whom care is currently being provided. The potential liability could be up to £0.25m if it is concluded that Coventry is the designated local authority for these costs.

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 2008 was £1.74 million (£1.58 million 2006/2007) on its balance sheet as a creditor. The mains funds held relate to:

i) Tenants contributions towards essential repair and maintenance of common areas in multi occupied buildings £1,295,350 (£1,137,101 in 2006/2007).

ii) Social Services Clients Funds £132,578 (£114,034 in 2006/2007) – Funds held on behalf of Social Services clients.

iii) Other funds £309,639 (£329,035 in 2006/2007), 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.

2006/2007 £m		2007/2008 £m	2007/2008 £m
35.8	General Fund Deficit at 31st March		46.2
	Less:		
(25.9)	Depreciation	(41.5)	
(0.1)	Stocks and work in progress	(0.1)	
(6.3)	Debtors	6.8	
(1.1)	Provisions set aside in year	(3.6)	
1.1	Payments in advance	(3.7)	
9.9	Creditors	(1.6)	
(1.4)	Receipts in advance	(1.6)	
(13.8)	Other movement	(13.5)	
(1.8)	**Net Cash flow from revenue activities**		**(12.6)**

37. Movement in cash & cash equivalents

	As at 31st March 2007 £m	As at 31st March 2008 £m	Movement
Cash in hand of officers	10.7	9.7	(1.0)
Cash overdrawn	(14.1)	(11.6)	2.5
Decrease in cash and cash equivalents	**(3.4)**	**(1.9)**	1.5

The Council defines its liquid resources in the cashflow statement on page 17 as short term deposits with fund managers.

38. Analysis of Revenue Grants

2006/2007 £m	Grant	2007/2008 £m
211.9	Department of Children, Schools & Families	225.4
84.9	Housing Benefit Subsidy	89.2
24.5	Council Tax Benefit Subsidy	24.9
23.5	Learning Skills Council (LSC)	23.7
21.0	Revenue Support Grant	19.2
15.8	Supporting People	16.6
13.0	Regeneration Grants	15.2
32.0	Other Grants	37.9
426.6	**Total**	**452.1**

39. Analysis of Capital Grants

2006/2007 £m	Grant	2007/2008 £m
16,846	Other miscellaneous Government Grants	10,631
9,447	Standards Fund (Education)	15,020
3,100	Lottery	2,947
2,825	New Deals for Communities	5,086
2,412	Centro transport grant	1,990
1,321	European Regional Development Fund (ERDF)	2,121
1,008	Disabled Facilities Grants	1,089
915	Private Sector / Other miscellaneous contributions	15,540
53	Neighbourhood Renewal Fund	173
37,927	**Total**	**54,597**

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 2007/08 the Council was allocated an allowance of 39,304 tonnes, which has a notional value of £196,520 (£5.00 per tonne), and carried forward a balance of 8,996 tonnes from 2006/07. From this, 14,900 tonnes (notional value of £74,500) were used in 2007/08. This leaves a balance of 24,404 tonnes which will be carried forward to 2008/09. In addition, the balance brought forward from 2006/07 has been re-valued at £5.00 per tonne to reflect the current market value

41. Reconciliation of Finance and Liquid Resources

	2006/07 £000	Movement £000	2007/08 £000
Long Term Loans	(318,881)	(11,286)	(330,167)
Temporary Borrowing	(26,536)	(7,348)	(33,884)
Short Term Investments	54,324	(18,228)	36,096
Total	**(291,093)**	**(36,862)**	**(327,955)**

42. Post balance sheet events

The Statement of Accounts were signed by the Director of Finance and Legal Services and authorised for issue on the 12th June. Events happening between the balance sheet date and this date are classed as post balance sheet 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 2008 would be classed as a non adjusting event, 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.

	2006/07 £000	2007/08 £000
General Fund	488,610	399,310
Trading Operations	(1,089)	(69)
Total	**487,521**	**399,241**

44. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department of Children, Schools & Families, 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 2007/08 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure **£**	**Individual Schools Budget** **£**	**Total** **£**
Original grant for schools budget in current	19,175,745	161,780,866	180,956,611
Adjustment to finalised grant allocation	391,389	(250,000)	141,389
DSG receivable for the year	19,567,134	161,530,866	181,098,000
Actual expenditure for the year	(19,567,238)	(160,165,358)	(179,732,596)
(Over) / underspend for the year	(104)	1,365,508	1,365,404
Planned top-up funding of ISB from Council resources	0	295,463	295,463
Top-up funding of centrally retained from Council resources	233,041	0	233,041
Use of schools balances brought forward	0	0	0
(Over)/underspend carried forward to 2008/09	**232,937**	**1,660,971**	**1,893,908**

45. Adjustment A

Resources are provided for the repayment of borrowing through the Minimum Revenue Provision (MRP) charge to the revenue account. From 2004/05, under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, the system through which local authorities are required to calculate MRP changed.

It was recognised that the changeover from one system to another could alter the level of MRP. In order to address this, and provide financial stability, the Local Authorities (Capital Finance and Accounting) Regulations 2003 required a transitional adjustment to the calculation of MRP from 2004/05 onwards. This is known as "Adjustment A". In 2005/06 the City Council's external auditors challenged the calculation of Adjustment A, based on factors dating back to 1990. Previous external auditors had certified the City Council's accounts up to 2004/05.

The Local Authorities (Capital Finance and Accounting) Regulations were amended in 2008 to reinforce the requirement that the Adjustment A should be applied, as calculated in 2004/05. The City Council treats as correct the amounts charged as MRP up to and including 2007/08.

Additional financial statements

A. Collection fund

2006/2007 £000		2007/2008 £000	2007/2008 £000
	INCOME		
(90,647)	Billed to Council Tax payers	(93,993)	
(24,063)	Council Tax Benefit	(24,631)	
0	Council Tax Transitional Relief	3	
(96,242)	Business Rates Collectable	(98,450)	
(4)	Adjustment of previous years' Community Charges	(1)	
(210,956)	**TOTAL INCOME**		**(217,072)**
	EXPENDITURE		
	Precepts:		
101,990	Coventry City Council	105,979	
7,613	West Midlands Police	7,993	
3,755	West Midlands Fire	3,883	117,855
	Distribution of Business Rates collected:		
95,854	Payment to National Pool	98,061	
388	Costs of collection allowance	389	98,450
	Distribution of previous years' Collection fund surplus / deficit		
1,529	Coventry City Council	3	
112	West Midlands Police	0	
55	West Midlands Fire	0	
(1,696)	Less Provision for surplus / deficit distribution	(3)	0
209,600	**TOTAL EXPENDITURE**		**216,305**
(1,356)	**(SURPLUS) / DEFICIT FOR THE YEAR**		(767)
793	Increase / (Decrease) in Provisions for Possible Non-Payment of Council Tax		533
(563)	**MOVEMENT ON SURPLUS HOLDING ACCOUNT FOR YEAR**		**(234)**
(1,769)	Total surplus brought forward at previous year end	(636)	
1,696	Less surplus committed from last year	3	
(563)	Movement on surplus holding account	(234)	
(636)	Balance carried forward at 31st March 2007		(867)
3	Surplus already committed in setting the 2008/09 Council Tax		1,387
(633)	**EXCESS (SURPLUS) DEFICIT CARRIED FORWARD TO FOLLOWING YEARS' TAX SETTING**		**520**

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 2007-08 was 99.1%. The Government determines the level of rates payable, which was 44.4p per £ of rateable value, (43.3p in 2006/2007). The Valuation Office Agency sets the rateable value of each property and the total was £274,568,604 at 31st March 2008 (£274,281,109 at 31st March 2007). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. There were net Business Rate write ons in 2007/08 of £0.1m and the provision for bad and doubtful debts has risen by £0.6million to £1.7 million in 2007/08.

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 98.7%. The total number of dwellings on the valuation list is 129,504 of which 5,700 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	88	43.6
A	50,747	28,957.3
B	36,986	25,801.0
C	20,470	16,662.5
D	8,071	7,468.2
E	4,040	4,653.8
F	2,077	2,838.6
G	1,235	1,947.3
H	90	165.5
Total	**123,804**	**88,537.8**
Estimated eventual collection rate		98.7%
Total Council Tax Base at Band D for 2007/08		87,386.8
Total Council Tax Base at Band D for 2006/07		86,957.2

4. Provisions and write offs

Level of Provisions & Write Offs	Council Tax £000	Business Rates £000	Community Charge £000
Provision brought forward	(2,641)	(1,091)	(534)
Written off in year	920	(148)	0
(Increase) / decrease in provision	(1,454)	(471)	1
Provision Carried Forward	(3,175)	(1,710)	(533)
Gross Debtors Before Provision	12,076	5,904	533

B. Group Accounts

- The accounts have been prepared in accordance with the 2007 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 2007/08 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 2007/08 accounts were not available for any of these companies.

- Note 25 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 fourth year that Coventry City Council have prepared group accounts. Comparative figures for 2006/07 are restated for accounting policy changes in Coventry City Council's accounts.

1. The Group Income and Expenditure account

2006/07 Restated Net expenditure £000		2007/08 Gross Expenditure £000	2007/08 Gross Income £000	2007/08 Net Expenditure £000
	Spending by Service			
15,024	Central services to the public	44,576	(37,749)	6,827
(373)	Courts	2	(377)	(375)
56,768	Cultural, environmental and planning services	112,490	(48,173)	64,317
71,010	Children's services	372,773	(295,954)	76,819
11,657	Highways, roads and transport services	16,651	(8,971)	7,680
7,567	Housing services	122,724	(114,113)	8,611
70,214	Adult Social Care	105,067	(25,801)	79,266
3,150	Non-distributed costs	8,108	0	8,108
10,322	Corporate and democratic core	10,474	0	10,474
245,339		**792,865**	**(531,138)**	**261,727**
(11,744)	Turnover Joint Venture		(12,230)	(12,230)
10,395	Cost of sales JV Joint Venture	10,989		10,989
(17)	Exceptional item (impairment)	1,470		1,470
243,973	**Net Cost of Services**	**805,324**	**(543,368)**	**261,956**
123	Gain or loss on disposal of fixed asset			(12)
17	Contribution of housing capital receipts			22
5	Precepts of local precepting authorities			5
25	Net (Surplus)/Deficit from trading			1,777
16,977	Interest payable			16,324
658	Share of interest payable by JV			631
(4,439)	External investment income			(3,260)
(802)	Dividends & interest			(775)
(47)	Share of interest receivable by JV			(121)
3,363	FRS 17 Interest / Return			1,116
313	Share of corporation tax of Joint Venture			181
15,201	Levy payments to other bodies			15,523
(625)	Extra Ordinary Item			0
274,742				**293,367**
0	Minority interest			0
274,742	**Net Expenditure**			**293,367**
(101,989)	Net precept demanded from Collection Fund			(105,982)
(1,529)	Collection fund surplus at 31st March 2007			0
(109,149)	Contribution from Non-domestic rate pool			(114,837)
(27,244)	Revenue support grant			(25,395)
(239,911)	**Total Income from Government Grants and Local Taxpayers**			**(246,214)**
34,831	**(Surplus) or Deficit for the year**			**47,153**

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

2006/2007 £000		2007/2008 £000
35,841	Deficit on the authorities single entity Income & Expenditure account for the year	46,231
339	Less: subsidiary and associate dividend income and any other distributions from group entities included in the single entity deficit on the Income & Expenditure account	48
36,180		**46,279**
	Deficit in the group Income & Expenditure attributable to the Authority Add : (Surplus) / deficit arising from other entities included in the group accounts	
(299)	Subsidiaries	1,423
(1,050)	Joint Ventures	(549)
34,831	**Group account deficit for the year**	**47,153**

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.

2006/07		2007/08		
		Group	Joint Ventures	Total
£000		£000	£000	£000
34,831	Deficit on the Income & Expenditure account for the year	47,702	(549)	47,153
(50,297)	Gains arising on revaluation of fixed assets	(47,294)	0	(47,294)
(49,324)	Actuarial loss on pension fund assets and liabilities	87,297	(70)	87,227
0	Available for sale reserve	(825)	0	(825)
(663)	Other	1,400	(92)	1,308
(65,453)	**Total recognised gains and losses for the year**	**88,280**	**(711)**	**87,569**

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 31st March 2008. 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 2007 £000	Group Balance Sheet	As at 31st March 2008 £000	£000	Notes
	ASSETS			
1,015	Intangible Assets		1,427	
	Tangible Fixed Assets			
	Operational Assets			
606,738	- Other land and buildings	619,689		
10,932	- Vehicles, plant & equipment	8,325		
203,609	- Infrastructure assets	218,294		
7,446	- Community assets	8,558	854,866	
	Non-Operational Assets			
255,986	- Investment properties	264,356		
50,519	- Under construction	88,326	352,682	
11,868	Long Term Investments		12,694	
33,165	Share in gross assets of JV		32,885	
(25,753)	Share in gross liabilities of JV		(24,761)	
8,946	Long Term Debtors		8,670	
2,071	Deferred Premiums on early repayment of debt		0	
1,166,542	**Total Long Term Assets**		**1,238,463**	
	CURRENT ASSETS			
693	Stock	591		
76,581	Debtors	96,894		
(10,920)	Inc in bad debt provision	0		
54,324	Short term investments	36,096		
19,183	Prepayments in advance	0		
10,740	Cash	9,725	143,306	
	CURRENT LIABILITIES			
(26,536)	Short term loans	(34,217)		
(68,117)	Creditors	(67,631)		
(26,334)	Receipts in advance	(22,613)		
(14,155)	Bank overdraft	(11,589)	(136,050)	
1,182,001	**Total Assets Less Current Liabilities**		**1,245,719**	
	LONG TERM LIABILITIES			
(318,881)	Long Term Loans		(330,167)	
(219)	Deferred discounts on early repayment of debt		0	
(149,928)	Government Grants Deferred		(192,949)	
(14,581)	Other provisions		(16,009)	
(213,407)	Pensions liability		(309,178)	
0	Grants deferred			
0	Other fund balances			
484,985	**TOTAL ASSETS LESS LIABILITIES**		**397,416**	

4. The Group Balance sheet (continued)

As at 31st March 2007 £000	Group Balance Sheet (continued)	As at 31st March 2008 £000	£000	Notes
	BALANCES AND RESERVES			
(691,775)	Capital Adjustment Account		(653,148)	
213,407	Pension Reserve		309,178	
0	Usable capital receipts reserve		0	
(41,667)	Specific Reserves		(35,800)	
(636)	Collection Fund Balance		(868)	
0	Revaluation Reserve		(54,036)	
0	Financial Instruments Adjustment Account		3,068	
0	Available for sale Finanacial Instruments Reserve		(825)	
35,686	Profit & Loss Reserve		35,015	
(484,985)	**GROUP BALANCES AND RESERVES**		**(397,416)**	
0	Minority Interest		0	
(484,985)	**TOTAL BALANCES AND RESERVES**		**(397,416)**	

5. The Group Cash Flow Statement

2006/2007 £m		2007/2008 £m	
(13.0)	**Net Cash Inflows from Revenue Activities**		(24.9)
0.0	**Dividends from Joint Ventures and Associates**		0.0
	Returns on Investments and Servicing of Finance		
16.3	- Interest paid	16.3	
(5.1)	- Interest received	(4.0)	12.3
0.0	**Taxation**		
(1.8)			**(12.6)**
	Capital Expenditure and Financial Investment		
84.4	Purchase of fixed assets	76.7	
(33.0)	Sale of fixed assets	(7.5)	
(0.4)	Purchase of long term investments	0.0	
(70.4)	Capital grants received	0.0	
15.4	Deferred charges	14.9	
7.9	Intangible assets	3.2	
20.7	Other capital cash receipts	(43.8)	43.5
0.0	**Equity Dividends paid**		
0.0	**Acquisitions and disposals**		
22.8	**Net Cash Inflow before financing**		**30.9**
	MANAGEMENT OF LIQUID RESOURCES		
(12.4)	Liquid resources		(18.6)
	FINANCING		
	Cash Outflows		
0.4	Grants paid		0.0
74.1	Repayments of amounts borrowed		64.9
	Cash Inflows		
(77.6)	New loans raised		(71.5)
(1.6)	Capital contributions		0.0
(3.1)	Short term loans		(7.2)
2.6	**(Increase) / Decrease in cash**		**(1.5)**

Disclosure notes to the Group Accounts

1. 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.

	2006/07 £000	2007/08 £000
Group	490,369	401,069
Joint Ventures	(4,295)	(3,584)
Trading Operations	(1,089)	(69)
Total	**484,985**	**397,416**

2. 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 1st April 2007 £000	(Gains)/ losses for the year Group (incl Subsidiaries) £000	Movement in Reserves Joint Ventures £000	Balance as at 31st March 2008 £000
Capital Adjustment Account	(691,775)	38,627	0	(653,148)
Revaluation Reserve	0	(54,036)	0	(54,036)
Usable Capital Receipts Reserve	0	0	0	0
Financial Instruments Adjustment Account	0	3,068	0	3,068
Financial Instruments Available for Sale Reserve	0	(825)	0	(825)
Pensions Reserve	213,407	95,771	0	309,178
Specific Reserve	(41,667)	5,867	0	(35,800)
Collection Fund Balance	(636)	(232)	0	(868)
Profit and Loss	35,686	40	(711)	35,015
Total	**(484,985)**	**88,280**	**(711)**	**(397,416)**

3. 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 25 to the single entity accounts.

iii. **Financial Liabilities**
Coventry City Council holds the 'A' Preference Shares

	2006 £	2007 £
'A' Preference Shares of £1 each	9,950,000	9,950,000
'B' Preference Shares of £1 each	4,975,000	4,975,000
Total	**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 1st 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 £6,322,774 (2007 - £6,674,726). Income received in advance at 31 March 2008 amounted to £5,455,035 (2007 - £5,608,440).

During the year payments to the two shareholder councils amounted in aggregate to £195,007 (2007 - £264,925) for the provision of various services. The amounts due to the councils at the year end were £5,803,785 (2007 - £6,988,256).

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 the 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 25 to the single entity accounts.

ix. Related party transaction – During the year, the company had rates and operating expenses to the value of £111,970 (2006 - £203,767) and £109,655 was outstanding at 31st May 2007 (2006 - £125,285).

During the year the company made no variation requests to Coventry North Regeneration Ltd (CNR) for the construction of the Ricoh Arena. The balance owed to CNR at the year-end by ACL was £16,486 (2006 - £364,902). CNR had no amounts outstanding to Arena Coventry Limited at the year-end (2006 - £67,064). At the year-end the cashflow assistance, provided by CNR to ACL, stood at £916,667, following repayment of principal to the value of £83,333 by ACL. The cashflow assistance is repayable by 28 December 2010.

x. Post Balance Sheet Events

There were no post balance sheet events

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.

4. 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 25 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 2008. ***The notes*** to the Groups Accounts are based on ACL audited accounts at 31st May 2007.

5. 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.

2006/2007 £m		2007/2008 £m	
35.6	**Group deficit as at 31st March 2008**		46.2
	Less:		
(25.9)	Depreciation	(41.5)	
(11.0)	Servicing of finance	(12.3)	
			(53.8)
	Movement in items on an accruals basis:		
(0.1)	Stocks and work in progress	(0.1)	
(6.5)	Short term debtors	6.8	
(1.1)	Provisions set aside in year	(3.6)	
1.1	Payments in advance	(3.7)	
10.1	Creditors	(1.6)	
(1.4)	Receipts in advance	(1.6)	
(13.8)	Bequests and other balances	(13.5)	
			(17.3)
(13.0)	**Net cash flow from revenue activities**		**(24.9)**

Statement of accounting policies

1. General

The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31st March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (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 2007/08 Statement of Accounts, the council has adopted the following new accounting policies:

I. Valuation gains on assets included in the balance sheet at current value from the 1st April 2007 are now matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains arising from before the 1st April 2007 have been consolidated into the Capital Adjustment Account.
II. Financial assets and liabilities are initially measured at fair value, representing an assessment of their market value.
III. Premiums & Discounts on the early repayment of debt are taken to the Income and Expenditure Account unless they are eligible to be applied to adjust the carrying amount of the replacement loan under the SORP 2007 requirements.
IV. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument.
V. In addition, Education and Social Services Reporting headings have been removed from the Income and Expenditure Account and replaced with Children's Services and Adult Services. The net cost of service has been restated accordingly.

The accounting policies have been adopted to comply with both the 2007 CIPFA \LASAAC SORP and UK GAAP. Transition arrangements relating to FRS 25, FRS 26 and FRS 29 based financial instruments exist which do not require any resulting adjustment between the closing Balance Sheet for 2006/07 and the restated opening Balance Sheet on 1 April 2007 to be restated; rather, the opening Balance Sheet adjustment arising from the prior period adjustment has to be disclosed as a total amount. The effect of this prior period adjustment on the results of the preceding period has no overall effect on the net operating expenditure or the General Fund deficit brought forward at the start of 2007/08.

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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by contract.

- 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.

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 (e.g. 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 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 and infrastructure 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 Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment: the values of each category of assets and of material individual assets 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 any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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 Adjustment 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 land, community assets and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Deprecation 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 the way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

9. Repurchase of borrowing

Gains of 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 (e.g. 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 Adjustment 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 in 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 are recorded as investments, i.e. at cost, less any provision for losses.

14. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

However, the stock issued by the council in 1996 is carried at a lower amortised cost than the outstanding principal and interest is charged at a marginally higher effective rate of interest than the rate payable to stockholders as a material amount of costs incurred in its issue is being financed over the life of the stock.

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

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

15. Financial Assets

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments

- fair value through the Profit and Loss – assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking, or a derivative.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/ debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – based on multiple earnings & net asset valuation techniques and historic costs where appropriate.

Changes in fair value are balance by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/ loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Fair value through the profit and loss

Fair value through the profit and loss assets are initially measured and carried at fair value. Movements in the fair value recorded in the Balance Sheet are balanced by posting gains and losses to the Income and Expenditure Account as they arise.

Instruments Entered Into Before 1st April 2006
The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 4.

16. 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.

17. Stocks and Work in progress

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

18. Pensions and FRS 17 – retirement schemes

Teaching Staff

Teachers may be members of the Teachers Pension Scheme, which is administered by the Department of Children, Schools and Families (DCSF). 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 DCSF 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 2007/08 contributions were set based on a March 2004 actuarial review.

Liabilities are discounted to their value at current prices, using a discount rate of 6.1% (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.

19. 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 2007. 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-Distributable 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.

20. 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 Educational 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 and became operational in 2007/08. The service provider is Anchor Trust and the contract is for a period of 25 years.

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 and 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. The unitary charge payment is 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 10.

21. Group Accounts

The group accounts have been prepared by fully implementing the 2007 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 Adjustment 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 the 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.

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 (e.g. 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.

Revaluation Reserve – the account that reflects the amount by which the value of the City Council's assets has been revised following revaluation or disposal.

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