

# **Coventry City Council**

Statement of Accounts

2009/10

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# 1 Overview

## 1.1 Explanatory Foreword

Welcome to Coventry City Council's Statement of Accounts for the financial year 2009/10. These accounts set out, in accordance with approved guidelines, the financial results of the Council's activities for the year ending 31st March 2010. This section gives an overview of the Council's financial performance for the year, explains the main financial statements contained within the accounts and highlights the most significant financial matters affecting the City Council.

The Statement of Accounts concentrates on the Council's financial performance. We have produced a separate Annual Report for 2009/10 that sets out our non-financial performance. This report and details about all other Council activities can be found on our website at [www.coventry.gov.uk](http://www.coventry.gov.uk).

## 1.2 An Overview of the Council's Financial Performance in 2009/10

Council expenditure is divided into two broad categories: revenue and capital. Revenue spending includes day to day items such as salaries and energy costs. Capital expenditure is incurred on major items such as the construction of buildings and roads. Responsibility for delivering services within this budget is held by members of the Council's Cabinet and the Directors who sit on the Corporate Management Board.

### Revenue

The Council's level of revenue spending for 2009/10 was £260.3 million compared with a revenue budget of £261.9 million, representing a General Fund surplus of £1.6 million or 0.61% of budget. The main services funded within the revenue budget are shown within the Income and Expenditure Account.

There were two main areas where we spent more than we planned to. The Council's ABC programme, that will transform all services over the next few years, has led to an acceleration in the number of employees leaving the Council during the year on the basis of voluntary redundancy and early retirement decisions. This has led to costs of £3.5 million in excess of budget. We have also experienced a significant rise in the number of external placements for looked after children during 2009/10 causing costs of £2.3 million over budget.

We have managed to achieve an under-spend by spending less than we planned in a wide number of other areas. In particular, costs have been less than originally forecast on our energy contracts, in the amount set aside for the 2009/10 employees pay award and in the amount that we planned to pay for the interest costs on and repayment of our outstanding debt.

The final position has enabled a contribution to be made to reserves set aside for key areas of expenditure in 2010/11. We have maintained the value of our Working Balance reserve, which stands at £5.3 million (2% of budget), which is at the level recommended within our Medium Term Financial Strategy. The Council's reserves position is further explained in section 3.28.

## Capital

The original capital budget for 2009/10 was £78.7 million. During the year there has been a net decrease to the programme of £2.2 million resulting in a final revised budget for the year of £76.5 million.

Capital Programme 2009/10 Outturn	£m
Revised Budget	76.5
Capital Spending	72.2
<b>Variance</b>	<b>(4.3)</b>

Final capital spending of £72.2 million was £4.3 million below budget. This difference was made up of £5.5 million of spending that will be undertaken in future years, and an overspend of £1.2 million. Funding for the capital programme is shown in section 3.15. 67% of the programme was funded from external grant and 24% from borrowing.

Within the Capital Programme £34.6 million was spent on services for children & young people, mostly on schools and related projects. £24.8 million was spent within the City Services and Development Directorate, including schemes relating to highways, property and a range of regeneration projects. The remaining £12.8 million was spent on schemes relating to parks and library refurbishments, social housing grants and private sector housing renewal schemes and other services.

## Explanation of the Statements

The Statement of Accounts includes the following core financial statements.

### Income & Expenditure Account (section 2.1)

This statement shows how much has been spent and how much income received by each Council service. It also shows the funding for these services through Council Tax paid by Coventry residents, central government grant and Coventry's share of National Non-Domestic Rates (Business Rates).

The General Fund surplus shown in the overview above is produced on the same basis as that used for Council Tax setting and budgetary control purposes through the year. There are a number of differences between the General Fund position and that which the Council is required to show within the Income and Expenditure Account.

The Income and Expenditure Account shows Net Operating Expenditure of £426.0 million. This is funded from income from government grants and local taxpayers of £267.3 million including Private Finance Initiative and Local Authority Business Growth Initiative grants, to give an overall deficit of £158.7 million. The difference between this figure and the £1.6 million underspend above is explained in detail in section 2.2 to the accounts. The biggest single difference relates to the impairment and depreciation of fixed assets (£162.5 million) that is shown within the Income and Expenditure Account but not within the General Fund position.

### Statement of Movement on the General Fund Balance (section 2.2)

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. The main differences are listed in the Statement of Movement on the General Fund Balance

### **Statement of Total Recognised Gains and Losses (section 2.3)**

Not all of the gains and losses experienced by the Council are reflected in the Income and Expenditure Account. For example, gains on fixed asset revaluations and pension fund gains and losses are excluded. This statement brings together all the gains and losses of the Council for the year.

### **Balance Sheet (section 2.4)**

This gives the Council's financial position as at 31st March 2010, showing the Council's assets (what it owns) and liabilities (what it owes). Assets include the Council's land and buildings, investments and money owed to the Council. Liabilities include money owed to creditors and long-term loans received by the City Council.

The value of assets in excess of liabilities equals the Council's equity position. The total equity as at 31st March 2010 stood at £175.3 million. This was £263.0 million lower than the position at the beginning of the financial year (£438.3 million as at 1st April 2009).

The £263.0 million decrease was the net result of a number of significant movements. The largest of these were a £140.9 million increase in our pension liability and a £162.5 million impact of impairment and depreciation.

### **Cash Flow Statement (section 2.5)**

This shows the actual movement of cash received and spent by the Council during the year regardless of which year it relates to. Most of the other statements within this document are based on all transactions or changes in value that are relevant to 2009/10 on an accruals basis.

### **The Collection Fund (section 2.6)**

This account shows how much Council Tax and National Non-Domestic Rates (business rates) are collected within the City. It shows how much has been transferred to the Income and Expenditure Account to pay for Council Services and how much has been paid to the Police and Fire Authorities. The difference between these two amounts is then a surplus or a deficit which is shared between the Council and the West Midlands Police and Fire Authorities.

### **Group Accounts (section 4)**

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 (section 5)**

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.

## The Main Issues within the Accounts

### Equal Pay

The single most significant financial issue facing the Council continues to be legal claims that the Council has received relating to equal pay. These accounts include a provision of £30m against these claims that the Government has allowed us to treat as capital expenditure to be funded from prudential borrowing. 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. More detail is provided in section 3.26.

### Pensions Accounting

Local authorities are required to account for pension schemes in line with Financial Reporting Standard 17 (Retirement Benefits). The full effects of this are shown in the Income & Expenditure Account, the Balance Sheet and sections 3.10 and 3.11. The figures disclosed in these accounts represent a snapshot in time and at present they show a shortfall of £442 million 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 and other changes to the scheme 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 when the pensions are actually paid.

### Future Financial Position

The Council set its revenue & capital budgets for 2010/11 on the 8th December 2009:

- The net revenue budget is £269.4 million - an increase of 2.9% on 2009/10. This will be funded from £153.0 million of Formula Grant and £116.4 million of Council Tax income. The Council has identified £10 million of savings within its budget in response to a relatively low increase in government grant and the local need for Council investment to meet essential short-term service and infrastructure needs and fundamental long-term environmental and regeneration requirements.
- National financial difficulties will make the medium term financial position even more challenging with expectations of much lower Government settlements and an expected freeze in Council Tax in the next few years. To help deliver savings and achieve a balanced budget in these circumstances, the Council has embarked on its ABC Programme - A Better Council for A Bolder City - a programme of reviews designed to improve the services that we provide in a more cost effective manner. This programme will affect every area of the City Council over the next few years and provides a significant challenge.
- The Capital Programme of £77 million represents an increase of 8% on the equivalent 2009/10 programme with the main funding coming from grants (£44 million) and borrowing (£27 million). Of this, £18 million is planned to be funded from Prudential Borrowing for which the Council has to identify additional revenue contributions. A shortage of capital resources has left the City Council little option but to borrow temporarily in order to balance the programme. Over the medium term we will seek to repay this borrowing from future capital receipts and any future capital programme approvals will be strictly limited in line with the value of resources that we can identify.

## Changes in Accounting Policies

In the 2009/10 Statement of Accounts, the Council has adopted the following new accounting policies:

- Under the 2009 SORP the Council has adopted the changes relating to accounting for the Collection Fund. These changes detail the manner in which Collection Fund balances, previously held within the Fund, should be disaggregated to the billing authority (the City Council) and major precepting authorities (the Police and Fire Authorities). It also details a change in the way in which amounts relating to Business Rates should be held on the balance sheet, based on the principle that the Council is collecting these rates on behalf of central government.
- The 2007 Budget announcement stated that all Government bodies will be required to adopt International Financial Reporting Standards (IFRS). The timetable for Local Authority convergence with IFRS has been agreed. Early adoption of PFI accounting is to be included within the 2009/10 accounts and a full IFRS compliant set of accounts will be introduced for 2010/11. The most significant change in how PFI is treated within the Local Authority accounts is the recognition of the asset within our Balance Sheet, due to an assessment of control under IFRIC12. Previously it was deemed that the risk and rewards were borne by the operator, and as such, the assets were not included in our Balance Sheet.

## 1.3 Statement of Responsibilities

### Coventry City 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.

### 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 a true and fair view of the City Council's financial position at the accounting date and the income and expenditure for the year (ended 31st March 2010).

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.

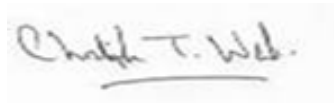


The Director of Finance and Legal Services has also:

- kept proper accounting records, which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- maintained an effective system of financial control;
- ensured timely publication of the annual accounts to communicate the organisation's activities and achievements, its financial position and performance.

### **Certification of the Accounts**

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31st March 2010 and its income and expenditure for the year ended 31st March 2010, and that the accounts are authorised for issue.



C West, CPFA  
Director of Finance and Legal Services  
16th June 2010

I certify that this Statement of Accounts has been approved by Coventry City Council's Audit Committee, at a meeting of the committee that took place on 24th June 2010.



Councillor Chater  
Chair of Audit Committee  
24 June 2010

## **1.4 Annual Governance Statement**

### **Scope of Responsibility**

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.

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.

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.

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.

### **The Purpose of the Governance Framework**

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.

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.

The governance framework has been in place at Coventry City Council for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

## The Governance Framework

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

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, and detailed work programmes for 2009-10.

Coventry's Sustainable Community Strategy was adopted in March 2008 and 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 the 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.

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.

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.

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.

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.

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.

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 Management Board.

The Council, through its Whistleblowing and Complaints Policies, has 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.

An Audit Committee 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 committee carries out an annual self-assessment to measure its effectiveness, based on recommended CIPFA practice.

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 2010:

- 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 2009, 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 RSM Tenon Limited as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2009 (by their previous auditors – PricewaterhouseCoopers). 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 RSM Tenon Limited as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2009 (by their previous auditors – PricewaterhouseCoopers).
- 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 Dains LLP as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st May 2009. 2 of the 7 directors of ACL are senior Council officers.

## **Review of Effectiveness**

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's 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.

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.

The review of effectiveness has also been informed by:

- An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
- The work of the Internal Audit Service during 2009-10. 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 the Audit Committee and the Standards Committee during 2009-10.
- Reports from the external auditors and other inspection agencies.

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.

## Significant Governance Issues

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 Corporate Management Board and the Audit Committee.

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:

- Ensuring the delivery of the Council's vision and corporate objectives in line with the Medium Term Financial Strategy.
- Working closely with partners and Government to deliver the Local Area Agreement. Linked to this, the Council will be working with its partners to address areas for improvement highlighted in the Audit Commissions Area Assessment issued in December 2009.
- Continuing to progress with the City Council's transformational improvement programme, the ABC programme. The five year ABC programme comprises a series of fundamental service delivery and infrastructure reviews and a range of other one off, projects that are looking critically at what we do and how we do it. This includes i-cov, which is a major review into the Council's ICT service with the aim of ensuring that the Council has the right ICT and future investment in place to help us do our jobs effectively and efficiently.

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:

- Addressing the recommendations highlighted in the Audit Commissions Annual Audit Letter.
- Continuing to enhance the Council's governance arrangements including:
  - Completing the rolling programme of reviews assessing the governance arrangements in its significant partnerships.
  - To embed systems to ensure effective arrangements exist to cover corporate governance arrangements such as register of interests within the Council.
  - To ensure that the Council has effective governance / project management arrangements in place to oversee all significant Council projects.
- To ensure that service Business Continuity Management plans are tested to ensure that they are fit for purpose.

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.

## 2 Main Financial Statements

### 2.1 Income & Expenditure account

2008/09 Net Expenditure £000		2009/10		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
37,546	Central services to the public	90,611	(67,891)	22,720
(359)	Courts	(570)	(149)	(719)
70,930	Cultural, environmental and planning services	95,379	(19,274)	76,105
112,538	Children's Services	447,130	(303,978)	143,152
12,848	Highways, roads and transport services	22,230	(8,423)	13,807
9,464	Housing Services	138,503	(132,474)	6,029
90,736	Adult Services	105,856	(23,237)	82,619
468	Non-distributed costs	1,794	0	1,794
10,399	Corporate and democratic core	10,465	0	10,465
<b>344,570</b>	<b>Net Cost of Services</b>	<b>911,398</b>	<b>(555,426)</b>	<b>355,972</b>
	<b>Other Operating Expenditure</b>			
(2,230)	External investment income			(542)
0	(Profit)/loss on disposal of Fixed Assets			0
18,543	Interest payable & similar charges			18,825
13,778	Pension interest cost and return on assets			24,035
16,139	Levy payments to other bodies			16,471
(7,363)	Net (Surplus)/Deficit from trading operations			11,336
(612)	Dividends & interest receivable			(115)
20	Contribution of housing capital receipts to Government Pool			14
5	Precepts of local precepting authorities			5
<b>382,850</b>	<b>Net Operating Expenditure</b>			<b>426,001</b>
	<b>Income from Government Grants and Local Taxpayers</b>			
(109,311)	Net Council Tax Income			(113,867)
(127,635)	Contribution from Non-domestic rate pool			(121,421)
(23,513)	Revenue support grant*			(31,969)
<b>(260,459)</b>	<b>Total Income from Government Grants and Local Taxpayers</b>			<b>(267,257)</b>
<b>122,391</b>	<b>(Surplus) or Deficit for the year transferred to working balance</b>			<b>158,744</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

\* The 2009/10 RSG figure includes £3.6m of PFI Grant and £0.3m of Business Growth Incentive Scheme Grant (2008/09 includes £3.6m of PFI Grant and £2.1m of Business Growth Incentive Scheme Grant).

## 2.2 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.
- 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, movements in reserves plus other allowable Local Authority accounting adjustments, (total value £160.4m) to arrive at a General Fund surplus of £1.6m surplus position against a budget of £261.9m. It is this variation that is used to measure the Council's performance.

2008/09 £000	Statement of movement on the General Fund Balance	2009/10 £000
122,391	(Surplus) / Deficit for year on the Income & Expenditure account	158,744
(122,347)	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 3.12 for further details)	(160,384)
<b>44</b>	<b>(Increase) or decrease in the General Fund Balance for the year</b>	<b>(1,640)</b>
(4,379)	<b>General Fund balance brought forward</b>	(5,339)
44	(Increase) / decrease in the General Fund Balance for the year	(1,640)
(1,004)	Other net transfers from the General Fund Balance Reserve	1,675
<b>(5,339)</b>	<b>General Fund balance carried forward</b>	<b>(5,304)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).



## 2.3 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 represent 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.

<b>2008/09 £000</b>	<b>Statement of total recognised gains and losses</b>	<b>2009/10 £000</b>
122,391	Deficit on the Income & Expenditure account	158,744
(143,771)	(Gains) / loss arising on revaluation of fixed assets	(21,256)
0	(Gains) / loss arising on revaluation of available for sale financial assets	0
(22,936)	Actuarial (gain) / loss on pension fund assets and liabilities	125,698
1,706	Any other (gains) / losses required to be included	(148)
<b>(42,610)</b>	<b>Total recognised (gains) and losses for the year</b>	<b>263,038</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 2.4 Balance sheet

This statement summarises the council's financial position as at 31<sup>st</sup> March 2010. 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 2009 £000	Balance Sheet	As at 31st March 2010 £000      £000		Section
817	<b>ASSETS</b> Intangible Assets		434	3.17
	Tangible Fixed Assets			
	Operational Assets			3.13
782,307	- Other land and buildings	724,994		
7,507	- Vehicles, plant & equipment	8,457		
232,811	- Infrastructure assets	249,240		
14,989	- Community assets	14,995	997,686	
	Non-Operational Assets			3.13
203,909	- Investment properties	221,073		
43,452	- Assets held for sale	12,009		
56,326	- Under construction	22,557	255,639	
22,644	Long Term Investments		22,644	3.22
7,115	Long Term Debtors		4,890	3.23
<b>1,371,877</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>1,281,293</b>	
	<b>CURRENT ASSETS</b>			
601	Stocks and Work in Progress	541		
17,733	Short term investments	17,884		
84,052	Short term debtors	73,548		3.24
14,033	Cash	19,209	111,182	
116,419				
	<b>CURRENT LIABILITIES</b>			
(23,116)	Temporary borrowing	(11,146)		
(56,812)	Creditors	(66,806)		3.25
(32,411)	Receipts in advance	(33,940)		3.25
(5,344)	Cash overdrawn	0	(111,892)	
(117,683)				
<b>1,370,613</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,280,583</b>	

**Balance sheet (Continued)**

<b>As at 31st March 2009 £000</b>	<b>Balance Sheet</b>	<b>As at 31st March 2010 £000      £000</b>		<b>Section</b>
<b>1,370,613</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES (brought forward)</b>	<b>1,280,583</b>		
	<b>LONG TERM LIABILITIES</b>			
(373,474)	Long Term Loans	(371,361)		
0	Deferred discounts on early redemption of debt	0		
(34,216)	Other provisions	(36,674)		3.26
(300,608)	Liability related to Pension scheme	(441,541)		
(223,989)	Government grants deferred	(255,719)	(1,105,295)	3.27
<b>438,326</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>175,288</b>		
	<b>EQUITY</b>			
(505,410)	Capital Adjustment Account	(381,286)		3.28
(192,529)	Revaluation Reserve	(194,175)		3.28
2,889	Financial Instruments Adjustment Account	2,710		3.28
(825)	Available for Sale Financial Instruments Reserve	(825)		3.28
300,608	Pension Reserve	441,541		3.28
0	Unapplied Capital Receipts	0		3.28
2,227	Collection Fund Balance	835		3.28
(45,286)	Specific Reserves	(44,088)		3.28
<b>(438,326)</b>	<b>TOTAL EQUITY</b>	<b>(175,288)</b>		

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 2.5 The Council's cash flow statement

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

2008/2009 £m		2009/10	
		£m	£m
(32.5)	<b>Net Cash flow from Revenue Activities</b>		(40.0)
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
17.1	Interest paid	15.8	
1.9	Interest element of finance and lease rental payments	2.9	
	<b>Cash Inflows</b>		
(1.7)	Interest received	(0.3)	
<b>17.3</b>	<b>Net Cash from Investments and Servicing of Finance</b>		<b>18.4</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
67.7	Purchase of fixed assets	56.7	
0.0	Purchase of long term investments	0.0	
0.9	Other capital cash payments	1.3	
	<b>Cash Inflows</b>		
(7.1)	Sale of fixed assets	(5.0)	
(46.8)	Capital grant received	(54.1)	
(2.7)	Other capital cash receipts	(2.4)	
<b>12.0</b>	<b>Net Cash from Capital Activities</b>		<b>(3.5)</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(3.7)	Net increase/decrease in short term deposits	0.0	
(11.3)	Net increase/decrease in other liquid resources	(0.9)	
<b>(15.0)</b>	<b>Net Cash from Management of Liquid Resources</b>		<b>(0.9)</b>
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
62.5	Repayments of amounts borrowed	14.0	
0.0	Capital element of finance lease rental payments	1.5	
	<b>Cash Inflows</b>		
(52.9)	New loans raised	0.0	
0.0	New short term loans	0.0	
<b>9.6</b>	<b>Net Cash from Financing</b>		<b>15.5</b>
<b>(8.6)</b>	<b>Net (Increase) / Decrease in Cash</b>		<b>(10.5)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 2.6 Collection Fund

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. The Collection Fund also receives income from Business Rates and makes payments to central government (National Pool).

2008/09 £000		2009/10	
		£000	£000
	<b>INCOME</b>		
(97,789)	Billed to Council Tax payers	(99,487)	
(25,750)	Council Tax Benefit	(28,416)	
4	Council Tax Transitional Relief	2	
(106,827)	Business Rates Collectable	(108,947)	
0	Adjustment of previous years' Community Charges	(1)	
<b>(230,362)</b>	<b>TOTAL INCOME</b>		<b>(236,849)</b>
	<b>EXPENDITURE</b>		
	Precepts:		
111,067	Coventry City Council	114,575	
8,442	West Midlands Police	8,683	
4,079	West Midlands Fire	4,156	127,414
	Distribution of Business Rates collected:		
106,434	Payment to National Pool	108,553	
393	Costs of collection allowance	394	108,947
	Contribution (to) / from previous years' surplus /deficit		
1,247	Coventry City Council	(2,100)	
94	West Midlands Police	(160)	
46	West Midlands Fire	(77)	
(1,387)	Less Provision for surplus / deficit distribution	2,337	0
<b>230,415</b>	<b>TOTAL EXPENDITURE</b>		<b>236,361</b>
53	<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>		(488)
1,906	Increase / (Decrease) in Provisions for Possible Non-Payment of Council Tax		1,275
<b>1,959</b>	<b>MOVEMENT ON SURPLUS HOLDING ACCOUNT FOR YEAR</b>		<b>787</b>
(868)	Total (surplus) / deficit brought forward at previous year end	2,478	
1,387	Surplus / (deficit) committed from previous year	(2,337)	
1,959	Movement in surplus / deficit	787	
2,478	Balance carried forward at 31st March 2010		928
2,337	(Surplus)/Deficit already assumed in setting the 2010/11 Council Tax		997
<b>141</b>	<b>EXCESS (SURPLUS) DEFICIT CARRIED FORWARD TO FOLLOWING YEARS' TAX SETTING</b>		<b>(69)</b>

## 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 2009/10 was 97.8%. The Government determines the level of rates payable, which was 48.5p per £ of rateable value. (46.2p in 2008/09). The Valuation Office Agency sets the rateable value of each property and the total was £267,324,537 at 31st March 2010 (£268,580,922 at 31st March 2009). 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 2009/10 of £0.03m and the provision for bad and doubtful debts has risen by £1.2 million to £2.6 million in 2009/10.

## Calculation of the council tax base

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

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.5%. The total number of dwellings on the valuation list is 131,493 of which 5,949 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	103	52.8
A	51,362	29,357.6
B	37,533	26,238.8
C	20,773	16,913.7
D	8,161	7,559.8
E	4,117	4,742.8
F	2,100	2,872.9
G	1,302	2,063.3
H	93	171.7
<b>Total</b>	<b>125,544</b>	<b>89,973.4</b>
Estimated eventual collection rate		98.5%
Total Council Tax Base at Band D for 2009/10		90,349.1
Total Council Tax Base at Band D for 2008/09		89,174.6

**Provisions and write offs**

<b>Level of Provisions &amp; Write Offs</b>	<b>Council Tax £000</b>	<b>Community Charge £000</b>
Provision brought forward	(5,082)	(533)
Written off in year	1,012	0
(Increase) / decrease in provision	(2,288)	1
<b>Provision Carried Forward</b>	<b>(6,358)</b>	<b>(532)</b>

<b>Gross Debtors Before Provision</b>	<b>13,454</b>	<b>532</b>
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**Precepts and Demands on the Collection Fund**

The amounts accrued into the precepting authorities' own income and expenditure accounts are detailed below:

<b>2008/09</b>		<b>2009/10</b>		
<b>Total £000</b>		<b>Precept/Demand £000</b>	<b>Share of 2009/10 surplus/(deficit) £000</b>	<b>Total £000</b>
109,311	Coventry City Council	114,575	(708)	113,867
4,014	West Midlands Fire Service	4,156	(25)	4,131
8,308	West Midlands Police	8,683	(54)	8,629
121,633	<b>Total</b>	<b>127,414</b>	<b>(787)</b>	<b>126,627</b>

### 3 Notes to the Main Financial Statements

#### 3.1 Prior Period Adjustments

Prior period adjustments have been required relating to three separate areas:

- Public Finance Initiative (PFI) schemes
- Collection Fund
- Reclassification of Commercial Property trading accounts

The adjustments required relating to PFI and Collection Fund (affecting both Council Tax and Business Rates) are as a result of changes to the Council's accounting policies (see section 5.2). The changes made to the policies have been made in response to changes in accounting standards.

In previous year's the Council had included the income from commercial property as income within Cultural, environmental and planning services. However, this income should have been included as part of trading operations.

The combined effect of these changes on the main statements is exemplified in the tables below. Please note that these tables are extracts from the main statements. As such they only identify the items that have required adjustment and the effect of these adjustments on relevant sub-totals.

#### Extract from the Income and Expenditure Account

2008/09				2009/10		
Unadjusted Net Expenditure £000	Adjustments £000	Adjusted Net Expenditure £000	Spending by Service	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
61,206	9,724	70,930	Cultural, environmental and planning services	95,379	(19,274)	76,105
114,291	(1,753)	112,538	Children's Services	447,130	(303,978)	143,152
86,218	4,518	90,736	Adult Services	105,856	(23,237)	82,619
	<b>12,489</b>		<b>Net Cost of Services</b>			
16,621	1,922	18,543	Interest Payable & similar charges			18,825
2,361	(9,724)	(7,363)	Net (Surplus)/Deficit from trading operations (Note 1)			11,336
	<b>4,687</b>		<b>Net Operating Expenditure</b>			
(112,314)	3,003	(109,311)	Net Council Tax income			
	<b>7,690</b>		<b>(Surplus) or Deficit for the year transferred to working balance</b>			



**Extract from the Statement of Movement on the General Fund Balance**

2008/09 £000	Adjustment £000	2008/09 £000	Statement of movement on the General Fund Balance	2009/10 £000
114,701	7,690	122,391	(Surplus) / Deficit for the year on the I&E	158,744
(114,657)	(7,690)	(122,347)	Net additional amount required by statute and non-statutory proper practices to be debited / credited to the General Fund Balance for the year (see note 16 for further details).	(160,384)
	0		<b>General Fund balance carried forward</b>	

**Extract from the Balance Sheet**

Unadjusted As at 31st March 09 £000	Adjustments £000	Adjusted As at 31st March 09 £000	Balance Sheet	As at 31st March 10 £000
747,907	34,400	782,307	<b>Long Term Assets</b> Tangible Fixed Assets Other Land & Buildings	724,994
10,478	(3,363)	7,115	<b>Non Op Assets - General L &amp; B</b> Long Term Debtors	4,890
	<b>31,037</b>		<b>Total Long Term Assets</b>	
85,286	(1,234)	84,052	<b>Current Assets</b> Short Term Debtors	73,548
	<b>(1,234)</b>		<b>Total Current Assets</b>	
(18,158)	(4,958)	(23,116)	<b>Current Liabilities</b> Temporary borrowing	(11,146)
(33,896)	1,485	(32,411)	Receipts in Advance	(33,940)
	<b>(3,473)</b>		<b>Total Assets less Current Liabilities</b>	
(337,182)	(36,292)	(373,474)	<b>Long Term Liabilities</b> Long Term Loans	(371,361)
	<b>(36,292)</b>		<b>Total Long Term Liabilities</b>	
	<b>(9,962)</b>		<b>Total Assets less Liabilities</b>	
(517,596)	12,186	(505,410)	<b>Equity</b> Capital Adjustment Account	(381,286)
(189,027)	(3,502)	(192,529)	Revaluation Reserve	(194,175)
2,478	(251)	2,227	Collection Fund Adjustment Account	835
(46,816)	1,530	(45,286)	Specific Reserves	(44,088)
	<b>9,962</b>		<b>Total Equity</b>	

**Extract from the Statement of Total Recognised Gains and Losses**

2008/09			Statement of total recognised gains and losses	2009/10
Unadjusted £000	Adjustments	Adjusted £000		£000
114,701	7,690	122,391	Deficit on the Income & Expenditure account	158,744
5,052	(3,346)	1,706	Any other (gains)/losses required to be included	(148)
	<b>4,344</b>		<b>Total recognised (gains) and losses for the year</b>	

**Extract from the Cash Flow Statement**

2008/09			Cash Flow	2009/10
Unadjusted £m	Adjustments £m	Adjusted £m		£m
(26.2)	(6.3)	(32.5)	<b>Net Cash flow from revenue activities</b>	<b>(40.0)</b>
			<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>	
			<b>Cash Outflows</b>	
0.0	1.9	1.9	Interest element of finance and lease rental payments	2.9
	<b>1.9</b>		<b>Net cash from Investments and Servicing of finance</b>	
			<b>MANAGEMENT OF LIQUID RESOURCES</b>	
(14.2)	2.9	(11.3)	Net increase/decrease in other liquid resources	(0.9)
	<b>2.9</b>		<b>Net cash from Management of liquid resources</b>	
			<b>FINANCING</b>	
			<b>Cash Outflows</b>	
61.0	1.5	62.5	Repayments of amounts borrowed	14.0
	<b>1.5</b>		<b>Net cash from Financing</b>	
	<b>0.0</b>		<b>Net (Increase) / Decrease in cash</b>	

### 3.2 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.

2008/09		2009/10		
(Surplus) / Deficit before Reserve Movement		Expenditure	Income	(Surplus) / Deficit before Reserve Movement
£000		£000	£000	£000
450	Building Cleaning	4,030	(3,854)	176
417	Building Services	6,501	(5,728)	773
(10,652)	Commercial Property	26,053	(15,870)	10,183
(18)	Major Projects	432	(503)	(71)
969	Catering Services	7,353	(6,549)	804
(551)	Commercial Waste Services	3,136	(4,157)	(1,021)
952	Ground Services	3,866	(3,030)	836
125	Fleet & Workshops	6,053	(6,403)	(350)
0	Stores	112	(112)	0
<b>(8,308)</b>	<b>(Surplus) / Deficit from Trading Operations</b>	<b>57,536</b>	<b>(46,206)</b>	<b>11,330</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

The significant change in the performance of the Commercial Property trading account (moving from a £10.7m surplus in 2008/09 to a £10.2m deficit in 2009/10) is due to the impairment of relevant assets of £18.5m during 2009/10.

### 3.3 Audit Note

In 2009/10 Coventry City Council incurred the following fees relating to external audit and inspection:

31st March 2009 £000		31st March 2010 £000
419	Fees payable to the external auditors in respect of statutory external audit services	413
22	Fees payable to the Audit Commission in respect of statutory inspection	17
125	Fees payable to the external auditors in respect of the certification of grant claims and returns	82
0	Fees payable in respect of other services provided by the external auditors	0
<b>566</b>	<b>Total Fees</b>	<b>512</b>

### 3.4 Expenditure on Publicity

Expenditure on publicity incurred during 2009/10 is summarised below:

<b>31st March 2009 £000</b>	<b>Publicity</b>	<b>31st March 2010 £000</b>
1,420	Recruitment advertising	768
2,470	Other advertising / publicity	1,754
<b>3,890</b>	<b>Total</b>	<b>2,522</b>

### 3.5 Senior Officers' Remuneration

#### Employee's Remuneration (excluding pension contributions) exceeding £50,000

The Council is required to disclose the number of employees whose remuneration during 2009/10 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:

2008/09		Remuneration Band - £	2009/10	
Staff employed by schools	Other staff		Staff employed by schools	Other staff
66	34	£50,000 - £54,999	86	28
33	46	£55,000 - £59,999	45	47
33	18	£60,000 - £64,999	28	13
13	4	£65,000 - £69,999	22	8
6	11	£70,000 - £74,999	5	12
5	8	£75,000 - £79,999	3	8
4	6	£80,000 - £84,999	3	9
3	2	£85,000 - £89,999	3	2
3	3	£90,000 - £94,999	3	1
0	1	£95,000 - £99,999	3	3
1	1	£100,000 - £104,999	0	3
0	1	£105,000 - £109,999	0	2
0	1	£110,000 - £114,999	0	2
0	1	£115,000 - £119,999	0	3
0	2	£120,000 - £124,999	1	1
0	0	£125,000 - £129,999	0	1
0	0	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	0
0	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	0	0
0	0	£160,000 - £164,999	0	0
0	0	£165,000 - £169,999	0	1
0	0	£170,000 - £174,999	0	0
0	0	£175,000 - £179,999	0	0
0	0	£180,000 - £184,999	0	0
0	0	£185,000 - £189,999	0	0
0	0	£190,000 - £194,999	0	1
<b>167</b>	<b>139</b>	<b>Total</b>	<b>202</b>	<b>145</b>

**Senior Officer's Remuneration (including pension contributions)**

The Council is required to disclose details of senior officer's remuneration. This includes Salaries, Fees, Allowances, Bonuses, Expenses Allowance, Compensation for Loss of Employment, Pension Contribution (Employer's contribution and any other Emoluments). The tables below provide the required disclosure:

Senior Employees - 2009/10	Salary (Including Fees & Allowances)	Loss of Office	Pension Contributions	Total Remuneration 2009/10
<b>CHIEF EXCEUTIVE</b>				
Martin Reeves	192,093		29,856	<b>221,949</b>
<b>MANAGEMENT BOARD</b>				
Director of Children, Learning & Young People	125,646		20,229	<b>145,875</b>
Director of City Services	50,588	72,957	7,801	<b>131,346</b>
Director of City Services and Development	107,111		17,245	<b>124,355</b>
Director of External Partnerships	117,658		18,943	<b>136,600</b>
Director of Community Services	93,559		15,063	<b>108,622</b>
Director of Customer & Workforce Services	110,857		17,848	<b>128,705</b>
Director of Finance & Legal Services	108,178		17,417	<b>125,595</b>
Assistant Chief Executive	97,421		15,685	<b>113,106</b>
<b>TOTAL</b>	<b>1,003,111</b>	<b>72,957</b>	<b>160,087</b>	<b>1,236,153</b>

Senior Employees - 2008/09	Salary (Including Fees & Allowances)	Loss of Office	Pension Contributions	Total Remuneration 2008/09
<b>CHIEF EXCEUTIVE</b>				
Vacant	0	0	0	<b>0</b>
<b>MANAGEMENT BOARD</b>				
Director of Children, Learning & Young People	120,208		18,031	<b>138,239</b>
Director of City Services	107,756		16,163	<b>123,919</b>
Director of City Development	123,524		18,529	<b>142,052</b>
Director of Community Services	113,488		17,023	<b>130,511</b>
Director of Customer & Workforce Services	119,484		17,923	<b>137,407</b>
Director of Finance & Legal Services	102,931		15,440	<b>118,371</b>
Assistant Chief Executive	92,661		13,899	<b>106,560</b>
<b>TOTAL</b>	<b>780,052</b>	<b>0</b>	<b>117,008</b>	<b>897,059</b>

Note - Senior Officers have not received any bonuses or benefits in kind.

Note - During 2008/09 there was no Chief Executive in post.

### 3.6 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.

2008/09 £000		2009/10	
		£000	£000
(589)	BID levy income		(284)
13	Cost of collecting levy	13	
576	Payments made from the BID account	271	
0	Increased provision for bad debts	0	
589	Total Expenditure		284
<b>0</b>	<b>(Surplus) / Deficit for the year</b>		<b>0</b>

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.

2008/09 £000		2009/10	
		£000	£000
(2,415)	BID levy income		(2,249)
49	Cost of collecting levy	33	
2,366	Payments made from the BID account	2,216	
0	Increased provision for bad debts	0	
2,415	Total Expenditure		2,249
<b>0</b>	<b>(Surplus) / Deficit for the year</b>		<b>0</b>

### 3.7 Private Finance Initiative Commitments

Private Finance Initiative (PFI) is a mechanism involving a partnership agreement with an external body in order to generate investment in council services. In return for this investment the council pays an annual fee.

The following note outlines the committed and planned contracts under PFI arrangements.

#### Caludon Castle School PFI Contract

In December 2004 the City Council entered into a PFI contract with Coventry Education Partnership 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 £24.3m, which is forecast to generate grants of £56.3m 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 Extended Learning Centre facility. This facility is to now be funded via this grant rather than PFI credits.

In 2009/10 expenditure on unitary charge payments to the contractor was £3.1m, compared with £3.2m in 2008/09.

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

	£000
2010/11	3,055
2011/12 – 2015/16	15,003
2016/17 – 2020/21	14,812
2021/22 – 2025/26	15,003
2026/27 – 2030/31	15,543
2031/32 – 2034/35	12,231
<b>Total</b>	<b>75,647</b>

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.

The contract will cease in December 2034.

#### New Homes for Old PFI Contract

In March 2006 the City Council entered into a 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.

In 2009/10 expenditure on unitary charge payments to the contractor was £5.9m, compared with £5.8m in 2008/09.

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
2010/11	6,032
2011/12 – 2015/16	33,006
2016/17 – 2020/21	38,415
2021/22 – 2025/26	44,871
2026/27 – 2030/31	52,586
2031/32 – 2032/33	14,559
<b>Total</b>	<b>189,469</b>

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.

The contract will cease in June 2032.

### **Schemes in procurement with contract signature expected in 2010/11**

#### **Street Lighting PFI**

The purpose of the street lighting PFI is to provide a long-term solution to significantly improve lighting across the city for a 25 year period. A preferred bidder was appointed during 2009/10 and a contract is expected to be signed during 2010/11.

#### **Proposed PFI Schemes**

The following PFI schemes have government support and are currently in procurement:

- Waste PFI Project
- Building Schools for the Future (BSF) Wave 4

The Government is currently reviewing the national funding arrangements for PFI schemes.

### 3.8 Related Party Transactions

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

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 the main transactions between the Council and government departments are set out in the income and expenditure account and in sections 3.33 and 3.34.

The Council makes transactions with a range of other organisations and public bodies reported elsewhere within the accounts.

- Pension contributions are made to the West Midlands Metropolitan Authorities Pension Fund and the Teachers Pensions Agency. Further details of these payments are included in section 3.10.
- Precept payments are made to the West Midlands Police Authority and the West Midlands Fire Authority and these are shown within the Collection Fund Income and Expenditure Account, see section 2.6.
- Levy payments are made to the West Midlands Integrated (passenger) Transport Authority and to the Environment Agency. These are shown within the main Income and Expenditure Account, see section 2.1.
- The Council maintains investments and interests in a number of companies. Transactions with these companies are shown in section 3.20.

Members of the Council have direct control over the Council's financial and operating policies. Allowances paid to members totalled £ 957,319 in 2009/10 (£934,149 in 2008/09). Members are required to declare any interests that they hold in organisations that may have a relationship with the Council. During 2009/10, work and services to the value of £ 2,039 were commissioned from companies in which four members had an interest. Contracts were entered into in full compliance with the Council's standing orders.

Salaries and other payments made to the Council's most senior officers are shown in note 3.5. Officers are also required to declare any other transactions with the Council or interests that they hold in companies or other similar organisations. There are no related party transactions to report in this respect during the year. A number of senior officers represent the Council on the boards of related companies and other organisations linked with the Council including NCH, CNR and ACL.

### 3.9 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 2009/10 gross income and expenditure is set out below.

2008/09 £		2009/10 £
	<b>Income</b>	
(464,773)	PCT	(672,151)
(785,401)	Coventry City Council	(814,327)
0	Government Grants	(29,269)
<b>(1,250,174)</b>	<b>Total Income</b>	<b>(1,515,747)</b>
<b>1,250,174</b>	<b>Gross Expenditure</b>	<b>1,515,747</b>

A second partnership agreement with the Coventry Teaching Primary Care Trust was signed in March 2005, also using powers under Section 31 of the Health Act 1999, to facilitate the provision of joint services for people with learning disabilities in Coventry. The 2009/10 gross income and expenditure is set out below.

2008/09 £		2009/10 £
	<b>Income</b>	
0	PCT	0
(308,740)	Coventry City Council	(271,965)
<b>(308,740)</b>	<b>Total Income</b>	<b>(271,965)</b>
<b>307,978</b>	<b>Gross Expenditure</b>	<b>270,386</b>
<b>0</b>	<b>PCT unspent carry forward</b>	<b>0</b>
<b>(762)</b>	<b>Coventry City Council underspend</b>	<b>(1,579)</b>

### 3.10 Pension Costs

Figures in brackets relate to 2008/09.

#### Non Teaching Staff

In 2009/10 the City Council paid an employer's contribution of £22,776,811 (£20,697,052 in 2008/09) representing 16.1% 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 2009/10, this amounted to £2,064,770 (£2,078,217 in 2008/09).

Further details on pension liabilities are provided in note 3.11.

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 2009/10 the City Council paid £15,766,304 (£15,348,042 in 2008/09) 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 2009/10 these amounted to £2,520,281 (£2,484,259 in 2008/09), 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.

### 3.11 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.

## Summary of Outcome for 2009/10

### Assets

Asset returns over 2009/10 have been exceptionally good with local authority funds typically achieving investment returns of at least 25% on their assets. This compares with an "expected" return calculated at the start of the year of around 6.5% net of expenses. This results in a large "actual less expected return on assets".

The value of the pension fund assets at 31 March 2010 is based on the value at 31 December 2009, to which the actuary has applied an assumption to the movement in the investment market in order to arrive at the valuation at the balance sheet date. Information that became available after 31 March 2010 showed that the market value of the investment was overstated by approximately 0.8% and consequently, the FRS17 pension fund deficit may be understated.

### Current Service Costs

Current service costs are based on the actuarial assumptions which apply at the start of the accounting year. For 2009/10, current service costs have reduced substantially compared to those for 2008/09 by 6%-7% of pay on average. This is a result of a large change in financial assumptions from 1st April 2008 to 1st April 2009 (i.e. an increase in the discount rate from 6.1% to 7.1% and a reduction in inflation expectations from 3.6% to 3.3%).

### 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 7% to the value of liabilities at the start of the year. The financial assumptions used for the calculations as at 31st March 2010 are much more conservative than those used as at 31st March 2009, driven by the yields on corporate bonds falling substantially and the inflation assumption increasing slightly during the year. The result has been a large increase in liabilities for employers.

The overall increase in the deficit is analysed as follows:

LGPS 2008/09 £m	Teachers 2008/09 £m		LGPS 2009/10 £m	Teachers 2009/10 £m
(274.5)	(34.7)	Deficit b/fwd	(270.9)	(29.7)
(25.2)	0.0	Current Service Cost	(16.8)	0.0
22.6	2.5	Employer Contributions	24.8	2.5
0.0	0.0	Past Service Gain (Cost)	0.0	0.0
45.1	0.0	Return on Assets	33.9	0.0
(56.8)	(2.1)	Interest on Pension Liabilities	(55.9)	(2.0)
18.2	4.7	Actuarial Gain /(Loss)	(120.3)	(5.4)
(0.3)	(0.1)	Curtailment Gain /(Loss)	(1.8)	0.0
<b>(270.9)</b>	<b>(29.7)</b>	<b>Surplus/(Deficit)</b>	<b>(407.0)</b>	<b>(34.6)</b>

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 and other scheme changes, 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 2008/09 £m	Teachers 2008/09 £m		LGPS 2009/10 £m	Teachers 2009/10 £m
		<b><u>Net Cost of Services</u></b>		
(25.2)	0.0	Current Service Cost	(16.7)	0.0
0.0	0.0	Past Service Gain (Cost)	0.0	0.0
		<b><u>Net Operating Expenditure</u></b>		
45.1		Return on Assets	33.9	
(56.8)	(2.1)	Interest on Pension Liabilities	(55.9)	(2.0)
<b>(36.9)</b>	<b>(2.1)</b>	<b>Net charge to Income &amp; Expenditure Account</b>	<b>(38.7)</b>	<b>(2.0)</b>
		<b><u>Statement of movement in the General Fund Balance</u></b>		
36.9	2.1	Reversal of net charges made for retirement benefits in accordance with FRS 17	38.7	2.0
		<b><u>Actual amount charged against the General Fund Balance for pensions in the year</u></b>		
22.8	2.5	Employers contributions payable to scheme	24.8	
		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 2009	31st March 2010
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.3%	3.3%
Discount rate	7.1%	5.6%
<b><u>Mortality Assumptions</u></b>		
<b>Longevity at 65 for current pensioners</b>		
Men	21.2	21.2
Women	24	24.1
<b>Longevity at 65 for future pensioners in 20 years time</b>		
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 2009		31st March 2010	
	£m	%	£m	%
Equities	291.3	55.7%	364.8	53.7%
Government Bonds	64.9	12.4%	53.7	7.9%
Other Bonds	21.4	4.1%	40.8	6.0%
Property	38.2	7.3%	48.9	7.2%
Cash / Liquidity	20.9	4.0%	9.5	1.4%
Other	86.3	16.5%	161.7	23.8%
<b>Total</b>	<b>523.0</b>		<b>679.4</b>	

The expected rate of return on these assets is:

	31st March 2009	31st March 2010
Equities	7.5%	7.5%
Government Bonds	4.0%	4.5%
Other Bonds	6.0%	5.2%
Property	6.5%	6.5%
Cash / Liquidity	0.5%	0.5%
Other	7.5%	7.5%

**History of experience gains and losses**

The actuarial gains / losses identified as movements in the pension reserve in 2009/10 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2010. Previous years figures are shown for comparison purposes.

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
LGPS Asset Gain / (Loss)	14.8%	0.9%	(9.5%)	(33.6%)	18.7%
Liability Gain / (Loss)	(1.9%)	-	(2.1%)	-	-
Unfunded Teachers Liability Gain / (Loss)	-	-	(1.7%)	-	-

**Scheme History**

	2005/06	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m	£m
<b>Present value of liabilities</b>					
LGPS	(852.2)	(857.5)	(933.7)	(793.9)	(1,086.3)
Teachers	(30.9)	(30.0)	(34.7)	(29.7)	(34.6)
<b>Fair value of assets</b>					
LGPS	628.5	674.1	658.6	523	679.4
Teachers	0	0	0	0	0
<b>Surplus/(deficit) in scheme</b>					
LGPS	(223.7)	(183.4)	(275.1)	(270.9)	(406.9)
Teachers	(30.9)	(30.0)	(34.7)	(29.7)	(34.6)
<b>TOTAL (deficit)</b>	<b>(254.6)</b>	<b>(213.4)</b>	<b>(309.8)</b>	<b>(300.6)</b>	<b>(441.5)</b>



### 3.12 Amount credited to the General Fund balance for the year

2008/09 £000		2009/10	
		£000	£000
	<b>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</b>		
(108,645)	Depreciation and impairment of fixed assets	(162,466)	
2,890	Government Grants Deferred written down in the year matching depreciation and impairments	7,974	
(3,959)	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	(4,620)	
497	Capital income arising from 'Right to Buy' receipts	306	
178	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	179	
(14,357)	Amount by which pension costs are different from the contributions due under the pension scheme regulations	(15,343)	
(3,003)	Movement in Collection Fund Adjustment Account (between estimated and eventual surplus/deficit)	1,392	
<b>(126,399)</b>			<b>(172,578)</b>
	<b>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</b>		
15,342	Statutory provision for repayment for debt	13,867	
7,669	Capital expenditure charged to revenue	1,191	
(20)	Transfer from usable capital receipts equal to the contribution to housing pooled capital receipts	(14)	
<b>22,991</b>			<b>15,044</b>
	<b>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</b>		
(18,939)	Transfers made at the discretion of the Council to or from reserves that have been earmarked for specific purposes	(2,850)	
<b>(18,939)</b>			<b>(2,850)</b>
<b>(122,347)</b>	<b>Amount by which the deficit on the General Fund for the year is different to the Income and Expenditure Account result for the year</b>		<b>(160,384)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

### 3.13 Fixed Assets

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

FIXED ASSETS	Operational Assets				Non-Operational Assets			Total £000s
	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure	Community	Investments	Held for sale	Under- construction	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Cost or valuation</b>								
Brought forward	840,757	18,054	281,083	14,989	240,683	45,936	56,326	1,497,828
Additions	54,467	3,790	26,316	6	7,657	48	(33,769)	58,515
Donations	0	0	0	0	0	0	0	0
Disposals	(111)	0	0	0	(4,126)	(1,046)	0	(5,283)
Reclassifications	(9,274)	0	0	0	37,464	(28,190)	0	0
Revaluations	13,223	0	0	0	10,927	(2,894)	0	21,256
<b>Carried forward</b>	<b>899,062</b>	<b>21,844</b>	<b>307,399</b>	<b>14,995</b>	<b>292,605</b>	<b>13,854</b>	<b>22,557</b>	<b>1,572,316</b>
<b>Depreciation and Impairments</b>								
Brought forward	(100,667)	(10,546)	(48,271)	0	(38,688)	(570)	0	(198,742)
Charged this year	(115,618)	(2,841)	(9,888)	0	(32,844)	(1,275)	0	(162,466)
Disposals	0	0	0	0	0	0	0	0
Revaluations	42,217	0	0	0	0	0	0	42,217
<b>Carried forward</b>	<b>(174,068)</b>	<b>(13,387)</b>	<b>(58,159)</b>	<b>0</b>	<b>(71,532)</b>	<b>(1,845)</b>	<b>0</b>	<b>(318,991)</b>
<b>Balance Sheet carried forward</b>	<b>724,994</b>	<b>8,457</b>	<b>249,240</b>	<b>14,995</b>	<b>221,073</b>	<b>12,009</b>	<b>22,557</b>	<b>1,253,325</b>
<b>Balance Sheet brought forward</b>	<b>740,090</b>	<b>7,508</b>	<b>232,812</b>	<b>14,989</b>	<b>201,995</b>	<b>45,366</b>	<b>56,326</b>	<b>1,299,086</b>
<b>Nature of asset holding</b>								
Owned	691,334	8,457	249,240	14,995	221,073	12,009	22,557	1,219,665
Finance lease	0	0	0	0	0	0	0	0
PFI	33,660	0	0	0	0	0	0	33,660
	<b>724,994</b>	<b>8,457</b>	<b>249,240</b>	<b>14,995</b>	<b>221,073</b>	<b>12,009</b>	<b>22,557</b>	<b>1,253,325</b>

**Revaluations:** Fixed Assets were initially valued at 31<sup>st</sup> 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 held for sale – 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 2009/10 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.

An impairment review was carried out in 2009/10 to reflect significant changes in asset values across the portfolio of property assets. In total, impairment on non-operational property is £5m less than in 2008/09. Impairment on operational property is £57m more than in 2008/09. It should also be noted that the comparatively small value for revaluations is the net position of revaluation losses offset against prior year revaluation gains on some assets and revaluation gains on other assets in the financial year.

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

<b>Asset Type</b>	<b>Period of years</b>
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 investment properties. Depreciation has not been charged on assets held for sale and community assets e.g. parks, as these have an indeterminable useful life and any depreciation on these assets is considered immaterial.

### 3.14 Revaluation of Fixed Assets

The following statement shows the total value of the revaluations carried out in the financial years 2005/06 to 2009/10. 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	Revaluation of Non-Operational Assets	Total Value of Revaluations
	£000	£000	£000
Valued at historical cost	0	0	0
Valued at current value in:			
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
2009/10	13,223	8,033	21,256
<b>Total</b>	<b>228,234</b>	<b>137,990</b>	<b>366,224</b>

### 3.15 Summary of Capital Expenditure and Sources of Finance

The table below shows how capital expenditure in 2009/2010 has been financed:

31st March 2009 £000		31st March 2010 £000
55,556	Operational Assets	55,454
7,102	Non-operational Assets	3,061
1,154	Intangible Assets	1,354
39,658	Revenue Expenditure Funded from Capital Under Statute	11,667
1,295	Debtors	656
<b>104,765</b>	<b>Total</b>	<b>72,192</b>
	Paid for (Financed by):	
53,886	Borrowing	17,166
40,180	Grants and other contributions received or due	48,014
3,030	Proceeds of asset sales and other capital receipts	5,821
7,669	Revenue contributions	1,191
<b>104,765</b>	<b>Total</b>	<b>72,192</b>

### 3.16 Capital Commitments

The City Council has an approved capital programme for 2010/11 of £77m and a provisional programme of £64m for 2011/12 and £83m for 2012/13. The following are significant contracts legally committed to finish projects already started on 31<sup>st</sup> March 2010:

Significant Capital Commitments 2009/2010	Outstanding Commitment £000	Contract Value £000	Date for Completion
Replacement Cremators	587	1,572	31/03/2011
Ironmonger Square	280	4,810	12/06/2010
Increasing Pupil Places 2010	3,703	6,276	30/09/2010
Increasing Pupil Places 2011	627	627	30/09/2011
Castlewood Primary School	1,793	9,753	31/08/2010
Courthouse Green Primary School	4,382	8,141	30/11/2010
Sidney Stringer Academy	22,612	27,229	31/03/2013
	<b>33,984</b>	<b>58,408</b>	

### 3.17 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.

2008/09 £000		2009/10 £000
1,427	Balance brought forward	817
1,154	Addition of intangible assets	1,354
(1,764)	Amortisation of intangible assets	(1,737)
<b>817</b>	<b>Total</b>	<b>434</b>

### 3.18 Analysis of Fixed Assets

The City Council owned the following assets at 31<sup>st</sup> March 2010:

	31st March 2009	31st March 2010
<b>Land &amp; Buildings</b>		
Schools (of which 26 part owned – voluntary aided)	112	107
Youth & Community Centres, Play Schemes	11	12
Community Centres	10	10
Outdoor Education Centre	1	1
Child Guidance Centre	1	1
Site Services Houses	15	11
Neighbourhood Social Care Offices	6	6
Older People and Adult Social Care Establishments	29	26
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 (Hectares)	811.7	811.7
Allotment Sites	44	44
Golf Course & Driving Range	1	1
Libraries	10	10
Art Galleries & Museums	5	5
Museum Collections	1	1
Play Centres	3	3
Pupil Referral Unit	1	1
Childrens Home	3	3
Coombe Country Park Visitor Centre	1	1
<b>Investment Properties (Buildings)</b>	690	684
<b>Commercial Property</b>		
Office space used by the Council's staff (Sq m)	29,549	29,549
<b>Infrastructure</b>		
Roads (km)	854.8	858.2
Street Lights	37,502	37,821
Traffic Lights & Pelican Crossings	3,168	3,168
Footbridges	106	106
Road Bridges	226	226
Car Park Spaces	4,409	4,409
<b>Vehicles</b>		
Vehicles (Owned and Leased)	601	503

### 3.19 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 2008/09 £000	Other 2008/09 £000		Land & Buildings 2009/10 £000	Other 2009/10 £000
		<b>Rentals Paid</b>		
770	3,236	Total Operating lease rentals paid	804	2,945
0	0	Total finance lease rentals paid	0	0
		<b>Rentals Receivable</b>		
15,393	0	Total operating lease rentals receivable	14,212	0
0	0	Total finance lease rentals receivable	0	0

The City Council was committed at 31<sup>st</sup> March 2010 to making payments of £1.7m under operating leases comprising the following elements:

	Land & Buildings £000	Other £000
Leases expiring 2010/11	125	384
Leases expiring between 2011/12 and 2014/15	261	602
Leases expiring after 2014/15	347	0

The gross value of assets held by the Council in its property portfolio for use in operating leases is £221 m (valued at the 31<sup>st</sup> March 2010 and subject to no depreciation to 31<sup>st</sup> March 2011).

### 3.20 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 3.22.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p><b>Birmingham Airport Holdings Limited</b></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><b>31 March 2009</b></p> <p>259,485</p> <p>15,709</p> <p>9,889</p>	<p><b>31 March 2010 Draft</b></p> <p>Not currently available</p>
<p><b>Coventry Solihull Waste Disposal Company (CSWDC) Limited</b></p> <p>The company's business is the disposal of waste. It is jointly owned by the City Council and Solihull Metropolitan District Council and included in the Council's group accounts as a joint venture as voting rights are shared equally with Solihull MDC.</p> <p>The City Council owns: 66% of the ordinary share capital 66% of the preference share capital</p> <p>The preference shares are redeemable at the option of the company and the two Councils in 2009 at their par value (£14.9m). 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 asset.</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit / (loss) after taxation</p>	<p><b>31 March 2009</b></p> <p>834</p> <p>2,347</p> <p>1,614</p>	<p><b>31 March 2010</b></p> <p>2,861</p> <p>3,723</p> <p>2,594</p>
<p><b>Coventry Venture Capital Limited</b></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><b>31 March 2009</b></p> <p>(44)</p> <p>2</p> <p>2</p>	<p><b>31 March 2010</b></p> <p>(112)</p> <p>13</p> <p>13</p>



Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p><b>University of Warwick Science Park Business Innovation Centre Limited</b></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:</p> <p>Just under 20% (value £2,000) of the ordinary share capital</p> <p>£152,166 of preference share capital</p> <p>£1,066,471 of 7% debentures.</p>	<p>Net Assets</p> <p>Profit / (loss) before taxation</p> <p>Profit / (loss) after taxation</p>	<p><b>30 Sept 2008</b></p> <p>36</p> <p>78</p> <p>78</p>	<p><b>30 Sept 2009</b></p> <p>(677)</p> <p>(58)</p> <p>(58)</p>
<p><b>University of Warwick Science Park Limited</b></p> <p>The company aims to provide a focus for scientific information and technology exchange between University research and the commercial sector.</p> <p>The City Council owns :</p> <p>45% of the share capital</p> <p>£1.31 million of 1% debentures</p>	<p>Net Assets</p> <p>Profit before taxation</p> <p>Profit after taxation</p>	<p><b>30 Sept 2008</b></p> <p>13,957</p> <p>567</p> <p>410</p>	<p><b>30 Sept 2009</b></p> <p>11,456</p> <p>973</p> <p>733</p>
<p><b>North Coventry Holdings Limited</b></p> <p>The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.</p> <p>NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR) &amp; 50% shares in Arena Coventry Limited (ACL)</p> <p>NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.</p> <p>Copies of NCH's accounts can be acquired from: Company Secretary North Coventry Holdings Limited c/o Coventry City Council The Council House Earl Street Coventry CV1 5RR</p>	<p>Net Assets</p> <p>Loss before taxation</p> <p>Loss after taxation</p>	<p><b>31 March 2009</b></p> <p>0</p> <p>0</p> <p>0</p>	<p><b>31 March 2010</b></p> <p>0</p> <p>0</p> <p>0</p>

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<p><b>Coventry North Regeneration Limited</b></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, combines a football stadium, conference and exhibition space, hotel, a casino as well as other leisure and community facilities.</p> <p>Post completion, the Company's principal activity is landlord of the Arena.</p> <p>Copies of CNR's accounts can be acquired from: Company Secretary Coventry North Regeneration Limited c/o Coventry City Council The Council House Earl Street Coventry CV1 5RR</p>	<p>Net Assets</p> <p>Profit /(loss) before taxation</p> <p>Profit /(loss) after taxation</p>	<p><b>31 March 2009</b></p> <p>0</p> <p>0</p> <p>0</p>	<p><b>31 March 2010</b></p> <p>0</p> <p>(1)</p> <p>(1)</p>
<p><b>Arena Coventry Limited</b></p> <p>North Coventry Holdings Ltd owns 50% shares in Arena Coventry Ltd (ACL) (value £nil). ACL is the operating company of the Arena and is included within the Council's group accounts as a joint venture.</p> <p><b>Arena Coventry (2006) Limited</b></p> <p>ACL owns 100% of shares in a new subsidiary Arena Coventry (2006) Ltd. Arena Coventry (2006) Ltd holds the 50-year headlease from CCC together with the benefit of the occupational sublease.</p> <p>Copies of ACL's and Arena Coventry (2006) Ltd's accounts can be acquired from: Company Secretary Arena Coventry Ltd Ricoh Arena, Phoenix Way Foleshill Coventry CV6 6GE</p>	<p>Net Assets(liabilities)</p> <p>Profit (loss) before taxation</p> <p>Profit (loss) after taxation</p>	<p><b>31 May 2009</b></p> <p>489</p> <p>3,223</p> <p>3,223</p> <p>Consolidated into ACL accounts above</p>	<p><b>31 March 2010 Draft Management Accounts</b></p> <p>937</p> <p>447</p> <p>447</p> <p>Consolidated into ACL accounts above</p>

Where not specifically stated above, copies of company accounts can be obtained from:  
Coventry City Council  
Special Projects Team  
1<sup>st</sup> Floor Christchurch House  
Greyfriars Lane  
Coventry  
CV1 2QL

### 3.21 Financial Instruments

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

	31st March 2009		31st March 2010	
	Long Term £000	Current £000	Long Term £000	Current £000
<b>Liabilities at Amortised Cost</b>				
PWLB	239,857	2,549	239,848	2,615
Market Loans	60,938	17,743	60,931	5,642
Stock Issue	12,004	236	12,004	236
Other Local Authorities	20,972	530	20,388	583
Creditors	0	89,223	0	100,746
Cash Overdrawn	0	5,344	0	0
Other	0	510	0	555
	<b>333,771</b>	<b>116,135</b>	<b>333,171</b>	<b>110,377</b>
<b>Liabilities at Fair Value Through Profit &amp; Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Borrowings</b>	<b>333,771</b>	<b>116,135</b>	<b>333,171</b>	<b>110,377</b>
<b>Loans and Receivables</b>				
Long Term Debtors	7,115	0	4,890	0
Short Term Debtors	0	71,972	0	60,909
Other	0	16	0	14
Cash in Hand	0	14,034	0	19,207
	<b>7,115</b>	<b>86,022</b>	<b>4,890</b>	<b>80,130</b>
Available for sale Financial Assets	22,644	0	22,644	0
Financial Assets at fair value through profit and loss	0	17,719	0	17,870
<b>Total Investments</b>	<b>29,759</b>	<b>103,741</b>	<b>27,534</b>	<b>98,000</b>

The following are excluded from the analysis of financial instruments within this note:

- local taxation debtor and creditor balances
- Private Finance Initiative balances and payments. PFI liabilities total £39.7m at 31st March 2010 (£41.3m as at 31st March 2009), with financing charges of £2.9m and associated Minimum Revenue Provision of £1.5m.

In line with the LAAP 84 bulletin - Closure of the 2009/10 Accounts and Related Matters, accrued interest on long term borrowing is included in current liabilities. Previously, such accrued interest was included within the carrying value of loan term borrowing. Prior year figures have been restated in line with this change.

The 2009/10 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	Loans and receivables	Available for sale assets	Fair Value	
	£000	£000	£000	£000	
Interest expense	15,903	0	0	0	15,903
Losses on derecognition	96	0	0	0	96
Impairment losses	0	2,255	0	0	2,255
<b>Interest payable and similar charges</b>	<b>15,999</b>	<b>2,255</b>	<b>0</b>	<b>0</b>	<b>18,254</b>
Interest income	0	(161)	(115)	(176)	(452)
Gains on derecognition	0	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>(161)</b>	<b>(115)</b>	<b>(176)</b>	<b>(452)</b>
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Income & Expenditure Account after impairment	(6)	0	0	0	(6)
<b>Surplus arising on revaluation of financial assets</b>	<b>(6)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6)</b>
<b>Net (gain) / loss for the year</b>	<b>15,993</b>	<b>2,094</b>	<b>(115)</b>	<b>(176)</b>	<b>17,797</b>

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 2010
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 2009		31st March 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities				
▪ PWLB	242,406	268,966	242,463	259,180
▪ Market Loans	78,681	80,589	66,573	66,706
▪ Stock Issue	12,240	18,953	12,240	17,554
▪ Other Local Authorities	21,502	26,860	20,971	24,257
▪ Creditors	89,223	89,223	100,746	100,746
▪ Cash Overdrawn	5,344	5,344	0	0
▪ Other	510	511	555	555
<b>Total Liabilities</b>	<b>449,906</b>	<b>490,446</b>	<b>443,548</b>	<b>468,998</b>
<b>Loans and Receivables</b>	<b>93,137</b>	<b>93,137</b>	<b>85,020</b>	<b>85,020</b>

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 2009/10 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 31st March 2010 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31st March 2010 %	Estimated maximum exposure to default and uncollectability £000
	A	B	C	(A x C)
Deposits with banks and financial institutions – AA Rated Counterparties	13,763	0.04%	0.04%	6
Deposits with banks and financial institutions – AAA Rated Counterparties	4,099	0.00%	0.00%	0
Trade Debtors	11,777	6.25%	8.25%	972
	<b>29,639</b>			<b>978</b>

The deposits set out above as at 31st March 2010 were held with financial institutions domiciled in a number of countries:-

	£m
United Kingdom	9.0
Germany	1.7
Finland	1.7
Spain	1.7
France	1.4
Australia	1.0
Sweden	0.5
Eurobank	0.9
	<b>17.9</b>

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 £6.3m of the £11.8m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	2,959
Three to six months	826
Six months to one year	1,281
More than one year	1,184
<b>Total</b>	<b>6,250</b>

## 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:

	<b>31st March 2009 £000</b>	<b>31st March 2010 £000</b>
Less than one year	544	592
Between one and two years	592	1,645
Between two and five years	16,128	20,837
More than five years	316,113	309,758
<b>Total</b>	<b>333,377</b>	<b>332,832</b>

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 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 the impact of 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 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	250
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	(2,437)
<b>Impact on Income and Expenditure Account</b>	<b>(2,187)</b>
Decrease in fair value of fixed rate investment assets	0
<b>Impact on STRGL</b>	<b>0</b>
<b>Decrease in fair value of fixed rate borrowings liabilities (no impact on Income &amp; Expenditure Account or STRGL)</b>	<b>45,636</b>

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 2009/10.

### **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 2009/10.

### **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.



### 3.22 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 3.20 Associated company interest and holdings.

31st March 2009 £000	Long Term Investments	31st March 2010 £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
<b>22,644</b>	<b>Total Long Term Investments</b>	<b>22,644</b>

The Authority's ordinary shareholding investment in Birmingham Airport is shown in the accounts at cost. A previous 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. A further valuation has been commissioned and the results of this will be incorporated when they are available.

### 3.23 Long Term Debtors

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

31st March 2009 £000	Long Term Debtors	31st March 2010 £000
171	Museum of British Road Transport	180
1,084	Wide Area Network	4
147	Housing Loans	122
1,098	Science Park Debentures	1,142
1,066	Binley Innovation Centre	1,066
677	Pathways to Care Loans	512
1,208	Residential Property Debts	1,085
833	Coventry North Regeneration Ltd	0
218	Mortgages	200
124	Further Education College Debt	64
319	Belgrade Theatre	331
85	Spon End Building Preservation Trust	67
85	John White Community Centre	75
0	Caludon Castle School PFI Contract	0
0	New Homes for Old	0
0	Commercial Property	42
<b>7,115</b>	<b>Total Long Term Debtors</b>	<b>4,890</b>

### 3.24 Debtors

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

<b>Debtors</b>	<b>31st March 2009 £000</b>	<b>31st March 2010 £000</b>
Government Departments	19,567	16,222
Other Local Authorities	12,550	8,209
Sundry Debtors	35,157	41,135
Debts Relating to Local Taxation	12,080	12,639
Payments in Advance	17,262	10,162
Impairment Allowance Account (Bad Debt Provision)	(12,564)	(14,819)
<b>Total Debtors</b>	<b>84,052</b>	<b>73,548</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

### 3.25 Creditors

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

<b>Creditors</b>	<b>31st March 2009 £000</b>	<b>31st March 2010 £000</b>
Government Departments	8,403	11,443
Other Local Authorities	4,169	6,430
Other Bodies	44,240	48,933
Creditors Relating to Local Taxation	0	0
Receipts in Advance	32,411	33,940
<b>Total Creditors</b>	<b>89,223</b>	<b>100,746</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

A sum of £11.4m, 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, remains unspent. 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 that has been agreed with NHS Coventry.

### 3.26 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 2009/2010 is explained below:

	Balance at 1 <sup>st</sup> April 2009 £000	Movement during year £000	Balance at 31 <sup>st</sup> March 2010 £000
Self-Insurance and other provisions	(4,011)	(2,309)	(6,320)
Provisions for Legal Claims	(30,205)	(149)	(30,354)
<b>Total Provisions</b>	<b>(34,216)</b>	<b>(2,458)</b>	<b>(36,674)</b>

The Council's provision for its self-insurance liability is based upon the full value of known insurance claims. This is a change to our previous practice of basing the liability on an estimated assessment of such claims. As a result of this change in practice the insurance provision has been increased from £4m to £6.1m. The provision is used when insurance claims require settlement. The Council also maintains an insurance earmarked reserve, called the Insurance Fund that is set aside for claims that have been incurred but not yet received. (see notes to the statement of total movement in reserves)

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 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 section 3.29.

### 3.27 Government Grant Deferred Account

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

	2008/09 £000	2009/10 £000
<b>Opening Balance</b>	(192,949)	(223,989)
Grants / contributions re capital expenditure	(40,180)	(48,014)
Government grants written down in year	2,890	7,974
Grants re deferred charges/REFCUS	6,250	8,310
<b>Closing Balance</b>	<b>(223,989)</b>	<b>(255,719)</b>

### 3.28 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 <sup>st</sup> April 2009	(Gains)/ losses of the year	Movement between Reserves	Balance as at 31 <sup>st</sup> March 2010
	£000	£000	£000	£000
Capital Adjustment Account	(505,410)	(19,639)	143,762	(381,286)
Revaluation Reserve	(192,529)	(1,646)	0	(194,175)
Usable Capital Receipts Reserve	0	0	0	0
Financial Instruments Adjustment Account	2,889	0	(179)	2,710
Available for Sale Reserve	(825)	0	0	(825)
Collection Fund Adjustment Account	2,227	0	(1,392)	835
Pensions Reserve	300,608	125,590	15,343	441,541
Management of Capital	(3,740)	0	1,767	(1,973)
Schools	(11,228)	0	(685)	(11,913)
Insurance Fund	(8,088)	0	1,636	(6,452)
Other Earmarked Reserves	(18,420)	0	(26)	(18,446)
General Fund Reserves	(3,810)	158,733	(160,226)	(5,304)
<b>Total</b>	<b>(438,326)</b>	<b>263,038</b>	<b>0</b>	<b>(175,288)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

#### Capital Adjustment Account

This relates primarily to the financing of capital expenditure from capital receipts and revenue contributions

#### Revaluation Reserve

This records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

#### Usable Capital Receipts Reserve

This 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

This records unrealised revaluation gains arising from holding available for sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

#### Collection Fund Adjustment Account

This account contains the cumulative difference between the accrued income from Council Tax and the amounts required by regulation to be credited to the General Fund.

**Pension Reserve**

A pensions reserve is now maintained in line with the requirements under FRS 17. The deficit balance on the reserve is £441.5m at 31st March 2010 (£300.6m as at 31st March 2009). Note 3.11 to the balance sheet gives more information about this reserve and the impact of FRS 17.

**Management of Capital Reserve**

This represents the balance of resources that will be required to meet existing Capital Programme commitments.

**Schools Reserves**

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

**Insurance Fund**

The Insurance Fund is held to protect the City Council against the risk of potential insurance claims against the Council. At the end of 2009/10 it totalled £6.4m. Within the year, £2.1m has been transferred from the insurance reserve to insurance provisions, which have increased from £4m to £6.1m.

**Other Earmarked Reserves**

These represent resources available to services to assist them in the management of their budget, 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. This treatment was approved by the Council in setting its 2008/09 Capital Programme. These resources will be repaid over time from corporate resources. The underlying level of other earmarked reserves, assuming full repayment of this sum will increase from the stated figure of 18.4m to 23m.

**3.29 Contingent Liabilities**

Details of a provision that has been made in relation to Equal Pay Claims have been included in note 3.26 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 case law and the slow progress of the complex legal proceedings with potential claimants.

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.

In addition, the Council has recently received a contractual claim from Galliford Try Ltd regarding phase 2 of the construction project to redevelop the Herbert Art Gallery and Museum. It is now nearly two years since possession was taken of the completed project. The Council disputes the claim and has not made a provision in the accounts. It may take some time before the contractual process comes to a conclusion with regard to the actual existence or size of any contractual liability.

### 3.30 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 2010 was £1.98 million (£1.84 million 2008/2009) on its balance sheet as a creditor. The main funds held relate to:

- Tenants contributions towards essential repair and maintenance of common areas in multi occupied buildings £1,471,198 (£1,412,761 in 2008/2009).
- Social Services Clients Funds £129,817 (£140,706 in 2008/09) – Funds held on behalf of Social Services clients.
- Other funds £367,344 (£289,435 in 2008/09), including bequests / donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

### 3.31 Reconciliation of Income & Expenditure Account to Cash Flow

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

2008/09 £m		2009/10	
		£m	£m
122.4	Income and Expenditure Account Deficit at 31 <sup>st</sup> March		158.7
(17.3)	Adjustment for net cash flow from investments and servicing of finance	(18.4)	
	Less:		
(105.7)	Depreciation and impairment	(154.5)	
0.0	Stocks and work in progress	(0.1)	
(0.4)	Debtors	(1.8)	
(20.1)	Provisions set aside in year	(2.8)	
(0.7)	Payments in advance	(6.9)	
(10.1)	Creditors	(6.8)	
6.1	Receipts in advance	3.0	
(6.7)	Other movement	(10.4)	
<b>(32.5)</b>	<b>Net Cash flow from revenue activities</b>		<b>(40.0)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

### 3.32 Movement in Cash & Cash Equivalents

	31st March 2009 £m	31st March 2010 £m	Movement
Cash balances	14.0	19.2	5.2
Cash overdrawn	(5.3)	0.0	5.3
<b>Increase in cash and cash equivalents</b>	<b>8.7</b>	<b>19.2</b>	<b>10.5</b>

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

### 3.33 Analysis of Revenue Grants

31st March 2009 £000	Grant	31st March 2010 £000
239,400	Department of Children, Schools & Families	242,900
96,400	Housing Benefit Subsidy	112,300
29,400	Council Tax Benefit Subsidy	32,500
23,500	Learning Skills Council (LSC)	25,400
24,000	Area Based Grants	22,700
17,800	Revenue Support Grant	28,000
17,200	Supporting People	16,100
3,100	Regeneration Grants	2,700
20,100	Other Grants	13,000
<b>470,900</b>	<b>Total</b>	<b>495,600</b>

### 3.34 Analysis of Capital Grants

31st March 2009 £000	Grant	31st March 2010 £000
11,288	Other miscellaneous Government Grants	10,341
6,296	Department for Transport	6,709
1,260	Performance Reward	0
4,218	Standards Fund (Education)	22,769
1,112	Lottery	365
6,768	New Deals for Communities	2,509
3,213	Centro Transport grant	431
734	European Regional Development Fund (ERDF)	27
2,697	Disabled Facilities Grants	2,863
2,594	Private Sector / Other miscellaneous contributions	549
0	Local Enterprise Growth Initiative	1,451
<b>40,180</b>	<b>Total</b>	<b>48,014</b>

### 3.35 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 1<sup>st</sup> 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.

As 2009-10 is designated the target year the Landfill Allowances Trading Scheme has been valued at £0 per tonne. There has not been any market to sell surplus allowances, balances accumulated to date have been written back to the revenue account.

### 3.36 Reconciliation of Finance and Liquid Resources

	2008/09 £000	Movement £000	2009/10 £000
Long Term Loans	(373,474)	2,113	(371,361)
Temporary Borrowing	(23,116)	11,970	(11,146)
Short Term Investments	17,733	151	17,884
<b>Total</b>	<b>(378,857)</b>	<b>14,234</b>	<b>(364,623)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

### 3.37 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 2010.

Material events arising between 31st March 2010 and 16th June 2010 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 2010 and 16th June 2010 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.

### 3.38 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.

	31st March 2009 £000	31st March 2010 £000
General Fund	438,627	175,359
Trading Operations	(301)	(71)
<b>Total</b>	<b>438,326</b>	<b>175,288</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).



### 3.39 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 2009/10 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure	Individual Schools Budget	Total
	£	£	£
Final DSG for 2009/10	21,336,449	170,836,551	192,173,000
Brought forward from 2008/09	1,306,140	0	1,306,140
Carry forward to 2010/11 agreed in advance	1,306,140	0	1,306,140
Agreed budgeted distribution in 2009/10	21,718,449	170,836,551	192,555,000
Actual Central Expenditure	24,474,002	0	24,474,002
Actual ISB deployed to schools	0	171,132,014	171,132,014
Local authority contribution for 2009/10	2,431,482	295,463	2,726,945
<b>Carry forward to 2010/11</b>	<b>(324,071)</b>	<b>0</b>	<b>(324,071)</b>

## 4 Additional Financial Statements - Group Accounts

The accounts have been prepared in accordance with the 2009 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 2009/10 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 2009/10 accounts were not available for any of these companies.

Note 3.20 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.

Subsidiaries have been consolidated into the group accounts on a line-by-line basis incorporating their income and expenditure fully in the relevant service revenue accounts. Joint Ventures have been incorporated into the group accounts using the gross equity method including the requirement for the disclosure of the Council's share of the gross assets and liabilities and gross turnover and operating costs of the companies.

This is the sixth year that Coventry City Council have prepared group accounts. Comparative figures for 2008/09 are restated due to prior period adjustments in Coventry City Council's accounts.

## 4.1 The Group Income and Expenditure account

2008/09 Net expenditure £000		2009/10		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	<b>Spending by Service</b>			
37,546	Central services to the public	90,611	(67,891)	22,720
(359)	Courts	(570)	(149)	(719)
70,930	Cultural, environmental and planning services	95,380	(19,274)	76,106
112,538	Children's services	449,263	(306,111)	143,152
12,848	Highways, roads and transport services	21,930	(8,123)	13,807
9,464	Housing services	138,503	(132,474)	6,029
90,736	Adult Social Care	105,856	(23,237)	82,619
468	Non-distributed costs	1,794	0	1,794
10,399	Corporate and democratic core	10,465	0	10,465
<b>344,570</b>		<b>913,232</b>	<b>(557,259)</b>	<b>355,973</b>
(13,315)	Turnover Joint Venture	0	(14,571)	(14,571)
11,058	Cost of sales JV Joint Venture	11,323	0	11,323
0	Exceptional item (impairment)	0	0	0
<b>342,313</b>	<b>Net Cost of Services</b>	<b>924,555</b>	<b>(571,830)</b>	<b>352,725</b>
0	Gain or loss on disposal of fixed asset			0
20	Contribution of housing capital receipts			14
5	Precepts of local precepting authorities			5
(7,363)	Net (Surplus)/Deficit from trading			11,336
18,543	Interest payable			18,825
600	Share of interest payable by JV			455
(2,230)	External investment income			(542)
(614)	Dividends & interest			(115)
(108)	Share of interest receivable by JV			87
13,778	FRS 17 Interest / Return			24,035
489	Share of corporation tax of Joint Venture			753
16,139	Levy payments to other bodies			16,471
<b>381,572</b>				<b>424,048</b>
0	Minority interest			0
<b>381,572</b>	<b>Net Expenditure</b>			<b>424,048</b>
(109,311)	Net Council Tax Income			(113,867)
(127,635)	Contribution from Non-domestic rate pool			(121,421)
(23,513)	Revenue support grant			(31,969)
<b>(260,459)</b>	<b>Total Income from Government Grants and Local Taxpayers</b>			<b>(267,257)</b>
<b>121,113</b>	<b>(Surplus) or Deficit for the year</b>			<b>156,792</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 4.2 Reconciliation of the Single Entity Deficit for the year to the Group Deficit

2008/09 £000		2009/10 £000
122,391	Deficit on the authorities single entity Income & Expenditure account for the year	158,744
29	Less: subsidiary and associate dividend income and any other distributions from group entities included in the single entity deficit on the Income & Expenditure account	(12)
<b>122,420</b>	<b>Deficit in the group Income &amp; Expenditure attributable to the Authority</b>	<b>158,732</b>
	Add : (Surplus) / deficit arising from other entities included in the group accounts	
(29)	Subsidiaries	13
(1,278)	Joint Ventures	(1,953)
<b>121,113</b>	<b>Group account deficit for the year</b>	<b>156,792</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 4.3 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.

2008/09 £000		2009/10		
		Single Entity £000	Group £000	Total £000
121,115	Deficit on the Income & Expenditure account for the year	158,744	(1,953)	156,791
(143,771)	Gains arising on revaluation of fixed assets	(21,257)	0	(21,257)
(22,816)	Actuarial loss on pension fund assets and liabilities	125,698	378	126,076
0	Available for sale reserve	0	0	0
2,020	Other	(147)	(1,411)	(1,558)
<b>(43,452)</b>	<b>Total recognised gains and losses for the year</b>	<b>263,038</b>	<b>(2,986)</b>	<b>260,052</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 4.4 The Group Balance sheet

This statement summarises the group's financial position as at 31st March 2010. 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 <sup>st</sup> March 2009 £000	Group Balance Sheet	As at 31 <sup>st</sup> March 2010		Notes
		£000	£000	
	<b>ASSETS</b>			
817	Intangible Assets		434	
	<b>Tangible Fixed Assets</b>			
	Operational Assets			
782,306	- Other land and buildings	724,996		
7,507	- Vehicles, plant and equipment	8,457		
232,811	- Infrastructure assets	249,240		
14,989	- Community assets	14,995	997,688	
	Non-Operational Assets			
203,909	- Investment properties	221,073		
43,452	- Assets held for sale	12,009		
56,326	- Under construction	22,557	255,639	
12,694	Long Term Investments		12,693	4.9
32,523	Share in gross assets of JV		35,261	4.9
(23,183)	Share in gross liabilities of JV		(22,935)	4.9
7,115	Long Term Debtors		4,890	
0	Deferred Premiums on early repayment of debt		0	
<b>1,371,266</b>	<b>Total Long Term Assets</b>		<b>1,283,671</b>	
	<b>CURRENT ASSETS</b>			
601	Stock	541		
84,885	Debtors	73,553		
0	Increase in bad debt provision	0		
17,733	Short term investments	17,884		
0	Prepayments in advance	0		
14,034	Cash	19,207	111,185	
	<b>CURRENT LIABILITIES</b>			
(23,944)	Short Term Loans	(11,146)		
(56,812)	Creditors	(66,806)		
(32,411)	Receipts in advance	(33,940)		
(5,344)	Bank overdraft	0	(111,892)	
<b>1,370,008</b>	<b>Total Assets Less Current Liabilities</b>		<b>1,282,964</b>	
	<b>LONG TERM LIABILITIES</b>			
(373,479)	Long Term Loans		(371,366)	
0	Deferred discounts on early repayment of debt		0	
(223,989)	Government grants deferred		(255,719)	
(34,216)	Other provisions		(36,674)	
(300,608)	Pensions liability		(441,541)	
0	Grants deferred		0	
0	Other fund balances		0	
<b>437,716</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>177,664</b>	

**The Group Balance sheet (continued)**

As at 31 <sup>st</sup> March 2009 £000	Group Balance Sheet (continued)	As at 31 <sup>st</sup> March 2010		Notes
		£000	£000	
	<b>BALANCES AND RESERVES</b>			
(538,599)	Capital Adjustment Account		(414,475)	4.9
300,608	Pension Reserve		441,541	
0	Usable capital receipts reserve		0	
(45,286)	Specific Reserves		(44,088)	
2,227	Collection Fund Balance		835	
(192,529)	Revaluation Reserve		(194,175)	
2,889	Financial Instruments Adjustments Account		2,710	
(825)	Available for sale Financial Instruments Reserve		(825)	
33,799	Profit & Loss Reserve		30,813	
<b>(437,716)</b>	<b>GROUP BALANCES AND RESERVES</b>		<b>(177,664)</b>	
0	Minority Interest		0	
<b>(437,716)</b>	<b>TOTAL BALANCES AND RESERVES</b>		<b>(177,664)</b>	

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 4.5 The Group Cash Flow Statement

2008/2009 £m		2009/10	
		£m	£m
<b>(32.5)</b>	<b>Net Cash flow from revenue activities</b>		<b>(40.0)</b>
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
17.1	Interest paid	15.8	
1.9	Interest element of finance and lease rental payments	2.9	
	<b>Cash Inflows</b>		
(1.7)	Interest received	(0.3)	
<b>17.3</b>	<b>Net cash from Investments and Servicing of finance</b>		<b>18.4</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
67.7	Purchase of fixed assets	56.7	
0.0	Purchase of long term investments	0.0	
0.9	Other capital cash payments	1.3	
	<b>Cash Inflows</b>		
(7.1)	Sale of fixed assets	(5.0)	
(46.8)	Capital grant received	(54.1)	
(2.7)	Other capital cash receipts	(2.4)	
<b>12.0</b>	<b>Net cash from Capital Activities</b>		<b>(3.5)</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(3.7)	Net increase/decrease in short term deposits	0.0	
(11.3)	Net increase/decrease in other liquid resources	(0.9)	
<b>(15.0)</b>	<b>Net cash from Management of liquid resources</b>		<b>(0.9)</b>
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
62.5	Repayments of amounts borrowed	14.0	
0.0	Capital element of finance lease rental payments	1.5	
	<b>Cash Inflows</b>		
(52.9)	New loans raised	0.0	
0.0	New short term loans	0.0	
<b>9.6</b>	<b>Net cash from Financing</b>		<b>15.5</b>
<b>(8.6)</b>	<b>Net (Increase) / Decrease in cash</b>		<b>(10.5)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## Disclosure notes to the Group Accounts

### 4.6 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.

	2008/09 £000	2009/10 £000
Group	440,385	178,352
Joint Ventures	(2,368)	(618)
Trading Operations	(301)	(71)
<b>Total</b>	<b>437,716</b>	<b>177,664</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

### 4.7 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 <sup>st</sup> April 2008 £000	(Gains)/ losses for the year Group (incl Subsidiaries) £000	Movement in Reserves Joint Ventures £000	Balance as at 31 <sup>st</sup> March 2009 £000
Capital Adjustment Account	(538,599)	124,123		(414,476)
Revaluation Reserve	(192,529)	(1,645)		(194,174)
Usable Capital Receipts Reserve	0	0		0
Financial Instruments Adjustment Account	2,889	(179)		2,710
Financial Instruments Available for Sale Reserve	(825)	0		(825)
Pensions Reserve	300,608	140,933		441,541
Specific Reserve	(45,286)	1,198		(44,088)
Collection Fund Balance	2,227	(1,392)		835
Profit and Loss	33,799	0	(2,986)	30,813
<b>Total</b>	<b>(437,716)</b>	<b>263,038</b>	<b>(2,986)</b>	<b>(177,664)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).



## 4.8 Joint Venture disclosure

### Coventry & Solihull Waste Disposal Company (CSWDC)

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.

Information relating to the proportion of shares held by Coventry City Council are included in note 3.20 to the single entity accounts.

#### Financial Liabilities

Coventry City Council holds the 'A' Preference Shares

	2008/09 £000	2009/10 £000
'A' Preference Shares of £1 each	9,950	9,950
'B' Preference Shares of £1 each	4,975	4,975
<b>Total</b>	<b>14,925</b>	<b>14,925</b>

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 according to the amounts paid up.

#### Voting

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

- if the preference dividend is in arrears;
- 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.

## 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 from Coventry City Council under arrangements to receive household and commercial waste, to manage a landfill site and to operate a civic amenity and recycling centre for residents. Payments to CSWDC are made via a joint account with Solihull Metropolitan Borough Council. Coventry's contribution for the provision of waste disposal services was £3,942,987 (2009 - £4,237,988). During the year, payments to Coventry City Council for the provision of various services amounted to £88,053 (£121,708 - 2009). The amounts due to Coventry City Council at the year end were £21,509 (£3,151 - 2009)

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)

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.

The accounting period for ACL is 1st June to the 31st May. The figures in the Group Account statements are based on Arena Coventry Ltd (ACL) management accounts as at 31st March 2010.

Information relating to the proportion of shares held by Coventry City Council is included in note 3.20 to the single entity accounts.

Related party transaction - During the year, the company had rates and operating expenses to the value of £314,850 (2008 - £200,058) and £61,666 was outstanding at 31st March 2010 (2008 - £2,553).

During the year ACL repaid £833,334 in respect of cash flow assistance provided by CNR and the balance outstanding at 31st March 2010 was nil.

There were no post balance sheet events.

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 account as a joint venture.

## 4.9 Group Balance Sheet

### Notes to the Group Balance Sheet

Where there is no material difference between the Single Entity Accounts and the Group Accounts, no new additional notes have been provided therefore, reference should be made to section 3, 'Notes to the Main Financial Statements' for information.

- **Long Term Investments.** The Council's share investment of £9.950m in CSWDC is excluded for Group Account purposes.
- **Share in gross assets of joint ventures.** Made up of £20.779m for Coventry & Solihull Waste Disposal Company and £14.463m for Arena Coventry Limited.
- **Share in gross liabilities of Joint ventures.** Made up of £8.941m for Coventry & Solihull Waste Disposal Company and £13.994m for Arena Coventry Limited.
- **Capital adjustment account.** Reflects £33.189m original grant investment in North Coventry Holdings Ltd and Coventry North Regeneration Ltd.

### Additional information

#### Related Party Transactions - Subsidiaries

Coventry City Council received from Coventry North Regeneration Ltd (CNR) £828,000 (2008/09 £83,333) in respect of repayment of cash flow assistance during the year and £2,430 (2008/09 £42,545) in associated interest. The balance outstanding on cash flow assistance to CNR by the City Council is £5,000 (2008/09 £833,334). In addition, Coventry City Council makes contributions to CNR to support its payments. During the year contributions of £13,531 (2008/09 £13,731) were made. At 31st March 2010 the Council owed CNR £5,157 (2008/09 CNR owed the Council £3,192).

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 3.20 to the single entity accounts.

## 4.10 Cash Flow Statement Disclosure

### Group Cash Flow Statement

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.

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

2008/09 £m		2009/10 £m
122.4	Group deficit as at 31st March 2010	158.7
	Less:	
(105.7)	Depreciation	(154.5)
(17.3)	Servicing of finance	(18.4)
		(172.9)
	<b>Movement in items on an accruals basis:</b>	
0.0	Stocks and work in progress	(0.1)
(0.4)	Short term debtors	(1.8)
(20.1)	Provisions set aside in year	(2.8)
(0.7)	Payments in advance	(6.9)
(10.1)	Creditors	(6.8)
6.1	Receipts in advance	3.0
(6.7)	Other Movements	(10.4)
		(25.8)
<b>(32.5)</b>	<b>Net cash flow from revenue activities</b>	<b>(40.0)</b>

Note - The 2008/09 figures have been re-stated to take account of prior period adjustments (see section 3.1).

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 5.2 Changes in Accounting Policies

In the 2009/10 Statement of Accounts, the council has adopted the following new accounting policies:

- Under the 2009 SORP the Council has adopted the changes relating to the accounting for the Collection Fund. These changes detail the manner in which Collection Fund balances, previously held within the Fund, should be disaggregated to the billing and major precepting authorities. The 2009 SORP also clarifies the manner in which any balances relating to Business Rates should be held as a central government debtor / creditor. This is a consequence of the agency accounting approach that should be adopted for Business Rates.
- The 2007 Budget announcement stated that all Government bodies will be required to adopt International Financial Reporting Standards (IFRS). The timetable for Local Authority convergence with IFRS has been agreed as, early adoption of PFI accounting to be included within 2009/10 accounts and a full IFRS compliant set of accounts being introduced for 2010/11. The most significant change in how PFI is treated within the Local Authority accounts is the recognition of the asset within our Balance Sheet, due to an assessment of control under IFRIC12. Previously it was deemed that the risk and rewards were borne by the operator, and as such, the assets were not included in our Balance Sheet.

### 5.3 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.

## 5.4 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.

## 5.5 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.

## 5.6 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.

## 5.7 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 held for sale – 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:

<b>Asset Type</b>	<b>Period of Years</b>
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.

## 5.8 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.

## 5.9 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.

## 5.10 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.



## 5.11 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.

## 5.12 Value Added Tax (VAT)

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

## 5.13 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 3.22).

## 5.14 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.

## 5.15 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.

## 5.16 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 1<sup>st</sup> 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.

## **5.17 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.

## 5.18 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.

## 5.19 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 2009/10 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.

## **5.20 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.

## **5.21 Private Finance Initiatives (PFI)**

PFI Contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under the PFI schemes and as ownership of the fixed asset will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed asset used under the contracts on the Balance Sheet.

The original recognition of the asset is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

The amounts payable to the PFI operators each year are analysed into the following five elements:

- Fair Value of the services received during the year (charged to the relevant service area);
- Finance Costs (interest charged on the outstanding Balance Sheet liability);
- Contingent Rent (increases in the amount to be paid for the asset arising during the contract);
- Payment towards liability (writing down the Balance Sheet liability towards the PFI contractor);
- Lifecycle replacement costs (recognised as fixed assets on the Balance Sheet).

## 5.22 Group Accounts

The group accounts have been prepared by fully implementing the 2009 SORP's Group Accounts requirement.

## 5.23 Council Tax

The Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. The difference between this accrued income and the amount required by regulation to be credited to the General Fund (in respect of precepts and relevant surpluses / deficits) shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

The authority's Balance Sheet will include a debtor / creditor position between the authority and each major preceptor to recognise the difference between the cash collected from Council Taxpayers and the net cash paid to the major preceptors. The Balance Sheet will also include an attributable share of Council Tax creditors (for overpaid or prepaid tax) and debtors (net of impairment allowance for doubtful debts).

The Cash Flow Statement shall include, in cash flows relating to 'Revenue Activities', only its own share of Council Tax net cash collected from Council Tax debtors in the year. Any amounts included for 'precepts paid' shall exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from Council Tax debtors and net cash paid to major preceptors should be included as a change in other liquid resources.

## 5.24 National Non-Domestic Rates (NNDR)

The Balance Sheet includes a Government debtor / creditor as a consolidated amount reflecting: the difference between the cash collected from NNDR taxpayers (net of the costs of collection) and the amount paid to the Government at the Balance Sheet date; any NNDR arrears; the impairment for doubtful debts; any prepayments and overpayments.

The Cash Flow Statement shall include, in cash flows relating to 'Revenue Activities', only receipt of the cost of collection allowance and any amounts received in recovering costs of pursuing unpaid debts, with the rest of the difference, between NNDR collected and amounts paid over to the Government, accounted for as a change in other liquid resources.

## 6 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'.



## **7 Audit Certificate**