



Coventry City Council

8.2.1

Public report

Report to

Audit Committee
Council

26th June 2009
29th June 2009

Report of

Director of Finance and Legal Services

Title

Statement of Accounts 2008/09

1 Purpose of the Report

1.1 The purpose of this report is to seek approval for the 2008/09 Statement of Accounts.

2 Recommendations

2.1 Audit Committee and Council are recommended to approve the Statement of Accounts for 2008/09 and to authorise the Lord Mayor of the Council to sign them on behalf of the City Council.

2.2 Council is recommended to approve revisions to the Treasury Management and Investment Policy to remove the limit on the amount that can be invested with the Government's Debt Management Office (Section 5.1).

3 Statement of Accounts

3.1 The attached Statement of Accounts provides a set of accounts for the financial year 1st April 2008 to 31st March 2009 and a range of accompanying notes written to the prescribed format. The Council's auditors, The Audit Commission, will be auditing the statement over the next few months.

3.2 The Statement is prepared in accordance with requirements of the Accounting Code of Practice (ACOP), which defines proper accounting practice for local authorities. Members have been informed previously of changes in how the accounts are presented brought about by the move to compliance with UK Generally Accepted Accounting Policies (UKGAAP) accounting. These changes included replacing the Consolidated Revenue Account with an Income and Expenditure Account and a Statement of Movement on the General Fund. The result of these changes is that the Council's Income and Expenditure Account shows a deficit of £114.7m. **This deficit does not reflect the genuine position of the Council's General**

Fund, which has a £44,000 overspend. The difference between the Income and Expenditure Account and the General Fund is explained in Section 4.

3.3 The key elements of the Statement are:

- The Income and Expenditure Account (page 14) ~ This Account records how much the Council has spent and received for the day to day spending on its services (revenue expenditure and income). It also shows how that net expenditure has been funded – from the combination of Council Tax, National Non Domestic Rates and Central Government Grant (the Revenue Support Grant). The City Council deficit for 2008/09 was £114.7m.
- The Statement of Movement on the General Fund Balance (page 15) ~ This statement shows how the deficit on the Council's Income and Expenditure Account for the year reconciles to the surplus/deficit for the year on the General Fund.
- Statement of Total Recognised Gains and Losses (page 16) ~ This statement brings together all the gains and losses of the Council for the year.
- The Balance Sheet (page 17) ~ This is a snap shot of the Council's financial position as at 31st March 2009. It shows the Council's assets, liabilities, and reserves and balances as at that date. At the end of 2008/09 the City Council's net assets were £448m.
- The Cash Flow Statement (page 19) ~ This shows actual cash received and spent by the Council as a result of revenue and capital transactions with third parties.
- The Collection Fund (page 60) ~ The Council is required to maintain a separate account that records the transactions the City Council undertakes in relation to the collection and distribution of Council Tax and National Non Domestic Rates. In broad terms, this accounts shows income from Council Tax payers, and expenditure on payments (called precepts) to the City Council, the West Midlands Fire and Civil Defence Authority and the West Midlands Police Authority.
- Group Accounts (page 63) ~ These statements consolidate the City Council's accounts with those companies considered to be part of our group. For 2008/09 those companies are North Coventry Holdings Ltd, Coventry North Regeneration, Coventry and Solihull Waste Disposal Company and the Arena Coventry Ltd.
- The Statement of Accounting Policies (page 73) ~ This explains the main accounting policies the City Council used to produce the figures in the accounts. The general principles applied are those set out in the Accounting Code of Practice.

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

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

4.0 Movement on the General Fund

4.1 The 2008/09 income and expenditure accounts shows a deficit of £114.7m. This does not reflect the position of the Council's General Fund. The General Fund outturn position is one of a small deficit of £44,000 as shown in the Statement of Movement on the General Fund Balance below.

Table 1 Statement of Movement on the General Fund Balance

	2008/09	
	£000	£000
Deficit for year on the Income & Expenditure account		114,701
<u>Less : Entries in the Statement of Accounts but not in the Management Accounts</u>		
A charge for the rate that our assets go down in value over their lifetime due to wear and tear (depreciation) plus a charge for any extra-ordinary one-off reductions in the value of our assets (impairment). The recent fall in property values nationally has led us to show a £75m impairment charge in 2008/09 relating to our commercial property values.	(99,548)	
Planned transfers to City Council reserves – this includes the way we are required to account for potential Equal Pay claims	(18,939)	
The difference between a calculated whole-life cost of pensions and the pension contributions paid by the Council in the year.	(14,357)	
Items such as housing improvement and adaptation grants that we fund from capital resources not revenue	(3,959)	(136,803)
<u>Add : Entries in the Management Accounts but not in the Statement of Accounts</u>		
A charge for the amount that we need to put aside to repay debt in the future, peculiar to local authorities	13,821	
Capital expenditure financed from revenue	7,669	
Other Minor adjustments	656	22,146
Revenue Outturn Overspend		44

4.2 The statement of movement on the general fund takes the income and expenditure deficit (under UKGAAP), adjusts it for depreciation, movement in reserves plus other allowable Local Authority accounting adjustments, (total value £114.7m) to arrive at the General Fund outturn. The small over-spend position is against the budget of £257.7m, as shown in table 2 of this report. It is this variation that is used to measure the Council's performance. The Council does not budget on the basis of the Income and expenditure account, which is a financial reporting statement.

Table 2 Summary Variation and Outturn Position

Directorate	Budget	Outturn	Variance
	£m	£m	£m
Chief Executives	9.0	8.1	-0.9
City Development	6.2	5.3	-0.9
City Services	30.7	30.9	0.2
Children Learning and Young People	77.5	78.3	0.8
Community Services	105.6	105.1	-0.5
Customer and Workforce	-0.1	-1.1	-1.0
Finance & Legal	6.0	5.5	-0.5
Contingency & Central Budgets	22.8	25.6	2.8
Total	257.7	257.7	0.0

5. Treasury Management Investment Criteria

5.1 The 2008/09 Revenue and Capital Outturn report describes the recent downgrading of the credit ratings of many financial institutions that has resulted in a significant reduction in the number of institutions that the Council can invest with and limited the scope for managing Council investments. The Council currently has a £20m limit for the amount that can be placed with the Government Debt Management Office (DMO) – effectively the Bank of England. This limit was set largely for technical reasons. As the DMO is effectively the deposit taker of last resort for local authorities, it is proposed that no limit be set to the amount that can be deposited with the DMO. The effect of applying a limit to the DMO could be perverse in risk management terms, in that the Council could in practice be forced to make a more risky investment in order to comply with a technical limit. It should be noted that in April 2009 the DMO was effectively used as the deposit take of last resort with a total of £24m being placed with the DMO. As a result, this report recommends that Council should revise the Treasury Management and Investment Policy to remove the limit on the amount that can be invested with the DMO.

6. Other Specific Implications

	Implications (See below)	No Implications
Best Value		√
Children and Young People		√
Climate Change & Sustainable Development		√
Comparable Benchmark Data		√
Corporate Parenting		√
Coventry Sustainable Community Strategy		√
Crime and Disorder		√
Equal Opportunities		√
Finance	√	

	Implications (See below)	No Implications
Health and Safety		√
Human Resources		√
Human Rights Act		√
Impact on Partner Organisations		√
Information and Communications Technology		√
Legal Implications	√	
Neighbourhood Management		√
Property Implications		√
Race Equality Scheme		√
Risk Management		√
Trade Union Consultation		√
Voluntary Sector – The Coventry Compact		√

5 Legal Implications

The Council is required by the Accounts and Audit Regulations 2003 to approve, and subsequently publish, certain financial information in a document known as the Statement of Accounts. The Director of Finance and Legal must also certify that the document presents fairly the financial position of the Council at the end of the financial year. The Regulations require that the statement is formally approved by elected Members, by no later than 30 June 2009.

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

17 Timetable

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

	Yes	No
Key Decision	√	
Audit Committee Consideration (if yes, date of Audit Committee meeting)	√ 26 th June 2009	
Council Consideration (if yes, date of Council meeting)	√ 29 th June 2008	

List of background papers

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Papers open to Public Inspection

Description of paper

Location

Final Accounts Files 2008/09

CRH3

Capital Monitoring Files 2008/09

CRH3

Unaudited
**Statement
of Accounts**

2008/2009



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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 2008/2009

Explanation of the statements

This Statement of Accounts summarises the City Council's finances for the financial year 2008/2009 (1st April 2008 to 31st March 2009).

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 2009. 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 2008/2009. 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 Arena Coventry 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 2008/09

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 £257.7 million for the 2008/2009 financial year. This is compared to the outturn below:

	Budget	Outturn	Difference
	£m	£m	£m
Net Cost of Services after fees, charges and specific grants	257.7	257.7	0.0
Income: Government Grants & Local Tax Payers	(257.7)	(257.7)	0.0
(Surplus) / Deficit for the year	0.0	0.0	0.0

For much of the financial year, the City Council was projected to overspend its revenue budget by up to 2% of net budget. In response to this, action was taken throughout the year to ensure that by year-end the budgetary position is broadly in balance. The Council has applied its non ring-fenced Area Based Grant allocation largely to areas that have been affected by the current economic circumstances either through additional pressure on services/expenditure or reduced income levels. The final position has also enabled the Council to make a contribution to its Working Balances reserve to the level recommended within our Medium Term Financial Strategy. This move increases further the robustness of the Council's financial position. The Council's reserves position is further explained in note 31 to the accounts.

The variations indicated above are shown in the table below alongside the other significant variations within the overall financial bottom line:

Explanation of Variance:	£m
Application of Area Based Grant	(2.8)
Home to School/Looked After Children Transport	1.5
Older People Community Purchasing	1.3
Contribution to increase Working Balance reserve to 2% of net budget	2.3
Reduced costs and holding of vacant posts in all other services	(2.3)
(Surplus) / Deficit for the year	0.0

The single most significant financial issue facing the Council continues to be the legal claims relating to equal pay. These accounts include a provision of £30m against these claims. The Government has granted us a direction to treat this provision as capital expenditure to be funded from prudential borrowing and we have applied this direction within 2008/09 due to its time-limited nature. The provision is not an admission of liability, no equal pay claims have been settled and no borrowing has actually been undertaken in respect of it. Complex legal proceedings in relation to

Equal Pay are ongoing. The City Council will continue to defend its current legal position in respect of equal pay legislation and ensure that any additional costs of equal pay are minimised. More detail is provided in note 29 to the accounts.

2. Capital

The original capital budget for 2008/09 was £81.8m. During the year there has been a net change to the programme of £2.7m resulting in a final revised budget for the year of £84.5m.

	£m
Revised Budget	84.5
Capital Spending	74.8
Variance	(9.7)

This variance comprises capital scheme spending of £9.3m that it is now planned will be undertaken in 2009/10, and a small underspending of £0.4m.

The expenditure in 2008/09 has been undertaken in the following areas:

	£m
City Development , including City Centre and other regeneration schemes.	25.8
Children, Learning & Young People , including schools projects and other children's services.	20.0
City Services , including maintenance of roads and bridges.	14.2
Community Services , including investment in museums, parks and library refurbishments, social housing grants and private sector renewal schemes and adult services.	9.3
Other Services	5.5
Total Expenditure	74.8

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, 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 remaining working life of employees, as assessed by the scheme actuary

Finance is only required to be raised to cover the cost of teacher's pensions relating to added years when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2010 is £24.123m.

Further details can be found in notes 13 and 14.

4. Changes in Accounting Policies

In the 2008/09 Statement of Accounts, the council has adopted the following new accounting policies:

- I. Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.
- II. The 2008 SORP allows for certain expenditure, for example grants and expenditure on property not owned by the authority, to be classified as capital for funding purposes. This classification replaces the former Deferred Charges and is now termed Revenue Expenditure Funded From Capital Under Statute.

5. Equity Position

The balance sheet provides details of the Council's equity position. The total equity as at 31st March 2009 stood at £448m. This was £47m higher than the position at the beginning of the financial year (£401m as at 1st April 2008).

The £47m increase was the net result of a number of significant increases and decreases in equity during the year. The most significant of these were a £144m increase in asset values arising from revaluation and a £102m decrease as a result of impairment and depreciation.

6. 2009/10 Budgets

The Council set its revenue & capital budgets for 2009/10 on the 24th February 2009. Funding of the approved revenue budgets and the capital programme is as follows:

Revenue	£m
Formula Grant (Revenue Support Grant and Redistributed Business Rates)	149.5
Council Tax	112.5
Total Revenue Budget	262.0

Capital	£m
Borrowing	21.5
Grants and Public Sector Contributions	44.2
Revenue Contributions	0.3
Capital Receipts	5.2
Total Capital Programme	71.2

Section 3. Statement of responsibilities

1. Coventry Council's responsibilities

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

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its employees has the responsibility for the administration of those affairs. In the case of the City Council, that employee is the Director of Finance and 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 2009).

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 2009 and its income and expenditure for the year ended 31st March 2009, and that the accounts are authorised for issue.

C West, CPFA
Director of Finance and Legal Services
16th June 2009

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 includes arrangements for the management of risk.
- 1.3 Coventry City Council has approved and adopted a code of corporate governance, which is consistent with the principles reflected in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website at <http://www.coventry.gov.uk/ccm/content/chief-executives-directorate/corporate-policy/code-of-corporate-governance.en> or can be obtained from Democratic Services.
- 1.4 This statement explains how Coventry City Council 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 2009 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:

- Coventry Sustainable Community Strategy
- Coventry Local Area Agreement
- Corporate Plan

These high level plans are supported by Cabinet Member Portfolio Priority Plans, strategies, operational plans, detailed work programmes and individual employee / Member appraisals during 2008-09.

3.2 Coventry's Sustainable Community Strategy, adopted in March 2008, sets the long term strategic objectives and outcomes for the city and short term priorities to help deliver them. The Sustainable Community Strategy was drawn up by the Coventry Partnership (Coventry's Local strategic Partnership) after consultation with local organisations; communities and local people. It is based on a strategic assessment of the needs of the community; a twenty year vision for Coventry and the strategies, plans and mechanisms that will achieve the agreed long term outcomes for the city. The Coventry Local Area Agreement sets out a range of key priorities designed to deliver the long term outcomes of the Sustainable Community Strategy and the targets that have been agreed with central government to deliver both central and local priorities.

3.3 The Council is an active participant in the Coventry Partnership, which recognises that it cannot deliver the aims of the Sustainable Community Strategy Plan without the support of a range of other groups and organisations. The Partnership involves many organisations and individuals with different aims and working arrangements, but linked together through a commitment to deliver the Sustainable Community Strategy. 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 2008-09 to 2010-11 sets out the Council's vision and core values and its contribution to the Sustainable Community Strategy and Local Area Agreement and affirms its commitment to continuous service improvement. Based on a corporate balanced scorecard 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 Portfolio Priority Plans, which set out how each portfolio will deliver the Local Area Agreement and the Corporate Plan.

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. The Council adopted its "Inform, Consult and Involve" Strategy in April 2009, which aims to improve the engagement of local people and communities in the Council's decision making.

3.6 The control environment to ensure delivery of the Council's 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 standards expected 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. Internal Audit who complete an annual risk based plan that assesses compliance with key procedures and policies supports this.
- 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 and Corporate Management Board.
- 3.9 The Council, through its Whistleblowing and Complaints Policies, has introduced procedures in place 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 (replaced by the Audit Committee with effect from June 2009) provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. The Committee's terms of reference were developed in conjunction with CIPFA guidance and the Group carries out an annual self-assessment to measure its effectiveness, based on recommended CIPFA practice.
- 3.11 Where the Council is in a group relationship with another entity to undertake significant activities, the Annual Governance Statement includes a review of the effectiveness of the system of internal control within such group activities. The following describes the group activities for the year ended 31 March 2009:
- Coventry and Solihull Waste Disposal Company is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between Coventry and Solihull. The Company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2008, did not highlight any significant concerns.
 - North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. The Directors of the Company are also senior officers of Coventry City Council. The Company has appointed PricewaterhouseCoopers as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2008. Its purpose is to hold shares in the following two companies.
 - Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company has been the construction of the Ricoh Arena. The Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has appointed PricewaterhouseCoopers as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2008.
 - Arena Coventry Limited (ACL) is a joint venture between NCH Limited and Football Investors Limited (a company owned by the Alan Edward Higgs Charity). The Company is engaged in the management of the Ricoh Arena. Arrangements for the governance of the Company are set out in the Articles and Memorandum of Association of the Company and also the joint venture agreement between NCH Limited and the Company. The Company has appointed Deloitte & Touche as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st May 2008.

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 Audit and Risk Manager on the overall adequacy and effectiveness of Coventry City Council's internal control environment, 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 Local Area Agreement and Corporate Plan.
 - Ongoing reviews of the Council's Constitution, overseen by the Standards Committee. This review includes areas such as standing orders, financial procedures and the scheme of delegation.
 - 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 Internal Audit reviews of the Council's current governance arrangements.
- An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
- The work of the Internal Audit Service during 2008-09. The Service works to a risk based audit plan, which is approved annually by the Council's Audit Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Audit and Risk 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 during 2008-09.
- 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 the Audit Committee, 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 the Audit Committee.

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, was 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. Since that time, a number of reviews have been undertaken, and a number are currently in progress.

Value for Money self-assessments continue to be undertaken to contribute to operational plans each year, helping Directorates to determine their priority actions, and contributing to the embedding of value for money principles in ongoing service activities.

During 2008-09, the Council set down an Organizational Blueprint for its medium term development, setting the framework within which all reviews and service change work will be directed. The Blueprint has enabled the creation of a Transformation Programme for the Council, which is aligning all review work to deliver improved customer access to services, coupled with service improvement and cost reduction. In this way, the Council will continue to develop the linkages between finance, performance and risk management.

- d) Addressing the actions highlighted in Internal Audit's review of the Council's governance arrangements including:
 - The Council is involved in a number of partnerships of varying significance. Governance arrangements are put in place as they are established and their effectiveness are subject to a rolling programme of reviews. Additionally, protocols are being developed covering all aspects of partnership working.
 - To define the level of awareness / understanding it expects its employees to have regarding key Corporate Governance guidance such as the Code of Conduct and Whistleblowing Policy and then take action to ensure this expectation is met.
 - The need to enhance both local and corporate systems to ensure effective arrangements exist to cover corporate governance arrangements with the Council.

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) Despite progress to date, the Council faces a significant challenge in terms of ensuring that all Coventry schools comply with the Financial Management Standard in Schools by the target date of March 2010.
- b) Whilst the Council has continued to make significant progress in enhancing its arrangements in the area of IT, the work to establish a formal Council-wide framework for information security management is still in development.
- c) To ensure that the Council has effective governance / project management arrangements in place to oversee all significant Council projects.
- d) To ensure that that there is effective awareness of roles and responsibilities for Business Continuity Management (BCM) and that service BCM plans are tested to ensure that they are fit for purpose.

- 5.4 We 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.

MARTIN REEVES
Chief Executive
29th June 2009

COUNCILLOR KEN TAYLOR
Leader of the Council
29th June 2009

I certify that the Statement of Accounts has been approved by Coventry Metropolitan Borough Council at its meeting on 29th June 2009. Signed on behalf of Coventry City Council:

COUNCILLOR JACK HARRISON
Lord Mayor
29th June 2009

Main financial statements

A. Income & Expenditure account

2007/08 Net Expenditure £000		2008/09		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
6,827	Central services to the public	109,058	(71,512)	37,546
(375)	Courts	2	(361)	(359)
64,313	Cultural, environmental and planning services	98,699	(37,493)	61,206
76,819	Children's Services	420,095	(305,804)	114,291
7,680	Highways, roads and transport services	21,718	(8,870)	12,848
6,516	Housing Services	127,401	(117,937)	9,464
79,266	Adult Services	105,146	(18,928)	86,218
8,108	Non-distributed costs	468	0	468
10,474	Corporate and democratic core	10,399	0	10,399
259,628	Net Cost of Services	892,986	(560,905)	332,081
	Other Operating Expenditure			
(3,260)	External investment income			(2,230)
(12)	(Profit)/loss on disposal of Fixed Assets			0
16,324	Interest payable & similar charges			16,621
1,116	Pension interest cost and return on assets			13,778
15,523	Levy payments to other bodies			16,139
1,777	Net (Surplus)/Deficit from trading operations			2,361
(773)	Dividends & interest receivable			(612)
22	Contribution of housing capital receipts to Government Pool			20
5	Precepts of local precepting authorities			5
290,350	Net Operating Expenditure			378,163
	Income from Government Grants and Local Taxpayers			
(105,982)	Net precept demanded from Collection Fund			(111,072)
0	Collection fund surplus			(1,242)
(114,837)	Contribution from Non-domestic rate pool			(127,635)
(25,395)	Revenue support grant*			(23,513)
(246,214)	Total Income from Government Grants and Local Taxpayers			(263,462)
44,136	(Surplus) or Deficit for the year transferred to working balance			114,701

* The 2008/09 RSG figure includes £3.617 million of PFI Grant and £2.128 million of Business Growth Incentive Scheme Grant (2007/08 includes £3.252m of PFI Grant and £2.869m of Business Growth Incentive Scheme Grant).

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 £114.7m) to arrive at a General Fund £0.044m deficit position against a budget of £257.7m. It is this variation that is used to measure the Council's performance.

2007/08 £000	Statement of movement on the General Fund Balance	2008/09 £000
44,136	(Surplus) / Deficit for year on the Income & Expenditure account	114,701
(44,100)	Net additional amount required by statute and non-statutory proper practices to be debited / credited to the General Fund Balance for the year. (see note 15 for further details)	(114,657)
36	(Increase) or decrease in the General Fund Balance for the year	44
(10,066)	General Fund balance brought forward	(4,379)
36	(Increase) / decrease in the General Fund Balance for the year	44
5,651	Other net transfers from the General Fund Balance Reserve	(1,004)
(4,379)	General Fund balance carried forward	(5,339)

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.

2007/08 £000	Statement of total recognised gains and losses	2008/09 £000
44,136	Deficit on the Income & Expenditure account	114,701
(47,294)	(Gains) / loss arising on revaluation of fixed assets	(143,771)
(825)	(Gains) / loss arising on revaluation of available for sale financial assets	0
87,955	Actuarial (gain) / loss on pension fund assets and liabilities *	(23,594)
2,871	Any other (gains) / losses required to be included	5,052
86,843	Total recognised (gains) and losses for the year	(47,612)

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

* The figure for the actuarial (gain) / loss on the pension fund assets during 2007/08 has been adjusted by £658k following an accounting policy change (see note 1. Prior Period Adjustments).

D. Balance sheet

This statement summarises the council's financial position as at 31st March 2009. 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 2008 £000	Balance Sheet	As at 31st March 2009 £000 £000		Notes
	ASSETS			
1,427	Intangible Assets		817	20
	Tangible Fixed Assets			
	Operational Assets			16
621,783	- Other land and buildings	747,907		
8,325	- Vehicles, plant & equipment	7,507		
218,294	- Infrastructure assets	232,811		
8,558	- Community assets	14,989	1,003,214	
	Non-Operational Assets			
228,400	- Investment properties	203,909		
35,387	- Assets held for sale	43,452		
569	- Other	0		
88,326	- Under construction	56,326	303,687	
22,644	Long Term Investments		22,644	25
8,670	Long Term Debtors		10,478	26
1,242,383	TOTAL LONG TERM ASSETS		1,340,840	
	CURRENT ASSETS			
591	Stocks and Work in Progress	601		
36,096	Short term investments	17,733		
96,657	Short term debtors	86,910		27
11,065	Cash	14,034	119,278	
144,409				
	CURRENT LIABILITIES			
(33,884)	Temporary borrowing	(18,158)		
(68,255)	Creditors	(57,437)		28
(24,050)	Receipts in advance	(33,896)		28
(10,965)	Cash overdrawn	(5,344)	(114,835)	
(137,154)				
1,249,638	TOTAL ASSETS LESS CURRENT LIABILITIES		1,345,283	

D. Balance sheet (Continued)

As at 31st March 2008 £000	Balance Sheet	As at 31st March 2009 £000	£000	Notes
1,249,638	TOTAL ASSETS LESS CURRENT LIABILITIES (brought forward)	1,345,283		
	LONG TERM LIABILITIES			
(330,167)	Long Term Loans	(337,182)		
0	Deferred discounts on early redemption of debt	0		
(16,009)	Other provisions	(35,215)		29
(309,836)	Liability related to Pension scheme *	(300,608)		
(192,949)	Government grants deferred	(223,989)	(896,994)	30
400,677	TOTAL ASSETS LESS LIABILITIES	448,289		
	EQUITY			
(622,053)	Capital Adjustment Account		(517,596)	31
(54,035)	Revaluation Reserve		(189,027)	31
3,068	Financial Instruments Adjustment Account		2,889	31
(825)	Available for Sale Financial Instruments Reserve		(825)	31
309,836	Pension Reserve *		300,608	31
0	Unapplied Capital Receipts		0	31
(868)	Collection Fund Balance		2,478	31
(35,800)	Specific Reserves		(46,816)	31
(400,677)	TOTAL EQUITY	(448,289)		

* Brought forward balances for the pension liability and the pension reserve have been adjusted by £658k following an accounting policy change (see note 1. Prior Period Adjustments).

E. The Council's cash flow statement

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

2007/2008 £m		2008/2009	
		£m	£m
	REVENUE ACTIVITIES		
	Cash Outflows		
364.9	Cash paid to and on behalf of employees	389.9	
277.3	Other operating cash payments	281.3	
89.2	Housing benefit paid out	97.8	
98.4	NNDR payments to National pool	106.8	
11.9	Precepts to joint authorities	12.5	
14.9	Revenue Expenditure funded from Capital under statute	9.1	897.4
856.6			
	Cash Inflows		
(94.0)	Council Tax receipts	(99.0)	
(114.9)	Non-domestic rate receipts	(127.6)	
(98.4)	NNDR receipts from National pool	(106.8)	
(19.2)	Revenue Support Grant	(17.8)	
(113.8)	DSS Grant for rebates	(122.2)	
(319.1)	Other Government grants	(331.4)	
(107.7)	Cash received for goods and services	(118.8)	(923.6)
(867.1)			
	SERVICING OF FINANCE		
	Cash Outflows		
16.3	Interest paid	17.1	
	Cash Inflows		
(4.0)	Interest received	(1.7)	
12.3			15.4
1.8	Revenue Activities Net Cash Flow		(10.8)
	CAPITAL ACTIVITIES		
	Cash Outflows		
76.7	Purchase of fixed assets	67.7	
3.2	Intangible assets	0.9	68.6
79.9			
	Cash Inflows		
(7.5)	Sale of fixed assets	(7.1)	
(42.7)	Capital grant received	(46.8)	
(2.5)	Other capital cash receipts	(2.7)	(56.6)
(52.7)			
28.9	Net Cash Flow before financing		1.2
	MANAGEMENT OF LIQUID RESOURCES		
(18.6)	Liquid resources		(17.9)
	FINANCING		
	Cash Outflows		
64.9	Repayments of amounts borrowed		45.4
	Cash Inflows		
(71.5)	New loans raised		(52.9)
(7.2)	Short term loans		15.6
(3.5)	(Increase) / Decrease in cash		(8.6)

Notes to the main financial statements

1. Prior Period Adjustments

In the 2008/09 Statement of Accounts, the council has adopted a number of new accounting policies to comply with both the 2008 CIPFA \ LASAAC SORP and UK GAAP.

1. The Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31st March 2008 has been restated from £659.217m to £658.559m a decrease of £658,000. As a consequence of this, there is a corresponding increase in the pension deficit of £658,000 to £309.858m as at 31st March 2008.

As at 31st March 2009 the value of assets and liabilities for pensions included in the balance sheet are:

LGPS restated	Teachers	Total 31st March 2008 (restated)		LGPS	Teachers	Total 31st March 2009
£m	£m	£m		£m	£m	£m
658.6	Nil	658.6	Market value of Assets	523	Nil	523
(933.7)	(34.7)	(968.4)	Liabilities	(793.9)	(29.7)	(823.6)
(275.1)	(34.7)	(309.8)	Surplus/(Deficit)	(270.9)	(29.7)	(300.6)

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.

2007/08 (Surplus) / Deficit before Reserve Movement £000		2008/09		(Surplus) / Deficit before Reserve Movement £000
		Expenditure £000	Income £000	
241	Building Cleaning	4,761	(4,311)	450
921	Building Services *	7,170	(6,753)	417
1,219	Catering Services	8,056	(7,087)	969
(448)	Commercial Waste Services	3,194	(3,745)	(551)
659	Ground Services	4,102	(3,150)	952
148	Fleet & Workshops	6,383	(6,258)	125
11	Stores	133	(133)	0
2,751	(Surplus) / Deficit from Trading Operations	33,799	(31,437)	2,362

* 2007/08 figure for Building Services have been restated to included overheads

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 2008/2009 the City Council incurred no expenditure. (£4,000 2007/2008).

4. Audit note

In 2008/09 Coventry Council incurred the following fees relating to external audit and inspection:

2007/08 £000		2008/09 £000
410	Fees payable to the external auditors in respect of statutory external audit services	435
22	Fees payable to the Audit Commission in respect of statutory inspection	22
125	Fees payable to the external auditors in respect of the certification of grant claims and returns	141
1	Fees payable in respect of other services provided by the external auditors	5
558	Total Fees	603

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 2008/2009 is summarised below:

2007/08 £000	Publicity	2008/09 £000
1,261	Recruitment advertising	1,420
2,851	Other advertising / publicity	2,470
4,112	Total	3,890

6. Officers' emoluments

The Council is required to disclose the number of employees whose remuneration during 2008/2009 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:

2007/08		Remuneration Band - £	2008/09	
Staff employed by schools	Other staff		Staff employed by schools	Other staff
99	78	£50,000 - £59,999	99	80
30	21	£60,000 - £69,999	46	22
10	8	£70,000 - £79,999	11	19
5	9	£80,000 - £89,999	7	8
1	6	£90,000 - £99,999	3	4
1	2	£100,000 - £109,999	1	2
0	2	£110,000 - £119,999	0	2
0	2	£120,000 - £129,999	0	2
0	1	£130,000 - £139,999	0	0
0	1	£140,000 - £149,999	0	0
146	130	Total	167	139

7. Local Authority (Goods & Services) Act 1970

The 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 2008/2009, income received was £15.7 million (£14.4 million 2007/2008) and related expenditure was £15.1 million (£13.9 million 2007/2008). The majority related to goods and services provided to Whitefriars Housing Group, City College Coventry, Coventry University, CV One, 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.

8. Business Improvement District (BID)

The Council is the billing authority for the City Centre business improvement district managed by CV One, 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.

2007/08 £000		2008/09	
		£000	£000
(274)	BID levy income		(589)
10	Cost of collecting levy	13	
264	Payment to CV One	576	
0	Increased provision for bad debts	0	
274	Total Expenditure		589
0	(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.

2007/08 £000		2008/09	
		£000	£000
(621)	BID levy income		(2,415)
25	Cost of collecting levy	49	
596	Payment to Coventry Best for Business	2,366	
0	Increased provision for bad debts		
621	Total Expenditure		2,415
0	(Surplus) / Deficit for the year		0

9. Private Finance Initiative commitments

Caludon Castle School PFI Contract

In December 2004 the City Council entered into a Private Finance Initiative (PFI) contract with Coventry Education Partnership (CEP) for the provision of a fully rebuilt community secondary school (Caludon Castle), along with facilities management services, for a 30 year period. The contractor started on site in December 2004 and the first phase of the school opened in 2005/06.

The Council was awarded a PFI credit of £24.30m, which is forecast to generate grants of £56.30m over the same period.

In 2007/08 an additional allocation of PFI credits (£2.475m) had been agreed in principle by DCSF for a purpose built, stand alone multi-agency centre at the school. However since then, the Council has submitted a successful bid and has been awarded £1.9 million of grant from the Government's Co-Location Fund to support the development of an ELC facility. This facility is to now be funded via this grant rather than PFI credits

In 2008/09 expenditure on unitary charge payments to the contractor was £3.2m.

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

	£000
2009/10 – 2013/14	15,180
2014/15 – 2018/19	14,839
2019/20 – 2023/24	14,892
2024/25 – 2028/29	15,286
2029/30 – 2033/34	16,029
2034/35	2,503
Total	78,729

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

At the end of the contract (December 2034), the facilities and sites will transfer back to the Council at nil consideration. This has been accounted for by identifying the element of the contract payments which notionally relate to their acquisition and treating it as a prepayment, creating a long term debtor which is built up over the life of the contract. The total value of the assets the Council will receive at the end of the contract on a depreciated replacement cost basis is estimated to be £7.665m at current prices. This figure has been depreciated on a straight line basis and used to estimate the notional prepayment value in the unitary charge (2008/09: £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 (2008/09: £0.025m).

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 2008/09 were £5.8m.

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
2009/10 – 2013/14	31,096
2014/15 – 2018/19	36,136
2019/20 – 2023/24	42,150
2024/25 – 2028/29	49,334
2029/30 – 2033/34	36,610
Total	195,326

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 (2008/09: £0.520m). 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.

10. Related party transactions

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

During 2008/2009 transactions were as follows:

2007/08 £000		2008/09 £000
910	Members Allowances paid	934
	Precepts	
7,993	West Midlands Police	8,442
3,883	West Midlands Fire	4,079
15,416	Passenger Transport Levy	16,045
107	National Rivers Authority Levy	92

Coventry City Council received £83,333 for repayment of cash flow assistance from Coventry North Regeneration Ltd (CNR) during the year, £42,545 (2007/08: £69,000) in interest.

Coventry City Council received from Coventry & Solihull Waste Disposal Company £121,708 (2008 - £195,007) for the provision of various services and paid Coventry & Solihull Waste Disposal Company £4,615,055 for the provision of the waste disposal services. The amounts due to the council at the year-end was £3,285,536 (2008 - £3,830,498).

Members of the council have direct control over the council's financial and operating policies. During 2008/09, work and services to the value of £620 were commissioned from companies in which two 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 36 and 37.

11. Building regulations charging account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The Building Control Unit is required to breakeven over a three-year period on chargeable activities. Although this has not been achieved in the three-year period to 2008/2009, partly due to the economic climate in 2008/2009, the service is currently being reviewed with the intention that the position can be brought back to breakeven in future years. The figures presented in the 2006-07 and 2007-08 Statement of Accounts have been restated to show correct overhead and FRS 17 (retirement benefit) apportionments in line with 2008/09.

	2006/07 £000	2007/08 £000	2008/09 £000	Total £000
Expenditure	736	770	715	2,221
Income	(666)	(687)	(589)	(1,942)
(Surplus) / Deficit	70	83	126	279

12. Pooled budgets

The Council established a partnership agreement with the Coventry Teaching Primary Care Trust in March 2004 using powers under Section 31 of the Health Act 1999 to pool funds from the two organisations to facilitate the long term integration of separate community equipment stores. The 2008/09 gross income and expenditure is set out below.

2007/08 £		2008/09 £
	Income	
(218,138)	PCT	(464,773)
(586,719)	Coventry City Council	(785,401)
(169,586)	Government Grants	0
(974,443)	Total Income	(1,250,174)
974,443	Gross Expenditure	1,250,174

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 2008/09 gross income and expenditure is set out below.

2007/08 £		2008/09 £
	Income	
(304,263)	PCT	0
0	Coventry City Council	(308,740)
(304,263)	Total Income	(308,740)
298,781	Gross Expenditure	307,978
(5,482)	PCT to carry forward unspent to 2009/10	0
0	Coventry City Council underspend 2008/09	(762)

13. Pension costs

Figures in brackets relate to 2007/2008.

Non Teaching Staff

In 2008/2009 the City Council paid an employer's contribution of £20,697,052 (£19,975,153 in 2007/08) representing 15% 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 by Mercer Human Resource Consulting as at 31st March 2007.

In addition, the Council is also responsible for all pension payments relating to added years benefits awarded to employees who retire early. In 2008/2009, this amounted to £2,078,217 (£1,963,970 in 2007/08).

Further details on pension liabilities are provided in note 14.

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

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

Teaching Staff

In 2008/2009 the City Council paid £15,348,042 (£15,020,372 in 2007/2008) 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 2008/2009 these amounted to £2,484,259 (£2,389,075 in 2007/2008), 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.

14. 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.

Change in Accounting Policy

Please note the change in accounting policy detailed in Note 1 Prior Period Adjustments.

Summary of Outcome for 2008/9

Assets

Due to market position, asset returns over 2008/9 have been particularly poor resulting in achieving investment returns of -19.94% on assets. However, in order to meet timescales for FRS17 calculations estimates are used for the final quarter performance figures on investment returns. The actual investment return on the West Midlands LGPS for 2008/9 was -18.51%. This means that there is a small understatement in the calculated figure for assets.

Liabilities

Normally there are two major factors affecting the FRS17 liabilities and they are interest cost and change in actuarial assumptions. Interest will have added 6.1% (based on the discount rate in force at the start of the year) to the liabilities. Changes in assumptions will have reduced the value of the liabilities by just over 20% giving an overall reduction in liabilities of 15%. In 2008/9 there was a large increase in the real discount rate during the year (as measured by the yields on corporate bonds and inflation expectations, as required by FRS17). The real discount rate at the start of the year was 2.5% (actual corporate bond yield of 6.1% less 3.6% inflation assumption) whereas at the end of the year it was 3.8% (actual corporate bond yield 7.1% less 3.3% inflation assumption)

The overall decrease in the deficit is analysed as follows:

LGPS 2007/08 Restated £m	Teachers 2007/08 £m		LGPS 2008/09 £m	Teachers 2008/09 £m
(183.4)	(30)	Deficit b/fwd	(275.1)	(34.7)
(23.7)	0.0	Current Service Cost	(25.2)	0.0
22	2.4	Employer Contributions	22.6	2.5
(6.5)	0.0	Past Service Gain (Cost)	0.0	0.0
46.8	0.0	Return on Assets	45.1	0.0
(46.4)	(1.5)	Interest on Pension Liabilities	(56.8)	(2.1)
(83.2)	(4.7)	Actuarial Gain /(Loss)	18.8	4.7
(0.7)	(0.9)	Curtailment Gain /(Loss)	(0.3)	(0.1)
(275.1)	(34.7)	Surplus/(Deficit)	(270.9)	(29.7)

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 the cost of teacher's pensions relating to added years when the pensions are actually paid.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge we are required to make against Council Tax is based on the cash payable in the year based on the current level of Employer Superannuation contributions. The difference between the two is adjusted for 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 2007/08	Teachers 2007/08		LGPS 2008/09	Teachers 2008/09
£m	£m		£m	£m
		<u>Net Cost of Services</u>		
(23.7)	0.0	Current Service Cost	(25.2)	0.0
(7.2)	(0.9)	Past Service Gain (Cost)	0	0.0
		<u>Net Operating Expenditure</u>		
46.8		Return on Assets	45.1	
(46.4)	(1.5)	Interest on Pension Liabilities	(56.8)	(2.1)
(30.5)	(2.4)	Net charge to Income & Expenditure Account	(36.9)	(2.1)
		<u>Statement of movement in the General Fund Balance</u>		
30.5	2.4	Reversal of net charges made for retirement benefits in accordance with FRS 17	36.9	2.1
		<u>Actual amount charged against the General Fund Balance for pensions in the year</u>		
22.0		Employers contributions payable to scheme	22.8	
	2.4	Retirement benefits payable to pensioners		2.5

Basis for estimating assets and liabilities

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

The main assumptions used in the actuarial calculation are:

	31st March 2008	31st March 2009
Rate of inflation	3.6%	3.3%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.6%	3.3%
Discount rate	6.1%	7.1%
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.1	21.2
Women	24	24
Longevity at 65 for future pensioners in 20 years time		
Men	22.2	22.2
Women	25	25
Take up of option to convert annual pension into retirement lump sum	50%	50%

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

	31st March 2008		31st March 2009	
	£m	%	£m	%
	Restated			
Equities	430.0	65.3%	291.3	55.7%
Government Bonds	61.9	9.4%	64.9	12.4%
Other Bonds	24.4	3.7%	21.4	4.1%
Property	46.1	7.0%	38.2	7.3%
Cash / Liquidity	27.0	4.1%	20.9	4%
Other	69.2	10.5%	86.3	16.5%
Total	658.6		523.0	

The expected rate of return on these assets is:

	31 st March 2008	31 st March 2009
Equities	7.5%	7.5%
Government Bonds	4.6%	4%
Other Bonds	6.1%	6%
Property	6.5%	6.5%
Cash / Liquidity	5.25%	0.5%
Other	7.5%	7.5%

The actuarial gains / losses identified as movements in the pension reserve in 2008/09 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2009. Previous years figures are shown for comparison purposes. Under paragraph 95C of FRS 17, analysis in 2004/05 and 2005/6 does not have to be restated. **Disclosures relating to changes in demographic and financial assumptions are no longer required.*

LGPS Table

	2004/05		2005/06		2006/07 restated		2007/08 restated		2008/09	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain / (Loss)	19,495	3.9%	93,256	14.8%	6,062	0.9%	(62,777)	9.5%	(176,133)	33.6%
Liability Gain/ (Loss)	21,591	2.9%	(16,454)	1.9%	0	-	(19,744)	2.1%	195,028	24.6%
Change in the demographic & financial assumptions used to estimate liabilities	(123,998)	16.8%	(65,814)	7.7%	42,465	5%	* see note above		*see note above	
Net Gain / (Loss)	(82,912)	11.2%	10,988	1.3%	48,527	5.7%	(82,521)	8.8%	18,895	2.4%

Teachers Table

	2004/05		2005/06		2006/07		2007/08		2008/09	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain / (Loss)	0	-	0	-	0	-				
Liability Gain/ (Loss)	45	0.2%	0	-	0	-	(603)	1.7%	0	-
Change in the demographic & financial assumptions used to estimate liabilities	(2,990)	10.1%	(1,416)	4.6%	848	2.8%	*see note above		*see note above	
Net Gain / (Loss)	(2,945)	9.9%	(1,416)	4.6%	848	2.8%	(603)	1.7%	0	-

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

2007/08 £000		2008/09	
		£000	£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		
(42,313)	Depreciation and impairment of fixed assets	(102,437)	
2,819	Government Grants Deferred written down in the year matching depreciation and impairments	2,890	
(7,202)	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	(3,959)	
2,244	Capital Receipts loss on asset disposal *	497	
177	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	178	
(8,568)	Amount by which pension costs are different from the contributions due under the pension scheme regulations	(14,357)	
(52,843)			(117,188)
	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		
11,842	Statutory provision for repayment for debt	13,821	
1,668	Capital expenditure charged to revenue	7,669	
(22)	Transfer from usable capital receipts equal to the contribution to housing pooled capital receipts	(20)	
13,488			21,470
	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		
(4,745)	Transfers made at the discretion of the Council to or from reserves that have been earmarked for specific purposes	(18,939)	
(4,745)			(18,939)
(44,100)	Amount by which the deficit on the General Fund for the year is different to the Income and Expenditure Account result for the year		(114,657)

*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).

16. Fixed assets

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

	Other land and buildings	Vehicles, plant and equipment	Infra structure assets	Community assets	Non- operational assets	Total
	£000	£000	£000	£000	£000	£000
Value of assets under construction as at 31/03/08	59,891	1,667	25,990	267	511	88,326
Additions during the year to assets under construction	8,982	3,513	8,394	26	5,382	26,297
Movement of assets under construction to assets completed in the year	(38,018)	(401)	(19,611)	(267)	0	(58,297)
Value of assets under construction as at 31/03/09	30,855	4,779	14,773	26	5,893	56,326
Gross book value as at 31/03/08	699,075	16,110	259,958	8,558	264,356	1,248,057
Cumulative depreciation	(77,292)	(7,785)	(41,664)	0	0	(126,741)
Net book value as at 31/03/08	621,783	8,325	218,294	8,558	264,356	1,121,316
Restatements	(8,322)	(17)	0	203	8,107	(29)
Additions during the year	63,624	1,961	21,125	6,228	1,720	94,658
Disposals during the year	0	0	0	0	(6,732)	(6,732)
Revaluations	125,218	0	0	0	18,582	143,800
Impairment	(36,454)	0	0	0	(38,672)	(75,126)
Depreciation for year	(17,942)	(2,762)	(6,608)	0	0	(27,312)
Net Book Value as at 31/03/09	747,907	7,507	232,811	14,989	247,361	1,250,575

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

- Investment properties and assets surplus to requirements – market value.
- Other land and buildings – existing use value (operational – non specialised) or depreciated replacement cost (operational – specialised) where there is no relevant evidence of recent sales due to the specialised nature of the asset.
- Vehicles, plant & equipment and infrastructure assets – depreciated historical cost.
- Community assets – historical cost.

Revaluations were carried out in 2008/09 across the Council's commercial and operational property portfolio. There have also been revaluations undertaken for a small number of assets outside the planned revaluation programme where material changes to asset values have occurred during the year.

In 2008/09 the recession has had a significant impact on asset values. City centre retail holdings (non-operational property) have been significantly affected. In total, impairment on non-operational

property is £38m more than in 2007/08. Impairment on operational property is £14m more than in 2007/08.

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.

17. Revaluation of fixed assets

The following statement shows the total value of the revaluations carried out in the financial years 2004/05 to 2008/09. The valuations were carried out by Andy Jack MRICS, from the Corporate Property Division – City Development Directorate. The basis for valuation is set out in the statement of accounting policies.

Year of revaluation	Revaluation of Other Land and Buildings £000	Revaluation of Non-Operational Assets £000	Total Value of Revaluations £000
Valued at historical cost	0	0	0
Valued at current value in:			
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
2008/09	125,218	18,582	143,800
Total	299,399	136,637	436,036

18. Summary of capital expenditure and sources of finance

The table below shows how capital expenditure in 2008/2009 has been financed:

2007/08 £000		2008/09 £000
74,922	Operational Assets	55,556
2,263	Non-operational Assets	7,102
3,097	Intangible Assets	1,154
14,337	Revenue Expenditure Funded from Capital Under Statute	39,658
(150)	Debtors	1,295
94,469	Total	104,765
	Paid for (Financed by):	
26,636	Borrowing	53,886
54,597	Grants and other contributions received or due	40,180
10,484	Proceeds of asset sales and other capital receipts	3,030
2,752	Revenue contributions	7,669
94,469	Total	104,765

The above table includes a provision of £30m against legal claims relating to equal pay. The Government has granted the City Council a direction to fund this expenditure from prudential borrowing. Due to its unusual nature, this item has been reported independently to Council. The capital performance overview at page 4 records a total expenditure figure that is £30m less than that shown above. This represents the total expenditure figure against which the capital programme has been monitored throughout the year.

19. Capital commitments

The City Council has an approved capital programme for 2009/10 of £71.2m and a provisional programme of £60.9m for 2010/11 and £23.5m for 2011/12. The following are significant legally committed to finish schemes already started on 31st March 2009:

Significant Capital Commitments 2008/2009	Outstanding Commitment £000	Contract Value £000	Date for Completion
Allesley Park - Play & Environmental Improvements	183	191	31/05/2009
Sidney Stringer School	208	242	19/06/2009
Stivichall Primary School	358	5,933	31/07/2009
Ravensdale Primary School	474	474	03/09/2009
Primary Schools - Increasing Pupil Places – Fees 2009	3,789	6,475	30/09/2009
Castlewood Primary School	9,558	9,965	02/07/2010
Primary Places - Increasing Pupil Places- Fees 2010	325	325	30/09/2010
Courthouse Green School	397	566	15/10/2010
Canley Crematorium	1,179	1,572	31/03/2011
	16,471	25,743	

20. 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.

2007/08 £000		2008/09 £000
1,015	Balance brought forward	1,427
3,097	Addition of intangible assets	1,154
(2,685)	Amortisation of intangible assets	(1,764)
1,427	Total	817

21. Analysis of fixed assets

The City Council owned the following assets at 31st March 2009:

	31 st March 2008	31 st March 2009	
Land & Buildings			
Schools (of which 26 part owned – voluntary aided)	114	112	
Youth & Community Centres, Play Schemes	12	11	
Community Centres	9	10	
Outdoor Education Centre	1	1	
Child Guidance Centre	1	1	
Site Services Houses	16	15	
Neighbourhood Social Care Offices	9	6	*
Older people and Adult Social Care establishments	33	29	
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	44	
Golf course & driving range	1	1	
Libraries	10	10	
Art galleries & museums	5	5	
Museum collections	1	1	
Play centres	2	3	
Pupil referral unit	1	1	
Childrens Home	0	3	*
Coombe Country Park Visitor Centre	1	1	
Investment Properties	697	690	Buildings
Commercial Property			
Office space used by the Council's staff	29,450	29,549	sq m
Infrastructure			
Roads	873.2	854.8	km
Street Lights	37,025	37,502	
Traffic lights & Pelican crossings	3,168	3,168	
Footbridges	107	106	
Road Bridges	226	226	
Car park spaces	4,537	4,409	
Vehicles			
Vehicles (Owned and leased)	644	601	

*NB: Childrens Homes previously classified as Neighbourhood Social Care Offices.

22. 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 2007/2008 £000	Other 2007/2008 £000		Land & Buildings 2008/2009 £000	Other 2008/2009 £000
		Rentals Paid		
776	3,406	Total Operating lease rentals paid	770	3,236
0	0	Total finance lease rentals paid	0	0
		Rentals Receivable		
15,725	0	Total operating lease rentals receivable	15,393	0
0	0	Total finance lease rentals receivable	0	0

The City Council was committed at 31st March 2009 to making payments of £2.9m under operating leases comprising the following elements:

	Land & Buildings £000	Other £000
Leases expiring 2009/10	31	1,052
Leases expiring between 2010/11 and 2013/14	229	1,114
Leases expiring after 2013/14	500	5

The gross value of assets held by the Council in its property portfolio for use in operating leases is £203.5m (valued at the 31st March 2009 and subject to no depreciation to 31st March 2010).

23. 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 25.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p>Birmingham Airport Holdings Limited</p> <p>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.</p> <p>The City Council owns : 5.8% of the 324m ordinary shares £1.8 million preference shares</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2008</p> <p>268,788</p> <p>19,717</p> <p>22,897</p>	<p>31 March 2009 Draft</p> <p>Not yet available</p>
<p>Coventry Solihull Waste Disposal Company (CSWDC) Limited</p> <p>The company's business is the disposal of waste. It is jointly owned by the City Council and Solihull Metropolitan District Council and included in the Council's group accounts as a joint venture as voting rights are shared equally with Solihull MDC.</p> <p>The City Council owns: 66% of the ordinary share capital 66% of the preference share capital</p> <p>The preference shares (£14.9m) are redeemable by the two Councils in 2009. Under Financial Reporting Standard 25 the company is required to account for redeemable preference shares as a "financial liability" rather than "share capital". Therefore the company balance sheet shows a net liability.</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit / (loss) after taxation</p>	<p>31 March 2008</p> <p>(598)</p> <p>1,179</p> <p>931</p>	<p>31 March 2009 draft</p> <p>834</p> <p>2347</p> <p>1614</p>
<p>Coventry Venture Capital Limited</p> <p>The company has an investment in a property on the University of Warwick Science Park.</p> <p>The Council holds ; 5,000 preferred ordinary shares (17.53%)</p>	<p>Net Assets(liabilities)</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2008</p> <p>133</p> <p>13</p> <p>9</p>	<p>31 March 2009</p> <p>(44)</p> <p>2</p> <p>2</p>
<p>University of Warwick Science Park Business Innovation Centre Limited</p> <p>This company was established by the University of Warwick Science Park, Coventry City Council and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.</p> <p>The City Council holds: Just under 20% (value £2,000) of the ordinary share capital £152,166 of preference share capital £1,066,471 of 7% debentures.</p>	<p>Net Assets</p> <p>Profit / (loss) before taxation</p> <p>Profit / (loss) after taxation</p>	<p>30 Sept 2007</p> <p>757</p> <p>52</p> <p>52</p>	<p>30 Sept 2008</p> <p>36</p> <p>78</p> <p>78</p>

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p>University of Warwick Science Park Limited</p> <p>The company aims to provide a focus for scientific information and technology exchange between University research and the commercial sector.</p> <p>The City Council owns : 45% of the share capital £1.31 million of 1% debentures</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>30 Sept 2007 Restated</p> <p>17,456</p> <p>681</p> <p>879</p>	<p>30 Sept 2008</p> <p>13,957</p> <p>567</p> <p>410</p>
<p>North Coventry Holdings Limited</p> <p>The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.</p> <p>NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR) & 50% shares in Arena Coventry Limited (ACL)</p> <p>NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.</p> <p>Copies of NCH's accounts can be acquired from: Company Secretary North Coventry Holdings Limited c/o Coventry City Council The Council House Earl Street Coventry CV1 5RR</p>	<p>Net Assets</p> <p>Loss before taxation</p> <p>Loss after taxation</p>	<p>31 March 2008</p> <p>0</p> <p>(1,431)</p> <p>(1,431)</p>	<p>31 March 2009 Draft</p> <p>0</p> <p>0</p> <p>0</p>
<p>Coventry North Regeneration Limited</p> <p>NCH holds 100% of the shares (value £nil) in Coventry North Regeneration Limited (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.</p> <p>The company's principal activity was to build the Coventry Arena. The Arena, located in the Foleshill and Holbrooks wards of Coventry, combines a football stadium, conference and exhibition space, hotel, a casino as well as other leisure and community facilities.</p> <p>Post completion, the Company's principal activity is landlord of the Arena.</p> <p>Copies of CNR's accounts can be acquired from: Company Secretary Coventry North Regeneration Limited c/o Coventry City Council The Council House Earl Street Coventry CV15RR</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p>31 March 2008</p> <p>0</p> <p>(40)</p> <p>(40)</p>	<p>31 March 2009 Draft</p> <p>0</p> <p>0</p> <p>0</p>

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
Arena Coventry Limited 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) Profit (loss) before taxation Profit (loss) after taxation	31 May 2008	31 March 2009 Draft Management Accounts
		(2,733)	(2,322)
		9	401
Arena Coventry (2006) Limited 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
		9	401

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

24. Financial instruments

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

	31 st March 08		31 st March 09	
	Long Term £000	Current £000	Long Term £000	Current £000
Financial liabilities at amortised cost	330,167	127,232	337,182	114,835
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	330,167	127,232	337,182	114,835
Loans and receivables	8,670	55,416	10,478	44,377
Available-for-sale financial assets	1,044	0	1,044	0
Fair Value through the profit & loss	0	21,448	0	17,719
Unquoted equity investment at cost	21,600	0	21,600	0
Total investments	33,314	76,864	33,122	62,096

The 2008/09 Income and Expenditure Account, and Statement of Total Recognised Gains and Losses include the following amounts in relation to financial instruments:

	Financial Liabilities	Financial Assets			Total £000
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available for sale assets £000	Fair Value £000	
Interest expense	16,849				16,849
Losses on derecognition	96				96
Impairment losses		1,986			1,986
Interest payable and similar charges	16,945	1,986	0	0	18,931
Interest income		(858)	(612)	(1,149)	(2,619)
Gains on derecognition					
Interest and investment income		(858)	(612)	(1,149)	(2,619)
Gains on revaluation					
Losses on revaluation					
Amounts recycled to the Income & Expenditure Account after impairment	(9)				(9)
Surplus arising on revaluation of financial assets	(9)				(9)
Net (gain) / loss for the year	16,936	1,128	(612)	(1,149)	16,303

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 following assumptions:

- for long term liabilities using PWLB rates as at 31st March 2009
- 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:

	31 st March 08		31 st March 09	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities				
▪ PWLB	234,866	258,954	242,406	268,966
▪ Market Loans	61,578	65,358	61,578	63,486
▪ Stock Issue	12,240	17,552	12,240	18,953
▪ Short Term Borrowing	32,889	32,889	17,103	17,103
▪ Other Local Authorities	21,984	25,362	21,502	26,860
▪ Other	494	494	510	511
Total Debt	364,051	400,609	355,339	395,879
▪ Trade Creditors	58,333	58,333	57,437	57,437
▪ Receipts in Advance	24,050	24,050	33,896	33,896
▪ Cash Overdrawn	10,965	10,965	5,344	5,344
Total Liabilities	457,399	493,957	452,016	492,556
Loans and Receivables	108,178	108,178	95,218	95,218

The fair value of financial liabilities reflects the amount of fixed interest debt taken out in the past at higher rates of interest, and includes accrued 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 2008/09 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. Under the Treasury Management Strategy the Director of Finance & Legal Services will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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 31 st March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 st March 2009	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
	A	B	C	(A x C)
Deposits with banks and financial institutions – AA Rated Counterparties	16,797	0.06%	0.06%	10
Deposits with banks and financial institutions – AAA Rated Counterparties	914	0.00%	0.00%	0
Trade Debtors	13,390	6.25%	8.25%	1,105
	31,101			1,115

The deposits set out above as at 31st March 2009 were held with financial institutions domiciled in a number of countries:-

	£m
United Kingdom	8.3
France	4.9
Spain	2.1
Netherlands	1.5
Eurobank	0.9
	17.7

Overall limits to exposure to individual institutions were not exceeded during the year 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 £10.3m of the £13.4m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	6,330
Three to six months	1,874
Six months to one year	585
More than one year	1,556
Total	10,345

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:

	31st March 08	31st March 09
	£000	£000
Less than one year	501	544
Between one and two years	544	592
Between two and five years	2,943	16,128
More than five years	321,890	316,113
Total	325,878	333,377

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 2009 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 2009, 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	(2,422)
Impact on Income and Expenditure Account	(2,212)
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)	49,053

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 2008/09.

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.

All movements in the price of shares 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 2008/09.

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.

25. 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 23 Associated company interest and holdings.

2007/08 £000	Long Term Investments	2008/09 £000
11,650	Birmingham Airport Holdings Ltd	11,650
9,950	Coventry Solihull Waste Disposal Co (CSWDC)	9,950
0	University of Warwick Science Park Innovation Centre Ltd	0
1,025	University of Warwick Science Park Ltd	1,025
19	Coventry Venture Capital	19
22,644	Total Long Term Investments	22,644

The Authority's ordinary shareholding investment in Birmingham Airport is shown in the accounts at cost. A recent specialist valuation has assessed that there is very wide range of potential values that does not lend itself to an accurate calculation of the value of our shareholding. On this basis, the fair value cannot be measured reliably and the use of historical cost continues to be the most appropriate basis.

26. Long term debtors

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

2007/08 £000	Long Term Debtors	2008/09 £000
163	Museum of British Road Transport	171
97	Wide Area Network	1,084
178	Housing Loans	147
1,056	Science Park Debentures	1,098
400	Waste Disposal Company	0
1,066	Binley Innovation Centre	1,066
367	Pathways to Care Loans	677
911	Residential Property Debts	1,208
917	Coventry North Regeneration Ltd	833
251	Mortgages	218
181	Further Education College Debt	124
308	Belgrade Theatre	319
85	Spon End Building Preservation Trust	85
85	John White Community Centre	85
2,193	Caludon Castle School PFI Contract	2,432
412	New Homes for Old	931
8,670	Total Long Term Debtors	10,478

27. Debtors

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

Debtors	31 st March 2008 £000	31 st March 2009 £000
Government Departments	28,448	14,714
Other Local Authorities	6,742	11,639
Sundry Debtors	38,107	35,782
Debts relating to local taxation	18,514	21,991
Payments in advance	17,340	17,262
Impairment Allowance Account (Bad Debt Provision)	(12,494)	(14,480)
Total Debtors	96,657	86,910

28. Creditors

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

Creditors	31st March 2008 £000	31st March 2009 £000
Government Departments	16,970	8,403
Other Local Authorities	3,751	4,169
Sundry Creditors	47,534	44,865
Creditors relating to local taxation	0	0
Total Creditors	68,255	57,437
Receipts in advance	24,050	33,896

A sum of £13.5m has been paid to the City Council by NHS Coventry to support projects for improved health outcomes for the City's population and a reduction in health inequalities, to be delivered by the City Council and partner organisations. The sum transferred has been treated as a receipt in advance in the City Council's accounts and will be applied to the appropriate service revenue accounts in the actual year in which expenditure is incurred. This is the accounting treatment has been agreed with NHS Coventry.

29. 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 2008/2009 is explained below:

	Balance at 1st April 2008 £000	Movement during year £000	Balance at 31st March 2009 £000
Self-Insurance and other provisions	(4,726)	(284)	(5,010)
Provisions for Legal Claims	(11,283)	(18,922)	(30,205)
Total Provisions	(16,009)	(19,206)	(35,215)

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 and the provision currently stands at £4.0m. The Council also maintains an insurance earmarked reserve, called the Insurance Fund (see notes to the statement of total movement in reserves). The provision is used when insurance claims require settlement.

There is a further specific area relating to Equal Pay Claims where existing legal claims against the City Council have caused us to set aside a financial provision. This provision amounts to £30m and has been made in compliance with Local Authority Accounting Panel (LAAP) Bulletin 68. This allows the provision to be capitalised in line with a formal Capitalisation Direction granted by the Government to the City Council in September 2008 such that the full cost is spread over 20 years with the first setting aside of a minimum revenue provision (for future repayment of borrowing debt) not being made until 2009/10. It should be stressed that this provision is not an admission of liability. Complex legal proceedings in relation to Equal Pay are ongoing. The City Council will continue to defend its current legal position in respect of equal pay legislation and ensure that any additional costs of equal pay are minimised.

The Equal Pay Claims provision represents what we view to be a reasonable estimate of the likely maximum liability that the City Council might face. Notwithstanding this, a Contingent Liability has been recorded in this area, the details of which are included in 32.

30. 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.

	2007/2008 £000	2008/2009 £000
Balance as at 1st April	(149,928)	(192,949)
Grants / contributions re capital expenditure	(54,597)	(40,180)
Government grants written down in year	2,819	2,890
Grants re deferred charges	8,757	6,250
Balance as at 31st March	(192,949)	(223,989)

31. Movement on reserves

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

	Balance as at 1 st April 2008 £000	(Gains)/ losses of the year £000	Movement in Reserves £000	Balance as at 31 st March 2009 £000
Capital Adjustment Account	(622,053)	(7,081)	111,538	(517,596)
Revaluation Reserve	(54,035)	(134,992)	0	(189,027)
Usable Capital Receipts Reserve	0	0	0	0
Financial Instruments Adjustment Account	3,068	0	(178)	2,889
Available for Sale Reserve	(825)	0	0	(825)
Collection Fund	(868)	3,346	0	2,478
Pensions Reserve	309,836	(23,585)	14,357	300,608
Management of Capital	(1,364)	0	(2,377)	(3,741)
Schools	(12,156)	0	928	(11,228)
Insurance Fund	(7,425)	0	(663)	(8,088)
Other Earmarked Reserves	(10,476)	0	(7,944)	(18,420)
General Fund Reserves	(4,379)	114,700	(115,661)	(5,339)
Total	(400,677)	(47,612)	0	(448,289)

- 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. This Reserve is currently showing a zero balance.
- **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. The increase in this Reserve reflects a net movement comprising the resourcing of capital expenditure in 2008/09 and insurance monies added to the Reserve relating to a major fire at a secondary school in the City.
- **Insurance Fund**
The City Council maintains an Insurance Fund to meet potential claims against the Council. At the end of 2008/2009 it totalled £8 million. It is assessed annually by the Council's external assessors to ensure that resources are sufficient to meet potential claims. The City Council also holds an insurance provision of £4 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.

£4.6m of other earmarked reserves have been used on a temporary basis to offset expenditure on the re-building of Stivichall school. These resources will be repaid over time from corporate resources.

The amount borrowed forms part of the sources of finance for the Council's Capital programme detailed in Note 18 and the level of other earmarked reserves shown above reflects the temporary use of these funds for this purpose. The underlying level of other earmarked reserves, assuming full repayment of the sum, stands at £23 million.

- **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 brought forward balance (as at 31st March 2008) on the pension reserve has been adjusted by £658k following an accounting policy change (see note 1. Prior Period Adjustments). The balance on the reserve is £300.6m at 31st March 2009 (£309.2m as at 31st March 2008). Note 14 to the balance sheet gives more information about this reserve and the impact of FRS 17.

32. Contingent liabilities

Details of a provision that has been made in relation to Equal Pay Claims have been included in note 29 to the accounts. The provision represents what we view to be a reasonable estimate of the likely maximum liability that faces the City Council.

However, significant uncertainty remains nationally in relation to Equal Pay Claims due to continued changes in the interpretation of the legal basis upon which such claims are being made and the application of how successful claims have been settled,

Future events could change significantly the legal basis on which Equal Pay Claims are assessed and settled. Therefore, it remains unclear whether a financial obligation exists in many cases and consequently, the size of any obligation cannot be measured with sufficient reliability. On this basis it remains appropriate to record a contingent liability in this area.

Legal proceedings have been initiated against the City Council for payment of an invoice relating to the supply of computer equipment to a Coventry school. The Council's position is that payment has already been made for the goods supplied and that there is no further liability to settle. The net value of the disputed amount is around £88,000.

33. 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 2009 was £1.84 million (£1.74 million 2007/2008) 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 £1,412,761 (£1,295,350 in 2007/2008).
- ii) Social Services Clients Funds £140,706 (£132,578 in 2007/2008) – Funds held on behalf of Social Services clients.
- iii) Other funds £289,435 (£309,639 in 2007/2008), including bequests / donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

34. Reconciliation of Income & Expenditure account to cash flow

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

2007/2008 £m		2008/2009	
		£m	£m
44.1	Income and Expenditure Account Deficit at 31 st March		114.7
	Less:		
(39.4)	Depreciation	(99.5)	
(0.1)	Stocks and work in progress	0	
6.9	Debtors	6.5	
(3.6)	Provisions set aside in year	(21.1)	
(3.7)	Payments in advance	(0.1)	
(2.2)	Creditors	(10.7)	
(1.6)	Receipts in advance	6.1	
1.4	Other movement	(6.7)	
1.8	Net Cash flow from revenue activities		(10.8)

35. Movement in cash & cash equivalents

	As at 31st March 2008 £m	As at 31st March 2009 £m	Movement
Cash in hand of officers	11.1	14.0	2.9
Cash overdrawn	(11.0)	(5.3)	5.7
Increase in cash and cash equivalents	0.1	8.7	8.6

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

36. Analysis of Revenue Grants

2007/2008 £m	Grant	2008/2009 £m
225.4	Department of Children, Schools & Families	239.4
89.2	Housing Benefit Subsidy	96.4
24.9	Council Tax Benefit Subsidy	29.4
23.7	Learning Skills Council (LSC)	23.5
0	Area Based Grants	24.0
19.2	Revenue Support Grant	17.8
16.6	Supporting People	17.2
15.2	Regeneration Grants	3.1
37.9	Other Grants	20.1
452.1	Total	470.9

37. Analysis of Capital Grants

2007/2008 £000	Grant	2008/2009 £000
8,965	Other miscellaneous Government Grants	11,288
1,666	Department for Transport	6,296
0	Performance Reward	1,260
15,020	Standards Fund (Education)	4,218
2,947	Lottery	1,112
5,086	New Deals for Communities	6,768
1,990	Centro Transport grant	3,213
2,121	European Regional Development Fund (ERDF)	734
1,089	Disabled Facilities Grants	2,697
15,540	Private Sector / Other miscellaneous contributions	2,594
173	Neighbourhood Renewal Fund	0
54,597	Total	40,180

38. 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. In previous years, Authorities have been permitted to carry forward some unused allowances to the following year and to use a proportion of allowances from the next year. However, 2009/10 is a designated target year and no carry forward can be made from previous years.

The Council has followed LAAP 64 in accounting for LATS.

In 2008/09 the Council was allocated an allowance of 53,785 tonnes, which has a notional value of £268,925 (£5.00 per tonne), and carried forward a balance of 38,341 tonnes from previous years. From this, 14,534 tonnes (notional value of £72,671) were used in 2008/09. Under the terms of the scheme there can be no carry forward into 2009/10, and as there has not been any market to sell surplus allowances, balances accumulated to date have been written back to the revenue account.

39. Reconciliation of Finance and Liquid Resources

	2007/08 £000	Movement £000	2008/09 £000
Long Term Loans	(330,167)	(7,014)	(337,181)
Temporary Borrowing	(33,884)	15,725	(18,159)
Short Term Investments	36,096	(18,363)	17,733
Total	(327,955)	(9,652)	(337,607)

40. Post balance sheet events

The Statement of Accounts were signed by the Director of Finance and Legal Services and authorised for issue on the 16th June.

Material events arising between 31st March 2009 and 16th June 2009 relating to conditions that existed at the balance sheet date are classed as post balance sheet events that should be incorporated into the financial statements.

Material events arising between 31st March 2009 and 16th June 2009 relating to conditions that did not exist at the balance sheet date are classed as post balance sheet events that require disclosure but which are not incorporated into the financial statements.

There have been no such events since the balance sheet date requiring adjustments to the financial statements or disclosure.

41. 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.

	2007/08 £000	2008/09 £000
General Fund	400,746	448,590
Trading Operations	(69)	(301)
Total	400,677	448,289

42. Disclosure of Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the school Finance (England) regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2008/09 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure	Individual Schools Budget	Total
	£	£	£
Final DSF for 2008/09	20,512,747	165,680,254	186,193,000
Brought forward from 2007/08	1,333,586	0	1,333,586
Carry forward to 2009/10 agreed in advance	1,333,586	0	1,333,586
Agreed budgeted distribution in 2008/09	20,512,747	165,680,254	186,193,000
Actual Central Expenditure	23,048,991	0	23,048,991
Actual ISB deployed to schools	0	167,013,000	167,013,000
Local authority contribution for 2008/09	2,508,799	295,463	2,804,262
Over/(underspend) carried forward to 2009/10	(27,445)	(1,037,283)	(1,064,729)

43. 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 2008/09.

44. Coventry Heritage and Arts Trust

On 1 July 2008 the former Council services associated with the Herbert Art Gallery Museum, Priory Visitor Centre, Lunt Roman Fort and Local Archives Services were transferred to the newly established Coventry Heritage and Arts Trust. The Trust is a company limited by guarantee and is a registered charity. The premises for the facilities are leased to the Trust for a period of 30 years with the freehold remaining with the City Council. The Museum Collection is loaned to the Trust for their care and management in line with the Acquisitions and Disposals policy of the City Council. The transfer to trust is governed by a suite of legal documents including a funding and management agreement which sets out the terms on which funding is made available to the Trust.

Additional financial statements

A. Collection fund

2007/2008 £000		2008/2009	
		£000	£000
	INCOME		
(93,993)	Billed to Council Tax payers	(97,789)	
(24,631)	Council Tax Benefit	(25,750)	
3	Council Tax Transitional Relief	4	
(98,450)	Business Rates Collectable	(106,827)	
(1)	Adjustment of previous years' Community Charges	0	
(217,072)	TOTAL INCOME		(230,362)
	EXPENDITURE		
	Precepts:		
105,979	Coventry City Council	111,067	
7,993	West Midlands Police	8,442	
3,883	West Midlands Fire	4,079	123,588
	Distribution of Business Rates collected:		
98,061	Payment to National Pool	106,434	
389	Costs of collection allowance	393	106,827
	Distribution of previous years' Collection fund surplus / deficit		
3	Coventry City Council	1,247	
0	West Midlands Police	94	
0	West Midlands Fire	46	
(3)	Less Provision for surplus / deficit distribution	(1,387)	0
216,305	TOTAL EXPENDITURE		230,415
(767)	(SURPLUS) / DEFICIT FOR THE YEAR		53
533	Increase / (Decrease) in Provisions for Possible Non-Payment of Council Tax		1,906
(234)	MOVEMENT ON SURPLUS HOLDING ACCOUNT FOR YEAR		1,959
(636)	Total surplus brought forward at previous year end	(868)	
3	Less surplus committed from last year	1,387	
(234)	Movement on surplus holding account	1,959	
(867)	Balance carried forward at 31st March 2009		2,478
(1,387)	(Surplus)/Deficit already assumed in setting the 2008/09 Council Tax		2,337
520	EXCESS (SURPLUS) DEFICIT CARRIED FORWARD TO FOLLOWING YEARS' TAX SETTING		141

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 2008-09 was 98.3%. The Government determines the level of rates payable, which was 46.2p per £ of rateable value, (44.4p in 2007/2008). The Valuation Office Agency sets the rateable value of each property and the total was £268,580,922 at 31st March 2009 (£274,568,604 at 31st March 2008). 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 offs in 2008/09 of £0.5m and the provision for bad and doubtful debts has risen by £0.3million to £1.4 million in 2008/09.

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 130,500 of which 5,661 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	102	52.5
A	51139	29482.3
B	37302	26337.0
C	20605	16970.3
D	8119	7606.8
E	4105	4788.6
F	2082	2877.3
G	1294	2064.7
H	91	169.6
Total	124,839	90349.1
Estimated eventual collection rate		98.7%
Total Council Tax Base at Band D for 2008/09		89,174.6
Total Council Tax Base at Band D for 2007/08		87,386.8

4. Provisions and write offs

Level of Provisions & Write Offs	Council Tax £000	Business Rates £000	Community Charge £000
Provision brought forward	(3,175)	(1,710)	(533)
Written off in year	1,070	523	0
(Increase) / decrease in provision	(2,977)	(217)	0
Provision Carried Forward	(5,082)	(1,404)	(533)
Gross Debtors Before Provision	12,841	8,618	533

B. Group Accounts

- The accounts have been prepared in accordance with the 2008 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 2008/09 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 2008/09 accounts were not available for any of these companies.
- Note 23 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 fifth year that Coventry City Council have prepared group accounts. Comparative figures for 2007/08 are restated for accounting policy changes in Coventry City Council's accounts.

1. The Group Income and Expenditure account

2007/08 Restated Net expenditure £000		2008/09		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	Spending by Service			
6,827	Central services to the public	109,058	(71,512)	37,546
(375)	Courts	2	(361)	(359)
64,317	Cultural, environmental and planning services	98,701	(37,493)	61,208
76,819	Children's services	420,095	(305,804)	114,291
7,680	Highways, roads and transport services	21,718	(8,870)	12,848
8,611	Housing services	127,401	(117,937)	9,464
77,171	Adult Social Care	105,146	(18,928)	86,218
8,108	Non-distributed costs	468	0	468
10,474	Corporate and democratic core	10,399	0	10,399
259,632		892,988	(560,905)	332,083
(12,230)	Turnover Joint Venture	0	(13,315)	(13,315)
10,989	Cost of sales JV Joint Venture	11,058	0	11,058
1,470	Exceptional item (impairment)	0	0	0
259,861	Net Cost of Services	904,046	(574,220)	329,826
(12)	Gain or loss on disposal of fixed asset			0
22	Contribution of housing capital receipts			20
5	Precepts of local precepting authorities			5
1,777	Net (Surplus)/Deficit from trading			2,361
16,324	Interest payable			16,621
631	Share of interest payable by JV			600
(3,260)	External investment income			(2,230)
(775)	Dividends & interest			(614)
(121)	Share of interest receivable by JV			(108)
1,116	FRS 17 Interest / Return			13,778
181	Share of corporation tax of Joint Venture			489
15,523	Levy payments to other bodies			16,139
291,272				376,887
0	Minority interest			0
291,272	Net Expenditure			376,887
(105,982)	Net precept demanded from Collection Fund			(111,072)
0	Collection fund surplus at 31st March 2007			(1,242)
(114,837)	Contribution from Non-domestic rate pool			(127,635)
(25,395)	Revenue support grant			(23,513)
(246,214)	Total Income from Government Grants and Local Taxpayers			(263,462)
45,058	(Surplus) or Deficit for the year			113,425

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

2007/2008 £000		2008/2009 £000
44,136	Deficit on the authorities single entity Income & Expenditure account for the year	114,701
48	Less: subsidiary and associate dividend income and any other distributions from group entities included in the single entity deficit on the Income & Expenditure account	29
44,184	Deficit in the group Income & Expenditure attributable to the Authority Add : (Surplus) / deficit arising from other entities included in the group accounts	114,730
1,423	Subsidiaries	(29)
(549)	Joint Ventures	(1,276)
45,058	Group account deficit for the year	113,425

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.

2007/08 £000		2008/09		
		Group £000	Joint Ventures £000	Total £000
45,058	Deficit on the Income & Expenditure account for the year	114,701	(1,276)	113,425
(47,294)	Gains arising on revaluation of fixed assets	(143,771)	0	(143,771)
87,885	Actuarial loss on pension fund assets and liabilities	(23,594)	120	(23,474)
(825)	Available for sale reserve	0	0	0
1,308	Other	5,052	(58)	4,994
86,132	Total recognised gains and losses for the year	(47,612)	(1,214)	(48,826)

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 2009. 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 31 st March 2008 £000	Group Balance Sheet	As at 31 st March 2009 £000	
		£000	£000
1,427	ASSETS Intangible Assets		817
	Tangible Fixed Assets		
	Operational Assets		
621,784	- Other land and buildings	747,907	
8,325	- Vehicles, plant and equipment	7,507	
218,294	- Infrastructure assets	232,811	
8,558	- Community assets	14,989	1,003,214
	Non-Operational Assets		
264,356	- Investment properties	247,361	
88,326	- Under construction	56,326	303,687
12,694	Long Term Investments		12,694
32,885	Share in gross assets of JV		32,523
(24,761)	Share in gross liabilities of JV		(23,183)
8,670	Long Term Debtors		10,478
0	Deferred Premiums on early repayment of debt		0
1,240,558	Total Long Term Assets		1,340,230
	CURRENT ASSETS		
591	Stock	601	
96,991	Debtors	87,743	
0	Increase in bad debt provision	0	
36,096	Short term investments	17,733	
0	Prepayments in advance	0	
11,065	Cash	14,034	120,111
	CURRENT LIABILITIES		
(34,217)	Short Term Loans	(18,986)	
(68,255)	Creditors	(57,437)	
(24,050)	Receipts in advance	(33,896)	
(10,965)	Bank overdraft	(5,344)	(115,663)
1,247,814	Total Assets Less Current Liabilities		1,344,678
	LONG TERM LIABILITIES		
(330,167)	Long Term Loans		(337,187)
0	Deferred discounts on early repayment of debt		0
(192,949)	Government grants deferred		(223,989)
(16,009)	Other provisions		(35,215)
(309,836)	Pensions liability		(300,608)
0	Grants deferred		0
0	Other fund balances		0
398,853	TOTAL ASSETS LESS LIABILITIES		447,679

4. The Group Balance sheet (continued)

As at 31 st March 2008 £000	Group Balance Sheet (continued)	As at 31 st March 2009 £000 £000	
	BALANCES AND RESERVES		
(655,243)	Capital Adjustment Account		(550,785)
309,836	Pension Reserve		300,608
0	Usable capital receipts reserve		0
(35,800)	Specific Reserves		(46,816)
(868)	Collection Fund Balance		2,478
(54,036)	Revaluation Reserve		(189,027)
3,068	Financial Instruments Adjustments Account		2,889
(825)	Available for sale Financial Instruments Reserve		(825)
35,015	Profit & Loss Reserve		33,799
(398,853)	GROUP BALANCES AND RESERVES		(447,679)
0	Minority Interest		0
(398,853)	TOTAL BALANCES AND RESERVES		(447,679)

5. The Group Cash Flow Statement

2007/2008 £m		2008/2009 £m
(10.5)	Net Cash Inflows from Revenue Activities	(26.2)
0.0	Dividends from Joint Ventures and Associates	0.0
	Returns on Investments and Servicing of Finance	
16.3	- Interest paid	17.1
(4.0)	- Interest received	(1.7)
0.0	Taxation	
1.8		(10.8)
	Capital Expenditure and Financial Investment	
76.7	Purchase of fixed assets	67.7
(7.5)	Sale of fixed assets	(7.1)
0.0	Purchase of long term investments	0.0
(42.7)	Capital grants received	(46.8)
3.2	Intangible assets	0.9
(2.5)	Other capital cash receipts	(2.7)
		12.0
0.0	Equity Dividends paid	
0.0	Acquisitions and disposals	
29.0	Net Cash Inflow before financing	1.2
	MANAGEMENT OF LIQUID RESOURCES	
(18.6)	Liquid resources	(17.9)
	FINANCING	
	Cash Outflows	
0.0	Grants paid	0.0
64.9	Repayments of amounts borrowed	45.4
	Cash Inflows	
(71.5)	New loans raised	(52.9)
0.0	Capital contributions	0.0
(7.2)	Short term loans	15.6
(3.4)	(Increase) / Decrease in cash	(8.6)

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.

	2007/08 £000	2008/09 £000
Group	402,506	450,348
Joint Ventures	(3,584)	(2,368)
Trading Operations	(69)	(301)
Total	398,853	447,679

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 1 st April 2008 £000	(Gains)/ losses for the year Group (incl Subsidiaries) £000	Movement in Reserves Joint Ventures £000	Balance as at 31 st March 2009 £000
Capital Adjustment Account	(655,242)	104,457		(550,785)
Revaluation Reserve	(54,035)	(134,992)		(189,027)
Usable Capital Receipts Reserve	0	0		0
Financial Instruments Adjustment Account	3,068	(179)		2,889
Financial Instruments Available for Sale Reserve	(825)	0		(825)
Pensions Reserve	309,836	(9,228)		300,608
Specific Reserve	(35,800)	(11,016)		(46,816)
Collection Fund Balance	(868)	3,346		2,478
Profit and Loss	35,013	0	(1,214)	33,799
Total	(398,853)	(47,612)	(1,214)	(447,679)

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 23 to the single entity accounts.

iii. Financial Liabilities

Coventry City Council holds the 'A' Preference Shares

	2007	2008
	£	£
'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 £6,331,678 (2008 - £6,322,774). Income received in advance at 31 March 2009 amounted to £5,103,860 (2008 - £5,455,035).

During the year payments to the two shareholder councils amounted in aggregate to £121,708 (2008 - £195,007) for the provision of various services. The amounts due to the councils at the year end were £4,978,085 (2008 - £5,803,785).

- 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 is included in note 23 to the single entity accounts.
- ix. Related party transaction – During the year, the company had rates and operating expenses to the value of £209,211 (2007 - £111,970) and £142,602 was outstanding at 31st May 2008 (2007 - £109,655).

At the year-end the cash-flow assistance, provided by CNR to ACL, stood at £916,667, following repayment of principal to the value of £83,333 by ACL. The cash-flow assistance is repayable by 28 December 2010.

- x. 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 23 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 2009. **The notes** to the Groups Accounts are based on ACL audited accounts at 31st May 2008.

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.

2007/2008 £m		2008/2009 £m
44.1	Group deficit as at 31st March 2008	99.3
	Less:	
(39.4)	Depreciation	(99.5)
(12.3)	Servicing of finance	
		(99.5)
	Movement in items on an accruals basis:	
(0.1)	Stocks and work in progress	
6.9	Short term debtors	6.5
(3.6)	Provisions set aside in year	(21.1)
(3.7)	Payments in advance	(0.1)
(2.2)	Creditors	(10.7)
(1.6)	Receipts in advance	6.1
1.4	Bequests and other balances	(6.7)
		(26.0)
(10.5)	Net cash flow from revenue activities	(26.2)

Statement of accounting policies

1. General

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31st March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Changes in Accounting Policies

In the 2008/09 Statement of Accounts, the council has adopted the following new accounting policies:

- I. Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.
- II. The 2008 SORP allows for certain expenditure, for example grants and expenditure on property not owned by the authority, to be classified as capital for funding purposes. This classification replaces the former Deferred Charges and is now termed Revenue Expenditure Funded From Capital Under Statute.

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:

Investment properties and assets surplus to requirements – market value.

Other land and buildings – existing use value (operational – non specialised) or depreciated replacement cost (operational – specialised) where there is no relevant evidence of recent sales due to the specialised nature of the asset.

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

Community assets – 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.

Depreciation is calculated on the following bases:

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

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

8. Charges to Revenue for Fixed Assets

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

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

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined in accordance with statutory guidance). 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 or losses arising on the repurchase or early settlement of borrowing are recognised in the Income & Expenditure Account in the periods during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

10. Government Grants

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

11. Revenue Expenditure Funded from Capital Under Statute

Legislation allows for some expenditure, for example grants and expenditure on property not owned by the authority, to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Expenditure that falls into this category has been written off to the relevant service income and expenditure accounts in the year. Where the council has determined to meet the cost of this expenditure 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 is included within the accounts only when elements are irrecoverable and therefore charged to service expenditure.

13. Investments

The Council has material interests in companies and other entities that have the nature of subsidiaries and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are classified as available for sale assets and valued at fair value (see note 15).

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 balanced 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 2008/09 contributions were set based on a March 2007 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 – bid price
- 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 2008. 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 9 to the main financial statements.

21. Group Accounts

The group accounts have been prepared by fully implementing the 2008 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.

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 Expenditure Funded From Capital Under Statute – expenditure on grants or property not owned by the authority that may properly be classified as capital for funding purposes, but does not result in an asset owned by the Council.

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