

# Public Document Pack



Coventry City Council

To all Members of the Audit and Procurement Committee

30<sup>th</sup> November, 2020

Our ref: C/MR

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Dear Member,

## **Additional Information – Meeting of the Audit and Procurement Committee - Monday, 30th November, 2020**

The papers for the above meeting were circulated on Friday 20<sup>th</sup> November, 2020. At the time of publication, there were a number of documents which were not available. These documents have now been received some were circulated Friday 27<sup>th</sup> November, 2020 and the Statement of Accounts are attached to this letter. Please include them with your papers for the meeting.

Apologies for any inconvenience caused.

### **11a 2019/20 Statement of Accounts and Audit Findings Report (Pages 3 - 146)**

Report of the Director of Finance

Report of the External Auditor (Grant Thornton)

If you have any queries, please do not hesitate to contact me.

Yours sincerely

Michelle Rose  
**Governance Services Officer**

**Membership:** Councillors M Ali, J Blundell, R Lakha (Chair), T Sawdon, B Singh (Deputy Chair) and R Singh

**By invitation:** Mr Sohal and stocks





# **Coventry City Council's 2019-20 Statement of Accounts**

This document presents the Council's financial performance  
for the year ending 31<sup>st</sup> March 2020.

<b>1</b>	<b>An Overview of the Council's Performance .....</b>	<b>5</b>
1.1	Introduction .....	5
1.2	Narrative Report .....	5
1.3	Statement of Responsibilities .....	17
1.4	Annual Governance Statement.....	18
<b>2</b>	<b>Main Financial Statements .....</b>	<b>35</b>
2.1	Overview of Main Financial Statements .....	35
2.2	Comprehensive Income & Expenditure Statement .....	36
2.3	Movement in Reserves Statement .....	37
2.4	Balance Sheet .....	39
2.5	Cash Flow Statement .....	40
<b>3</b>	<b>Notes to the Main Financial Statements .....</b>	<b>41</b>
3.1	Note to the CIES.....	41
3.2	Expenditure and Funding Analysis .....	42
3.3	Note to the Expenditure and Funding Analysis .....	43
3.4	Revenue Outturn .....	44
3.5	Segmental Analysis .....	45
3.6	Income and Expenditure Analysis .....	46
3.7	Analysis of Capital Grants .....	47
3.8	Analysis of Revenue Grants .....	48
3.9	Deployment of Dedicated Schools Grant .....	49
3.10	Related Party Transactions .....	51
3.11	Pooled Budgets .....	53
3.12	External Audit Costs .....	55
3.13	Usable and Unusable Reserves .....	56
3.14	Adjustments between Accounting Basis & Funding Basis under Regulations	58

3.15	Property, Plant and Equipment.....	59
3.16	Heritage Assets .....	61
3.17	Non-Operational Assets.....	63
3.18	Capital Expenditure and Capital Financing .....	65
3.19	Revaluation of Property, Plant and Equipment.....	66
3.20	Capital Commitments .....	67
3.21	Long Term Investments .....	68
3.22	Long Term Debtors .....	69
3.23	Short Term Debtors .....	70
3.24	Short Term Creditors .....	71
3.25	Provisions .....	71
3.26	Other Funds.....	72
3.27	Notes to the Cash Flow .....	73
3.28	Private Finance Initiative (PFI).....	75
3.29	Leases .....	79
3.30	Pension Costs.....	82
3.31	Retirement Benefits .....	83
3.32	Officers' Remuneration (including exit packages) .....	88
3.33	Members' Allowances .....	90
3.34	Financial Instruments.....	91
3.35	Associated Company Interests & Holdings .....	101
3.36	Events after the Balance Sheet Date .....	104
3.37	Contingent Liabilities and Assets.....	105
3.38	Collection Fund Statement and Notes.....	106
3.39	Prior Period Restatement .....	109

**4 Additional Financial Statements - Group Accounts ..... 113**

4.1	Overview of Group Accounts.....	113
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4.2	Group Comprehensive Income and Expenditure Account .....	114
4.3	Group Movement in Reserves Statement .....	115
4.4	Group Balance Sheet .....	117
4.5	Group Cash Flow Statement .....	118
4.6	Group Balance Sheet Reconciliation .....	119
4.7	Group Surplus/Deficit Reconciliation .....	121
4.8	Group Tax Expense .....	121
4.9	Group Companies Disclosure .....	122
<b>5</b>	<b>Statement of Accounting Policies.....</b>	<b>123</b>
5.1	General .....	123
5.2	Significant Assumptions made in estimating Assets and Liabilities.....	123
5.3	Critical Judgements in Applying Accounting Policies .....	124
5.4	Accounting standards issued, but not yet adopted.....	125
5.5	Changes in Accounting Policies .....	125
5.6	Accounting Policies – Categories .....	125
5.7	Accounting Policies.....	126
<b>6</b>	<b>Glossary of Terms.....</b>	<b>139</b>
<b>7</b>	<b>Audit Certificate .....</b>	<b>143</b>

# 1 An Overview of the Council's Performance

## 1.1 Introduction

Coventry City Council is a metropolitan district council responsible for all local government duties within the city of Coventry. The Council is required to set out its accounts in line with strict standards and this Statement of Accounts

presents the Council's financial performance for the year ending 31st March 2020. The narrative report below helps to explain some of the key elements of the Council's role, its impact on major developments in the city and its performance for

the year including some of the key financial information and how this links to the statements and notes in this document.

## 1.2 Narrative Report

The Council's overall strategy is set out in the Council Plan, "One Coventry"; and this year, significant work has been put in place towards a "One Coventry" approach to working together, with partners and communities, to improve people's lives and the city for the better.

The One Coventry Plan sets out the vision, priorities and aspirations for the city to be "globally connected" to promote the growth of a sustainable Coventry economy and "locally committed" to improve the quality of life for Coventry people. Key information about the city and measures of the Council's overall performance are provided separately in an annual performance report formally considered by Cabinet, Scrutiny Co-ordination Committee and presented at an All Members Seminar every summer.

With the coronavirus pandemic, the work of the Council to support local communities has never been more important: the Council has been involved in a wide range of responses across the city including providing food, medicine and social

support to our most vulnerable residents both directly and through our partners; as well as in providing advice and grants to help reduce the impact to our local business community.

### **Globally connected**

In 2019/20 the city has faced significant headwinds from a challenging national and international economic climate. While the city's gross value added per head remains higher than the average for metropolitan areas, the rate of economic growth has slowed significantly, even before taking into account the effects of COVID-19. The number of enterprises in the city, and business rates rateable value have remained static; and while the overall employment rate (pre-Covid) is up, unemployment has also increased. This has had an effect on the performance of the city centre, with a decrease in footfall – though not by as much as the national position. Additionally, the city continues to attract new residents, as seen by the increase in the number of domestic properties, particularly larger properties attracting a higher rate of Council tax.

### **Locally committed**

Despite the evident challenges, the Council has maintained its performance across a number of service areas. Roads and pavements have continued to be maintained at a similar standard to previous years; while the standard of overall city cleanliness has been maintained despite yet another increase in the level of fly-tipping in the city.

The city's continued investment into early intervention and in taking a One Coventry partnership approach to working with partner organisations have paid dividends – with more of the city's five-year-olds achieving a good level of development, though challenges remain in reducing the gap between the most and least deprived parts of the city. This has also had an effect on children's social care, as early intervention has helped reduce the number of referrals into children's social care, although challenges remain with the number of looked after children. Meanwhile, in education, most

attainment measures have seen improvement though there have been some decreases against progress measures.

The city continues to face a multitude of challenges: mirroring national and regional trends, reported crime has increased – though not by as much as other cities in the region. In adult social care, the number of people in long-term support has increased, though this is mainly bringing the city closer to regional/national trends, and levels of satisfaction have been maintained.

Looking ahead, COVID-19 is likely to have a significant effect on residents' wellbeing and on the city's economic vitality. The city is adopting a "One Coventry" approach to reset and recovery, including critical analysis of how to deliver some of its own services in the future and working with communities and businesses towards regenerating the economy. Significant difficulties lie ahead in the form of: COVID-19 issues and the response to these; uncertainty in future local government funding; the lack of clarity on Brexit post-December 2020; a global economic downturn; and the climate emergency. Taken together this means that the Council will continue to face major challenges in the years ahead.

It is against this background that the Council's financial performance is examined below.

### **The Council's Financial Performance – Revenue**

The final weeks of the 2019/20 financial year were affected dramatically in the UK by events linked to the COVID-19 pandemic that has been felt across the world. It is fair to say that no single event has had such a profound effect on the lives of people in this country since the Second World

War. Although 'lockdown' was not announced by the Prime Minister until March 23<sup>rd</sup>, the emergency measures announced in the Budget nearly two weeks previously demonstrated the degree and speed with which events had already progressed by that point. The most impactful developments for Coventry included; the halting of universal schooling but with the maintenance of school opening for vulnerable children and those of workers in key sectors; the need to ensure food and other support for vulnerable groups; the ordering of large amounts of personal protective equipment (PPE); arrangements providing for a temporary sub-regional mortuary facility; responding to changes in the demand for and nature of adult and children's social care and homelessness provision; financial support for suppliers of goods and services to the Council; processing of cash grants and rate reliefs to business ratepayers and managing reliefs for Council Tax payers; ceasing many direct face to face services to the public; and the wide-scale re-location of several thousand officers from office based activity to working from home.

Just as in other sectors, the delivery of every Council service and each individual employee was profoundly affected by Covid conditions. The Council's emergency response plans were enacted at operational, tactical and strategic levels with emphasis on daily briefings and regular communications to the wider organisation and the Council's partners. In the final weeks of 2019/20 and the early months of 2020/21, the Council was successful in keeping its key core services operating and enacting emergency response support to the wider community. It managed this in the face of several hundred staff needing to self-isolate in line with public health guidance, with a number of staff being redirected from their usual duties to a range of other Covid-

focussed roles. These arrangements were put into place before the end of the financial year and have continued into 2020/21 although at a gradually reduced intensity as the public health impacts of the pandemic eased.

These very apparent effects on everyday council services were reflected upon in the world of local authority accounting. It was no surprise therefore that the unprecedented measure to suspend the requirement to apply the Code of Accounting Practice for 2019/20 in its current format was put forward by the CIPFA/LASAAC Code Board in April 2020. This proposal was subsequently rejected and was replaced by less radical proposals to ease reporting timescales and delay the implementation of International Financial Reporting Standard 16 (Leases) until 2021/22. As a result, notwithstanding the massive impact on society and the day to day effects on the working practices of those who compile, audit and approve the accounts, the key components of this Statement of Accounts reflect those of recent years and there have been no significant changes to accounting policies for the 2019/20 accounts.

In the same way that individuals and businesses experienced dramatic effects on their personal finances and trading performance, the Council too found that a wide range of its services were subject to immediate financial consequences. This has created some immediate and obvious additional costs and income reductions in 2019/20 and an initial assessment on the need to make additional provision for bad debt. Together these totalled £2.8m and the Council used the first tranche of the Government's COVID-19 funding (£10.4m), which was received in late March, to fund them. What is clear is that the level financial shock will be far greater in 2020/21 and beyond as the Council, its partners and the

wider city face the direct costs and subsequent impact of managing the virus.

Other than the actual financial costs referred to above, the main impact on the Council's accounting statements relates to the impact of the volatility of financial and property markets and the wider economy. These conditions have increased the uncertainty of assumptions around the Council's property and other asset valuations, including our shareholdings in arms-length companies and to a lesser degree in the recovery of amounts owed to the Council. As a result, and where appropriate, the disclosures within the financial statements reflect the unprecedented situation and its impact on the accounts, particularly in relation to these uncertainties.

In February 2019, the Council set an overall budget for its revenue expenditure of £744m. The following table shows how it was planned that this expenditure would be funded.

	Budget £m
Council Tax	(135.2)
Local Business Rates	(96.7)
Specific Government Grants	(409.7)
Fees and Charges	(102.8)
<b>Total</b>	<b>(744.4)</b>

Apart from Covid related matters, the Council has continued to face some familiar service and

financial challenges in 2019/20. It has responded to these with vigour and has continued to set itself an ambitious agenda of activity to place itself and the city in as strong a position as possible to tackle the challenges they face. The revenue outturn position is shown in section 3.4 and, in overall terms, the Council is reporting a balanced position. As in recent years this includes some significant areas of budgetary over-spend, the most significant of which was in relation to housing and homelessness matters. The Council has continued to face increasing numbers of homeless individuals and families which it has had to provide temporary accommodation for, at a time when insufficient suitable housing options have been available. Through the year the Council has put in place a range of accommodation options to better manage the implications of homelessness, although some of these options have taken longer than planned to become operational which has contributed to the budgetary pressure.

Consistent with recent years there has continued to be budgetary pressures in services for children and young people, driven especially by the number and cost of placements for looked after children and an increasing need to meet the financial consequences of the issue of youth violence. Other areas of financial pressure, such as transport for children with special educational needs and waste collection and disposal, demonstrate the point that local authorities are faced constantly with the costs of demand led services, the causes of which they often have limited control over.

The Council's corporate and contingency budgets were underspent by £6.3m with the most significant area being that of its employer pension contributions. The Council budgeted for the full amount of contributions relating to its current payroll figures. However, these figures are higher than assumed at the time that fixed contributions were calculated and agreed to be paid to the West Midlands Pension Fund (WMPF) three years ago, creating an underspend of £7m. Revised arrangements for 2020/21 mean that the WMPF will expect these amounts to be paid on an annual basis in future.

The Council has continued to take a balanced commercial approach to meeting its budgetary pressures and maintain an appropriately prudent approach to managing the strength of its balance sheet. In 2019/20 this included measures such as renting out further space within its Friargate building, generating further rental income and acquiring the largest private commercial waste operator in the city to complement the Council's existing commercial waste service. This approach has helped the Council to avoid some of the worst effects of budget cuts experienced elsewhere across the country in recent years. However, they also added a degree of new risk exposure to the Council's operations, a subject that is discussed further in the Future Plans section of this Narrative Statement.

### Summary of the Council's Revenue Outturn

2019/20	Total Income	Total Expenditure (including reserve movements)	Net Expenditure	Budget	Overspend/ (Underspend)
	£m	£m	£m	£m	£m
Public Health	(24.9)	27.0	2.1	2.8	(0.7)
People Directorate Management	(0.1)	1.5	1.4	1.5	(0.1)
Education and Skills	(190.8)	206.0	15.2	13.9	1.3
Children and Young People's Services	(11.4)	86.2	74.8	72.3	2.5
Adult Social Care	(49.2)	126.7	77.5	77.5	0.0
Housing & Transformation	(7.8)	24.4	16.6	13.6	3.0
Human Resources	(1.0)	2.6	1.6	1.3	0.3
Place Directorate Management	(0.9)	3.3	2.4	2.5	(0.1)
Business, Investment & Culture	(6.6)	14.8	8.2	7.9	0.3
Transportation & Highways	(16.8)	21.5	4.7	4.6	0.1
Streetscene & Regulatory Services	(18.6)	48.2	29.6	28.5	1.1
Project Management and Property Services	(18.3)	9.2	(9.1)	(8.0)	(1.1)
Finance & Corporate Services	(99.1)	106.2	7.1	7.4	(0.3)
Contingency and Central Budgets	(197.3)	196.7	(0.6)	5.7	(6.3)
<b>Total</b>	<b>(642.8)</b>	<b>874.3</b>	<b>231.5</b>	<b>231.5</b>	<b>0.0</b>

### The Council's Financial Performance – Capital

The scale of the Council's ambition is most obvious in the size of its Capital Programme. Having delivered the largest programme for many years in 2018/19 (£147m), capital expenditure in 2019/20 totalled £216m. The programme incorporated sub-regional highways infrastructure works in the Whitley South scheme, investment in local sporting provision including The Wave destination leisure facility, development of rail infrastructure through the Coventry (rail) Station

Masterplan, further improvements in the form of city centre public realm works, a major innovative project supporting local economic development – the UK Battery Industrialisation Centre, and acquisition of a local major commercial waste company, Tom White Waste Limited. Funding for the programme came largely from external grant or commercial business case based prudential borrowing, as set out in note 3.18 Capital Expenditure and Capital Financing.

The City Council, in conjunction with the wholly owned UK Battery Industrialisation Centre Ltd (UKBIC Ltd), is developing the battery production centre at a total project cost of £129m, funded by £111m of Innovate UK grant and an £18m loan from WMCA. Of this total cost, £115m represents direct City Council investment in fixed assets, with the balance of £14m being through a City Council grant to UKBIC Ltd. Construction and fit out is due to finish in 2020/21. In November 2019, the City Council granted a 20 year lease to UKBIC

Ltd as the project advanced through fit out. On completion of the scheme, UKBIC Ltd will start trading in the development of battery technology, via the National Battery Development Facility.

On the 5th March 2020 the City Council acquired a 100% stake in Tom White Waste Limited, a significant local waste collection, management and recycling company. The purchase is designed to complement the Council's existing in-house commercial waste activities and is anticipated will contribute to the long-term sustainable waste management practices of the city. The company has been incorporated as a subsidiary into the Council's accounts and further details are provided in sections 3.21 and 3.35.

The city's new destination swimming and leisure facility 'The Wave' opened in October 2019 whilst in February 2020 a new 50m swimming pool opened at the Alan Higgs Centre in the city. These projects are further additions to the city's sporting and leisure offer and demonstrated the Council's commitment to continue to support projects that add to the richness of life within the city despite the funding constraints upon it.

In recent years the Council's plans have included generation of capital receipts from the sale of property assets and investing some of the proceeds into assets providing a higher return. This model remains an option for the Council going forward but will be limited by the Council's ability and desire to continue to identify potential property assets for disposal from what is a reducing stock of available sites. Although the Council completed the purchase of a site currently occupied by B&M stores earlier in the year, subsequent approvals relating to Oak House and Belgrade Plaza had not completed by the year-end. Any decisions to complete these

purchases and approve future deals will clearly need to consider the wider ramifications of the impact of COVID-19.

In part as a result of this and due to the use of external grants (rather than receipts) to part fund 2019/20 capital expenditure, the Council has been able to carry forward capital resources. These resources are included within section 3.13 Usable and Unusable Reserves. Part of the expenditure programme has been earmarked to be funded by prudential borrowing, although due to the Council's existing cash balances it has been able to delay taking out any long-term borrowing within 2019/20, which is discussed in the section on Treasury matters below.

The scale and ambition of a programme of this size is not without risk and this is sometimes evident through schemes that have had a delayed start or which come up against other challenges. For instance, the Council had hoped to begin construction of a second building in the Friargate district and to make progress in its plans for the City Centre South development. However, both these schemes have seen delays and been subject to re-assessment as a result of economic and societal changes having affected the financial models on which they are based. It will be important for the Council to continue to make realistic assessments of the best way to take such projects forward in the new circumstances that exist post-Covid.

Both the Wave and Tom White Waste have commercial models that have been affected by the COVID-19 situation and these will require the original business cases on which they were based to be re-evaluated as Coventry begins to recover from current conditions. Due to the nature of its funding position, its size and the financial resilience that it has built into its financial plans,

the Council is in a strong position to withstand this type of event. However, they are an important reminder of the risk that is now built into the Council's budgetary position.

### **Reserve Balances**

For local citizens who show an interest in and challenge the financial decisions of the Council, the level of reserve balances is probably the area where they show the most concern. For local councillors too it is difficult to understand why the Council can at the same time make decisions to reduce expenditure on some services whilst it has millions of pounds of reserves on its balance sheet. This is likely to be a source of debate once again given that the Council's headline reserve balances shown in section 3.13 have increased from £132m to £144m in 2019/20.

The total level of reserves owned and controlled by the Council to support its revenue spending activities has gone up by £8m in 2019/20 and now stands at £90m. A further £21m of reserve balances either belong to or have been set aside to support the city's schools, a decrease of £5m in the year. These school reserves are not available for the Council to use for other purposes. In addition, capital resources set aside to fund one-off capital schemes stand at £33m.

The revenue reserves are held for a number of reasons. Several of the largest balances include: £9m set aside to deliver the Council's long-term Private Finance Initiative specific projects, £9m held to help the Council to restructure its workforce so that it can balance future budgets; £8m to protect the Council from future Business Rates volatility and £4m to support the UK City of Culture 2021 Programme. As explained earlier in this Narrative Statement, £13m has been set

aside to respond to financial issues arising from COVID-19, £8m of direct Government funding provided for this purpose and £5m from the Council's outturn surplus earmarked for the city's reset and recovery following the pandemic. The global and national impact give clear justification for organisations such as the Council to protect their financial position by maintaining reserve balances. The Council's recent actions to increase its reserve balances is one reason, although not the only one, why it has been able to avoid being one of those councils giving dire warnings of their financial distress as a result of COVID-19. In addition, the Council's view is that the scale of the financial challenges facing it and the range of the projects and aspirations that it has established for itself over the next few years provides a strong justification for setting aside these amounts. Further detail on the Council's reserve balances are set out in section 3.13 Usable and Unusable Reserves.

### **Treasury Management**

Events in the last few weeks of the year gave a further timely reminder of the need to ensure that security remained the primary factor in investment decisions (ahead of liquidity and return). The current pandemic conditions have caused treasury teams around the country to ensure that any investments are with secure counterparties and that a higher than normal level of cash is held in the most liquid investment categories, to enable them to respond quickly to volatile spending and funding conditions.

The Council's delay in taking out further long-term borrowing at this stage, as a result of its cash position, is in line with the advice of the Council's Treasury Management advisors which has been

to use short-term borrowing available on very low rates of interest. As a result of some existing borrowing being repaid, the Council's long-term borrowing reflected in the Balance Sheet has gone down in the year from £317m to £313m.

It is worth noting that the capital value of the Council's Collective Investment Funds in section 3.34 is £27m compared with the Council's original investment of £30m. These losses are held on the balance sheet and do not affect the Council's management accounts and they are heavily influenced by the current COVID-19 situation as the valuation date was at the height of the uncertainty surrounding the virus. The point is emphasised by increases in value that have occurred subsequently. Such investments are always advised as ones that are maintained over the long-term and as such the Council will not be seeking to dispose of them in the near future (only at which point is any gain or loss realised). The strong expectation is that the value of these investments will recover over time.

The Balance sheet shows a level of short-term borrowing (£67m) that is high in historical terms. There are three principal reasons that have caused this: preparation for an up-front payment of pension contributions amounting to £98m in April 2020, relating to 2020/21 and the following two financial years; the high level of capital expenditure in 2019/20; and a decision not to undertake any long-term borrowing at this stage, referenced above. The Council's long-term borrowing needs, and the best time to take-out any such borrowing, will continue to be monitored and discussed with the Council's treasury advisors, Arlingclose, to ensure that the most advantageous financial and strategic treasury terms can be secured.

### **Other Issues within the Accounts**

Any interested reader of the accounts is likely to have one question at the forefront of their mind this year when considering the Council's accounts – what has been the impact of COVID-19? Aside from the small amount (in relative terms) of expenditure incurred and income foregone at 31<sup>st</sup> March 2020, the most significant scope for a Covid-effect probably lies with those areas of the accounts that are most often associated with changes in market values: pensions accounting; property asset valuations; and investments in arms-length companies. As well as these, this section also looks at the Council's going concern status plus other issues that are important due to their financial materiality or their wider public interest.

It is difficult to divorce the impact of COVID-19 from other trends and movements affecting the Council's assets and liabilities. The UK's economic growth had already slowed somewhat through 2019 which would have a generally downward effect on assets values and the trading performance of companies in some sectors of the economy. It is difficult to be precise about the impact of this compared with the impact of COVID-19 in the final weeks of the year.

The Council's Balance Sheet shows the value, at the balance sheet date, of the assets and liabilities recognised by the authority. This is summarised in the table below and set out in full in section 2.4 The Council's property assets represent £813m or 63% of the Long-Term Assets figure. Its pension liabilities represent £573m or 61% of its Long-Term Liabilities. Section 5.3 Critical Judgements in Applying Accounting Policies captures any areas within the accounts that have a significant risk of material adjustment within the next financial year.

<b>Balance Sheet Category</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Long Term Assets	1,238	1,290
Net Current Assets (Current Assets less Current Liabilities)	1	(6)
Long Term Liabilities	(903)	(939)
<b>Net Assets</b>	<b>336</b>	<b>345</b>
Represented by:		
Usable Reserves	(132)	(144)
Unusable Reserves	(225)	(201)
<b>Total Reserves</b>	<b>(357)</b>	<b>(345)</b>

### **Pensions Accounting**

The Council's pension deficit continues to represent the most striking single factor within these accounts. The balance sheet shows a shortfall of £573m between the current value of amounts paid into the pension fund and the forecast cost of pensions that will need to be paid out in future. This is higher than the deficit recorded in the 2018/19 accounts and, when compared with the total value of everything the Council owns (£1,439m), the overall pension

deficit remains a significant matter for consideration. In particular the value of the Council's share of pension fund assets has decreased by £43m and this will include valuations taken as at 31<sup>st</sup> March 2020 during the Covid-affected period.

Local government pension deficits have been at historically high levels in recent years driven by issues including people living longer and changes in financial conditions that have led to reductions in the pensions' discount rate. These factors both increase the estimated future costs of pensions and, as a result, the Council has previously had to increase employer contributions into the pension fund. These extra costs to the Council have been managed within its overall budget which means that the financial position of the authority remains sound.

The detailed effects of pensions' accounting for the local government and teachers' unfunded pension schemes are shown in sections 3.30 Pension Costs and 3.31 Retirement Benefits.

In line with a number of other local authorities, the Council took the opportunity to pay a sum in 2017/18, equivalent to all of its employer pension contributions for the three year period 2017/18 to 2019/20, to the West Midlands Pension Fund. The nature and longevity of the investment opportunities available to the Pension Fund mean that they can secure greater returns on their investments. As a result, the Fund was able to offer councils including Coventry a discount on their overall contributions; in Coventry's case these contributions totalled £93m. Accounting conventions allowed the payments to be allocated across the period up to 2019/20. Therefore, the Council has only charged the in-year figure to its general fund. Although the previous two years have seen a divergence between the Pension

Liability and Pension Reserve, which is allowable under the circumstances described here, the two balances are aligned for this, the third and final year of the arrangement. A similar payment has been made for the three-year period starting 2020/21.

In addition to the asset value loss described above, the net position was adversely affected by a downward movement in the discount rate and an increase in life expectancy which have the impact of increasing future projected pension liabilities. However, downward projections of both pension inflation and salary inflation have moved in the other direction.

### **Asset Valuations**

The Council's assets are assessed on a regular basis to ensure that their value is reflected accurately in the accounts. Land and property valuations in particular are always subject to the external economic and political climate and these values have been subject to significant fluctuations in previous years.

In overall terms the Council's asset value has been relatively stable although this has incorporated downward movement in the retail sector compensated for by increases across the rest of the portfolio. The Council reviews a higher proportion of its portfolio on an annual basis than has been the case historically, reflecting the materiality of this area within the accounts.

Eight Coventry schools transferred to academy status in 2019/20. The day to day costs and funding of the schools are included within these accounts up to the day on which they transferred. Their budget shares of c£20m will not be included in the Council's accounts in future and £2.1m of asset value has been removed from the Council's accounts in the year. In overall terms, the increase in investment property value in the balance sheet is the most significant movement in asset values in the year resulting principally from additions to the portfolio.

Due to the overall significance of asset values within the Council's balance sheet and their sensitivity to external factors it remains appropriate for asset valuations to be included as a significant assumption made in estimating assets and liabilities.

### **Going Concern**

There have been increasing demands for councils to assess their going concern status in recent years. This assessment has become more relevant with doubts being expressed about whether some local authorities will be able to deliver their full range of service commitments given the financial pressures they face and with some councils issuing warnings about their future financial viability. These concerns have gained greater weight following the COVID-19 outbreak and the significant impact that it has had on council finances.

It is important to be clear that the Code of Practice, under which local authorities operate, confirms that councils can only be discontinued under statutory prescription and should, therefore, prepare their financial statements on a going concern basis of accounting. This means that they should be prepared on the assumption that the functions of the authority will continue in operation for the foreseeable future. However, as part of putting these accounts together, alongside its overall response to COVID-19, the Council's financial monitoring and planning has continued focus on providing assurance that its financial position remains secure. This includes looking at the Covid related expenditure pressures, the direct impact on council income, impairments required against existing debts and continued analysis of the Council's cashflow requirements. The calculation of the financial impact of COVID-19 is necessarily subjective and subject to change in the months after the balance sheet date, although early indications have highlighted an indicative gap of over £10m between the financial costs to the Council and the Government

grant provided to fund these. The length and intensity of Covid related measures and society's response to the post-Covid environment will determine both the size of the gap in 2020/21 and the extent of any long-term financial impact. In the immediate future, the level of the Council's reserve balances is a good indicator of its financial health and ability to withstand any short-term shocks. In addition, the statutory environment in which local authorities operate means that, were an authority to encounter financial difficulties, the prospect would be that central government would implement alternative arrangements for the continuation of services or provide assistance to allow the recovery of any deficit over more than one year. In the light of this and in the opinion of the Director of Finance, Coventry City Council remains in a sound financial position considering the statutory position held by local authorities and the relative strength of its sources of revenue. In the longer-term, the extent of recovery towards a more familiar post-Covid operational environment and the continued work to redefine a new local government funding mechanism provide significant uncertainty for the whole sector.

### **Exit From the European Union**

A referendum of British voters determined that Britain should leave the European Union (EU) in June 2016. Following extensive negotiations, the UK left the EU on 31 January 2020 and has now entered an 11-month transition period. During this period the UK effectively remains in the EU's customs union and single market and continues to be subject to EU rules, although it is no longer part of EU political institutions. Negotiations to arrange a trade deal between the EU and the UK continue but, whether or not these are successful,

the current course is for the UK to exit the transition period by 31<sup>st</sup> December 2020.

The transition deal and the emergence of the Covid pandemic have combined to push the issue of EU exit to the political background so far during 2020. The Council's 2018/19 narrative statement concluded that the Council's accounts did not reflect any large, distinct and demonstrable impacts of the exit process such as shocks to its ongoing service provision, the value of its property assets or the collection of its Business Rates for instance. Given the experience so far, and the transition period currently in place, this continues to be the position. Therefore, EU exit is not specifically identified as a factor within the accounting position of the Council at this stage.

### **The Better Care Fund**

The Better Care Fund (BCF) has required Local Authorities and Clinical Commissioning Groups to pool budgets from 1st April 2015 with the intention of driving improvement through the integration of services and resources. The Council has spent £51m in this area as part of an overall pooled budget of £107m. These arrangements will become increasingly important in future years as the government channels more and more funding through this mechanism. The overall pooled budget relationship is set out in section 3.11 Pooled Budgets.

### **University Hospital Business Rates Appeal**

The Council received a request in February 2016 for mandatory Business Rates relief for the University Hospitals Coventry and Warwickshire

NHS Trust, replicating similar claims made across the country.

If the relief is granted this would represent a significant on-going impact on the Council's Business Rates revenue as well as representing a risk that the appeal could be back-dated. The Council's view is that the claim is not valid and it has not been reflected as a provision in these accounts. However, because it remains possible that the claim is upheld and because the costs could potentially be very large, this has led the Council to recognise this as a contingent liability in section 3.37

### **City of Culture 2021**

The Council agreed in December 2017 to become a guarantor for the UK City of Culture 2021 programme. The culture and leisure sectors are amongst those that have been hardest hit by the COVID-19 situation and the speed and extent to which restrictions are eased will be crucial in determining to what extent the City of Culture is able to deliver to its existing programme and timescale. The Council's assessment continues to be that the guarantee does not represent a significant financial risk given its nature and the robust governance and management structures surrounding the Trust's activities.

### **Future Plans**

The Council's key priorities incorporate a need for the city to become more prosperous and for the Council to lead the drive for economic growth and stimulate the local economy. The Council's Capital Programme achievements and future plans reflect much of these aspirations and for 2020/21 in particular have been focussed on schemes that complement the forthcoming City of

Culture programme in relation to: significant highways and public realm works; the Station Masterplan; plans for a hotel within the Friargate district. It also includes the planned refurbishment and investment in a range of cultural assets including the city's medieval St Mary's Guildhall as part of a distinct Cultural Capital Programme. 2020/21 should also see a large programme of works on the city's schools as part of the Education One Strategic Plan, the final round of projects within the sub-regional Growth Deal, the final phases of the National Battery Manufacturing facility and the start of works on Friargate building 2.

Both the Friargate project and the Council's long-standing plans for development of City Centre South are plans that are supported by the Council's membership of the West Midlands Combined Authority (WMCA), formed in 2016/17 alongside the other six West Midlands councils. The purpose of the WMCA is to draw together strategic work across transport, economic development, employment, skills and housing, improving outcomes for the region. The WMCA established a Devolution Deal which represents a funding package totalling £8bn to deliver major projects across the West Midlands. Some projects within the Deal have not yet begun and will ultimately rely upon funding streams being confirmed in the future. The Council continues to work with the WMCA and the other West Midlands councils to secure this funding.

As indicated the Council's commitment to its continuing ambitious investment in the city will be increasingly focussed on preparations for, delivery of and legacy from the UK City of Culture 2021. It is clear that COVID-19 has affected the cultural sector across the UK and the cancellation of the City of Culture test event due to be held in

2020 was an early indication that the programme is susceptible to prevailing conditions. The number and range of capital schemes in the programme is challenging enough but will be further at risk from the demands for contractors to work within prevailing social distancing measures and the threat to the supply of materials as the world seeks to restore supply chains that have been disrupted in recent months. The pattern of recovery and delivery is likely to be patchy and is difficult to predict at this stage.

For several years 2020/21 was supposed to mark a watershed moment for local government funding. However, a combination of the distraction for the UK government of EU Exit preparations and the complexity of re-designing local government finances resulted in a delay in implementing a revised spending review, fair funding review and Business Rates redesign. The Council's 2020/21 funding settlement was ultimately pegged at that for 2019/20, albeit that this represented approximately £120m less than the equivalent figure for 2010.

Where EU Exit preparations provided a significant distraction in 2019, the Covid epidemic has done the same in 2020. The Government has already announced that it will not be implementing either a local government Fair Funding review or Business Rates reform for the 2021/22 financial year. The Spending Review has also been delayed (from July) although no clear date for its announcement has yet been stated. When this does happen, the Government will certainly be considering the degree it wants to manage the huge level of borrowing that has been incurred in tackling the Covid crisis and support through financial means, those sectors including local government, that have borne the burden of dealing with it.

This combination of events continues to make it very difficult to make robust plans for the Council's future financial position. The uncertainty over funding is compounded by the Council's challenges in estimating the impact that Covid will have on its expenditure plans, income achievement and delivery of savings programmes over the medium term. At the time it set its Budget for 2020/21, the Council was already predicting a budget gap of £19m for 2021/22 and the new circumstances that have emerged over recent months have only served to increase the degree of volatility within financial planning estimates. The Council's reserve balances set out above provide some partial short-term flexibility, should it be needed, to help manage budgetary issues. The General Fund Balance has been set at a higher level than has been the case historically and there is a specific Business Rates reserve to manage volatility in this area. If worse case budget scenarios emerge, the Council would need to consider measures such as revisiting other reserve funded projects to help manage immediate pressures, although this would be undesirable in terms of its medium-term plans. In the first instance the Council will continue to work with the sector to ensure that Government provides an appropriate level of funding to allow services to be maintained at a reasonable level.

The Council continues to participate in the West Midlands Business Rates Retention Pilot, within which 99% of Business Rates income is retained locally. One of the consequences of 99% retention has been that the Council has moved from a position where it received a resource top-up from Government to one where it paid a resource tariff to Government. This tariff was nearly £20m in 2019/20 and is a similar figure in 2020/21. The Council's participation in the Pilot

and in the Coventry and Warwickshire Business Rates Pool will prolong the optimisation of its financial position within the existing arrangements for local government finance. However, the impact on local businesses from the economic downturn mean that any financial benefit is likely to be lower than in recent years.

In several significant ways any developments in local government finance are likely to be on hold for the next 12 months and any future changes that may offer greater autonomy to local government represent perhaps a greater degree of risk in these circumstances. The fact remains that it will be important that a degree of national resource equalisation is maintained within local government finances to protect services in more deprived areas of the country and care will also need to be taken to ensure that, when they arrive, any transfers of responsibility for funding services can be managed within the new resources made available. Until the details of these developments are worked through for the period after 2020/21 it is impossible to have any clarity on their impact.

Like many councils, in the early Summer of 2020 Coventry is still coming to terms with the immediate impact of Covid. Whilst it is already starting to look forward to what 'reset and recovery' might look like, both for its own services and for the wider city, there is an inescapable fact that it will be more difficult to balance its budget for 2021/22. It is likely that some services will retain a legacy of needing to respond to new demand pressures and more expensive ways of working. Others are likely to experience income reductions as wider society becomes aligned to new patterns of behaviour. It is certain as well that both Business Rates and Council Tax income will be depressed in the short to medium term at least. This jolt to the Council's Budget process,

the delay caused by Covid in examining Budget plans and the uncertainty of future revenue resources means that the Council will face a renewed challenge within its Medium Term Financial Strategy. It will need to build a significant degree of flexibility into its financial plans to allow it to respond to a range of financial scenarios and may also need to consider how best it can utilise the financial resilience it has built up through its reserve balances in order to manage immediate pressures. At the time of writing, there are no easy answers to these issues. There is no doubt that the Covid pandemic has thrown up some interesting opportunities which may offer at least part of the answer to these pressures, as the way that many of the workforce undertake their duties and the location that they do this from has experienced a fundamental change for several months.

The 2019/20 outturn position once again indicated that, whilst the Council is able to manage its financial position at a macro level, there continue to be areas where cost control remains a challenge. As well as identifying new ways of balancing its budget it will continue to be vital for core services to be well managed with a view to operating within reasonable financial envelopes.

The Council has been able to stabilise the budgetary pressure within adult social care in recent years. However, in common with the wider funding arrangements for local government, the position beyond 2019/20 remains unclear for this area. It will be essential for the Government to provide the necessary clarification, via its plans for Improved Better Care Funding and its much delayed Adult Social Care Green Paper, to enable this sector to be put on a firm financial footing and continue the closer working

relationship to deliver services that has developed between the Council and the health sector locally.

It continues to be important for the Council will continue to work with its key local partners and arms-length organisations in 2020/21 to help strengthen its financial position and drive regenerative and enriching change to the city and its surrounds. Work will continue through the Coventry and Warwickshire Local Enterprise Partnership and the West Midlands Combined Authority to implement major transport, regeneration and business focussed projects and initiatives. These will be supplemented by further strands of activity taken forward through the Friargate Project and UK Battery Industrialisation Centre companies in which the Council is a shareholder. Through its role as a major funder and partner, the Council will work with the City of Culture Trust as preparations accelerate towards the UK City of Culture 2021 celebrations. Given the current challenges within the cultural sector and in the operation of any mass participation event, the council and the Trust will need to work closely to ensure that any new conditions surrounding the programme are mutually understood and taken account of.

Reference is made elsewhere in this Narrative Report to the significance of the cost of pensions to the Council's financial position. The Council has just undergone the latest triennial review and has been able to reduce the level of employer contributions required to recover its pension deficit over the long-term. Mirroring the position three years ago, the Council has paid an up-front payment, covering an estimate of employer contributions for the next three years, which should deliver a modest financial benefit.

The Council has ambitious plans to support public realm improvement, develop key areas of the city, support private investment in city centre developments and facilitate capital projects linked to the City of Culture. Work continues to bring forward the Friargate and City Centre South regeneration scheme and the Council is taking great care to ensure that the shape of this initiative reflects current trends to ensure its future success.

Given the financial challenges that face the Council and the desire to avoid further cuts to services, the Council continues to seek to explore and pursue new commercial opportunities and to maximise the financial return that it is able to achieve from its assets. 2019/20 has seen further investment in commercial properties and external company shareholdings designed to secure financial returns over the long-term as well as broadening the Council's strategic mix of assets. The Council's activity will continue to be developed with due regard to guidance from the Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) issued with the intention of ensuring that authorities stay within prudent and reasonable parameters of activity. The Council is clear that the risk of not pursuing such opportunities is that it will need to make additional cuts to services, a risk that it is keen to avoid. What is clear, above all, is that the Council's financial plans will need to maintain a degree of flexibility and ensure that some additional resilience is incorporated to protect the Council's medium-term financial position.

The Council's response to the key governance issues that it faces in 2019/20 are set out in the Annual Governance Statement (AGS) below. The Statement is written in the context of the current Covid conditions and has been written in a

modified form reflecting the guidance provided by CIPFA on this subject. In particular the 2019/20 AGS acknowledges the impact that the coronavirus pandemic has had in respect of governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation.

## 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;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

### **The Director of Finance' Responsibilities**

The Director of Finance 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.

In preparing this statement of accounts, the Director of Finance 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;

The Director of Finance has also:

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

### **Certification of the Accounts**

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31st March 2020 and its income and expenditure for the year ended 31st March 2020, and that the accounts are authorised for issue.

Barry Hastie, CPFA  
Director of Finance

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council.

Cllr Ram Lakha  
Chair of Audit and Procurement Committee  
*(Signatures and dates to be added on completion of the audit)*

## 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 and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Coventry City Council has an approved Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance *Delivering Good Governance in Local Government (2016)*. A copy of the Code is available on our website or can be obtained from Democratic Services.

The Annual Governance Statement explains how Coventry City Council has complied with the Code and also meets the requirements of Regulation 6(1) (b) of The Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

### The purpose of the governance framework

The governance framework comprises the systems and processes, 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 services and value for money.

The system of internal control is a significant part of the 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 on-going process designed to identify and prioritise the risks to the achievement of Coventry City Council policies, aims and objectives, to evaluate the likelihood and potential impact 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<sup>st</sup> March 2020 and up to the date of approval of the Statement of Accounts.

### The governance framework

The key principles, approach and review processes that comprise the authority's governance arrangements are set out in the City Council's Code of Corporate Governance. Key elements include the following:

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 published policy documents including the Council Plan. These high-level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.

Coventry's Council Plan sets out the Council's long-term vision and priorities for the city for the period 2016-2024. In 2018, the Plan was reviewed and rebranded in line with the Council's emerging One Coventry approach and a revised performance management framework has been introduced to improve transparency and streamline performance reporting with more regular information updates about the performance of the city. To deliver the Council's long-term vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active communities and empowered citizens. The Council Plan is part of the Council's overall performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way. A copy of the plan is available on our website.

Throughout this process, clear channels of communication 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. This is evidenced through the Council's formal decision-making and performance management processes.

In October 2015, Coventry City Council agreed to join the proposed West Midlands Combined Authority, which is a model of governance for local authorities to act together to drive economic prosperity for the area. A Combined Authority is a statutory body in its own right supported by a devolution agreement with the Government and a constitution which sets out the terms of their funding and powers.

In December 2017, it was announced that Coventry had been named the UK City of Culture for 2021. The aim of this programme is to encourage the use of culture and creativity as a catalyst for change, to promote the development of new partnerships and to encourage ambition, innovation and inspiration in cultural and creative activity. This activity will make significant contributions to the delivery of the Council Plan and corporate priorities. Coventry City of Culture Trust has been set up to organise and deliver this activity and has been formally incorporated and received charitable status. Financial responsibility for the Trust's activities lie with the Chair and Trustees, with an independent Audit Committee providing scrutiny and oversight. As accountable body and guarantor for delivery of the UK City of Culture 2021 programme, Coventry City Council is a principal partner in supporting the work of the Trust and ensuring that there is good governance around the Trust meeting the City of Culture programme delivery and legacy ambitions.

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, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.

How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Constitution includes the Council's senior management structure and a scheme of delegation which sets out the principles for decision making and responsibility for functions. 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. The Member decision making, advisory and scrutiny bodies can be found on our website.

Coventry City Council has developed a comprehensive set of policies and procedures, including those relating to the standards expected of Members and officers. 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, through its annual risk-based plan assesses compliance with key procedures and policies.

The Council has an Equality, Diversity and Inclusion Commitment which is available on our website. This sets out the Council's commitment to meeting all areas of the public sector equality duty and to ensure equality of opportunity, both as a provider and commissioner of services and as a large employer. The commitment is implemented through setting equality objectives linked to the Council Plan. Progress is monitored and reported to the Cabinet Member (Policing & Equalities). In addition, the Council carries out Equality and Consultation Analysis on all key decisions taken by Cabinet or Cabinet Members.

The Council's Risk Management Strategy defines processes for identifying, assessing, managing and monitoring financial and operational risks. The Strategy recognises the need for risk registers at directorate and corporate level which are updated and reviewed regularly. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Strategic Management Board.

The Council, through its Whistleblowing and Complaints Procedures, has documented processes 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. In addition, the Council's Fraud and Corruption Strategy reinforces the Council's commitment to creating an anti-fraud culture, whilst having effective arrangements in place in responding to allegations of fraud and corruption.

An Audit and Procurement Committee provides independent assurance to the Council on various issues, including 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 a periodic self-assessment to measure its effectiveness, based on recommended CIPFA practice.

For the financial year 2019-20, the Director of Finance and Corporate Services was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. The Council last carried out an assessment of the role of the Section 151 Officer against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in March 2019. This assessment concluded that the Authority meets the five principles laid out in the CIPFA statement, namely:

- The Chief Financial Officer (CFO) in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO in a local authority must be professionally qualified and suitably experienced.
- The S151 Officer is a key member of the Corporate Leadership Team. During 2019-20, the senior management structure was reviewed. As from December 2019, the S151 Officer now reports directly to the Chief Executive and from March 2020 also became a member of the Council's Strategic Management Board. These changes further strengthen the arrangements that were already in place, with regular reviews of the senior management structure helping management team to focus on the current challenges and opportunities as well as to look ahead. Changes to the Strategic Management Board in 2019-20 have provided a more

robust structure to support the delivery of priorities, with the Monitoring Officer and Director of Human Resources also joining the Board, alongside the S151 Officer. Improvements have also been made to the way the Corporate Leadership Team, which consists of all the Directors of the Council, works in collaboration to develop and deliver the One Coventry Plan.

The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31<sup>st</sup> March 2020:

- The Coventry and Solihull Waste Disposal Company Limited is owned jointly by Coventry City Council, Solihull Metropolitan Borough Council, Warwickshire County Council and Leicestershire County Council. A formal agreement sets out the governance arrangements between the shareholders. The Company is subject to the Industrial Emissions Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the Company monitors its activities through an Environmental Management System accredited to the ISO 14001 standard, its Health and Safety Management System which is certified to the OHSAS 18001 standard and the Cyber Essentials accreditation it has achieved for its IT systems. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31<sup>st</sup> March 2019, did not highlight any concerns.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. All the Directors of the Company are 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 LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31<sup>st</sup> March 2019. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although it is also engaged in providing business development services to the City Council.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of

the Ricoh Arena. All 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 LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31<sup>st</sup> March 2019.

- Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. Three of the four Directors of the Company during 2019/20 are senior officers of Coventry City Council. As part of the original acquisition, the Council secured external independent advice from a number of sources to support the financial and legal due diligence assessment which resulted in a programme of changes including the restructuring of the Board, as well as recruitment of a new senior Operations Manager and finance staff. The Company has appointed RSM UK Audit LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31<sup>st</sup> December 2018, did not highlight any significant concerns.
- The UK Battery Industrialisation Centre Ltd was incorporated on 27<sup>th</sup> February 2018 and the Council is currently the sole shareholder with 1 share which has a nominal value of £1. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The Council has appointed two of its officers as directors on the board. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency. As a result, activity within the company has been minimal to date.
- The Friargate Joint Venture Project Ltd was incorporated 17<sup>th</sup> December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited, established to develop new buildings within the Friargate district of the city. Each of, Coventry City Council and Friargate Holdings 2 Ltd have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board. The company is still very much in its infancy and as a result, activity within the company has been minimal to date.

- Tom White Waste Ltd is a wholly owned subsidiary of the Council, having acquired 100% of the shares in the company in March 2020. Two of the three Directors of the Company are senior officers of Coventry City Council, the third being a senior officer of North Coventry Holdings. The Council's decision to acquire was based on securing advice from independent external legal and financial advisers to carry out the necessary due diligence to determine an appropriate investment cost and de-risk the Council from known and potential liabilities. The board are now reviewing the management structure based on this advice and the potential integration of the Council's existing commercial waste function. The company's existing auditors, Baldwins have been retained for the audit of 2019/20 financial accounts. Their previous audit for the published Annual Report and Financial Accounts dated 31 March 2019 delivered an unqualified opinion.

#### **Review of effectiveness**

Processes are in place to assess key elements of the governance framework throughout the year, for example, through the work of Internal Audit and the Council's Audit and Procurement Committee. A review of the effectiveness of the governance framework is also undertaken annually as part of the production of the Annual Governance Statement. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's opinion 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.

Arrangements to assess the effectiveness of the governance framework include:

- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members against targets and objectives set out in the Council's Plan.

- Regular meetings of the Council's Governance Steering Board to consider on-going and emerging governance issues and co-ordinate actions required. Updates on this work are provided to Strategic Management Board every month.
- Consideration of ethical governance matters by the Ethics Committee, including reflecting on national governance failings to identify if there are any lessons learnt for the Council to take forward.
- On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.
- Regular reviews of the Council's strategies and procedures to ensure they continue to reflect the needs of the Council.
- An annual review against the principles and best practice set out in the Code of Corporate Governance and which is used to identify improvements to strengthen the Council's governance arrangements.
- The review of effectiveness has also been informed by:
- Reports from the external auditors and other inspection agencies.

- The Council's Corporate Risk Register.
- The work of the Internal Audit Service during 2019-20. The Service works to a risk-based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.

For 2019-20, there have been some limitations to the approach taken in conducting the review of effectiveness due to the impact of the coronavirus pandemic and a more focused review has been undertaken which has placed reliance on existing reports and assessments.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Procurement Committee. This includes limitations to the review outlined above. We are satisfied that these limitations do not materially affect the overall outcome of the review and can provide reasonable assurance that the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.



### Significant governance issues

Table one below provides an update on the governance issues that were raised in the 2018-19 Annual Governance Statement

**Table one**

No	Governance issues identified in 2018-19	2019-20 update
1	Sustainable improvement in Children's Services	<p>The Children's Improvement Executive has been established with an independent chair and attended by member and exec level representation. It is meeting regularly and supporting the continued improvement of Children's Services.</p> <p>The revised Children's Services arrangements were launched within timescale and in accordance with statutory guidance. The review of the redesign has been completed and has seen resource shifted within Children's Services to reflect changes in demand. This has contributed to delivering required savings.</p> <p>Service performance reviews have been implemented and take place twice yearly. Quality Assurance visits involving the entire Children's Service senior leadership team have commenced. The first one took place at the Coundon office and included the lead member for Children's Services. Further visits are planned for 2020.</p>
2	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy	<p>The Government Spending Round announced in September 2019 indicated an improved resource position for the Council compared with previous assumptions. This has been built into the Pre-Budget Report taken to Cabinet in November 2019. Together with a modest set of savings and additional income proposals this leaves the budget close to being balanced for 2020/21.</p> <p>The Provisional Local Government Settlement announced in December 2019 provides further grant funding above the levels assumed and the impact of this flexibility is being considered as part of the process to finalise the Council's 2020/21 Budget.</p> <p>There continues to be no information in relation to the future of local government spending beyond 2020/21. Without this, the risk remains that the Council is faced with significant future budget gaps. In order to address future budget pressure the Council is currently pursuing transformation programmes under the 'One Coventry' approach including the key themes of Commercialisation, Digitalisation and Place Based Services.</p> <p>The 2020/21 Budget Report was taken to Council in February 2020. The Budget Report contained a range of savings proposals which resulted in a balanced overall position which did not require the use of one-off reserves.</p> <p>The One Coventry themes remain in place, but the Council is also considering new circumstances emerging from the Covid situation including cost pressures and opportunities from new ways of delivering services.</p>

3	Raising educational standards	<p>Termly meetings continue to take place with Primary Networks and Secondary Collaboratives to both review and monitor data trends and predictions, which ensures city priorities are reflected at school level.</p> <p><b>Early Years:</b> Good Level of Development (GLD) improved at a faster rate than national for the second consecutive year. <b>Primary:</b> Improvements at a faster rate than national in Key Stage 2 “Writing at expected standard and at greater depth” <b>Secondary and 16-18:</b> Key Stage 4 Progress 8 showed a small decline and with no national change. The gap has therefore widened marginally. However, the more acute measure of % of strong passes in English and Maths improved faster than national. For 16-18 year olds the trend was downward in English and upwards in Maths.</p> <p><b>Special Educational Needs (SEN):</b> There is a widening gap at Early Years Foundation Stage for pupils identified at SEN support and with an Education, Health and Care Plan (EHCP). However, Key Stage 1 shows a narrowing of the gap in most subjects with SEN support above national in reach of Reading, Writing and Maths and also for Year 1 phonics. At Key Stage 2, the strengthening position continues with SEN support now within 1% of national for the combined measures of Reading, Writing and Maths. EHCP pupils narrowed the gap by over 2%. 10 SEN Support Key Stage 2 progress scores for Writing are now above national, and although remaining below for Reading and Maths, the gap has closed. EHCP Key Stage 2 progress scores remain below national, having considerably widened for all 3 subjects. This is viewed in the Coventry context of the needs of the EHCP cohort. At Key Stage 4 there was a widening of the gap for EHCP but the improvements in SEN Support saw the gap narrowed.</p> <p><b>Disadvantaged:</b> The gap narrowed with national in all the Primary School Key Stages - Early Years Foundation Stage, Key Stage 1 and Key Stage 2. In secondary, Key Stage 4 progress slowed and with some national improvement, no change locally saw a small widening of the gap.</p>
4	Implementation of the Information Management Strategy	<p>A review has taken place of the Information Management Strategy and the latest version went to the Information Management Strategy Group for approval in October 2019. Contribution from the Group has been requested to ensure it accurately reflects the Group’s intentions/objectives. Formal agreement is pending. (Meeting to approve was postponed due to the pandemic but has now been re-arranged.)</p> <p>The Information Management Training Strategy has been reviewed and its current progress mirrors that of the Information Management Strategy. As part of this, the mandatory Data Protection related training courses have been reviewed by the Data Protection Team (December 2019/January 2020) and a new course has been tested by the Team and other service areas, with very positive feedback received. The Information Governance recommendation is to switch training, this is subject to Senior Management Board approval.</p>
5	Delivery of the Workforce Strategy	<p>The new post of Director of Human Resources commenced in July 2019 and immediately developed a clear plan of action for HR over the next two years with the development and introduction of the People Plan (replacing the Workforce Strategy.) The Plan identified 6 key objectives across 5 areas of work, which has been remained the focus of work despite the pandemic. Maintaining some of the timelines for actions has been impacted as Human Resource has responded to the organisational need to support the workforce and services and continues to do so,</p>

		<p>The Human Resources scorecard to inform strategic decision making and to track progress has been embedded over 2019/20 and continues to be developed through the introduction of the new recruitment system which was introduced at the beginning of March 2020. The development of increased employee engagement has been enhanced by the introduction of the Staffapp, the launch brought forward to provide information to staff on Covid-19. The Health and Well-Being group have produced a Healthy Guide for all staff available online, as well as on the Staffapp and continue to develop a wider strategy.</p> <p>The Council is working hard to deliver its commitment to Equality, Diversity and Inclusion through establishing a project board and agreed action plan of priorities. The Council continues to build on its digitalisation programme through the introduction of Microsoft Teams to support staff to work more flexibly and efficiently. The Digiknow service is helping to share knowledge and skills through both face to face support at induction as well as video and e-learning to increase digital skill levels across the Council.</p>
6	Delivery of the ICT Strategy	<p>The revised ICT Strategy was approved by Cabinet in October 2019.</p> <p>The Strategy is based on the key principles of “Coventry as a Platform” which seeks to streamline and modernise processes and systems and the “Digital Workforce”, ensuring staff have the relevant skills and tools to make the best use of the technologies available. The Strategy is aligned to the One Coventry approach and reflects requirements stemming from: - Medium Term Financial Strategy - One Coventry Council Plan - Coventry UK City of Culture 2021 - Digital Coventry Strategy for the city.</p> <p>The Strategy also recognises the priority of protecting the Council’s technology estate, data and users from cyber-threats through robust and proactive approaches to the Council’s cyber security measures.</p> <p>Consequently, as the Strategy now forms part of the business as usual activity of the Council, this has not been carried forward as a significant governance issue for 2020-21.</p>
7	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	<p>The new five-year Housing and Homeless Strategy was agreed by Council in March 2019. The revised strategy seeks to address the challenges and opportunities of the entire Housing System, from the prevention of homelessness to the provision of housing.</p> <p>Over 2019/20 there has continued to be a significant increase in demand, in line with the Housing Reduction Act (2017). However, new initiatives such as the introduction of Housing First and the council’s new temporary accommodation solutions (e.g. Caradoc, Frank Walsh House) are expected to make significant inroads on the Council’s financial pressures in late 2019/20 and over 2020/21, as well as providing more suitable temporary housing for residents.</p>
8	Development of a corporate data access standard	<p>A working group has met to review standards and facilities in key systems. A checklist and protocol have been drafted for review. Once agreed, appropriate action will be taken to implement the standard for all systems holding</p>

		personal data.
9	Governance over relationships with partners and outside bodies	Partners have welcomed and embraced the development of a One Coventry approach. The People Partnership has developed into a One Coventry partnership group which is leading the development of a One Coventry approach beyond the Council. A number of strategic plans are being aligned through the review of the One Coventry Council Plan and this is being used to achieve more strategic planning coherence with key partners. This is also supporting the revisions to governance arrangements for key priorities e.g., city of culture, health and wellbeing.
10	Governance over the programme of capital projects	Governance arrangements continue to be in place and embedded, including the City of Culture Readiness Board and the Place Programme Delivery Board which meet regularly.

The Council recognises that the Annual Governance Statement should be current at the time of publication. Consequently, it is important to acknowledge that the coronavirus pandemic has had an immediate impact since March 2020 in respect of governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation. This includes:

The Council has made use of provisions within its own constitution and the legislative framework in regards to decision making. Specifically, paragraph 3.8(a) of Part 2M of the Council's Constitution enables the Chief Executive, in consultation with the Leader to make decisions required in an emergency. All elected members have been informed of these decisions as they have been taken and to ensure transparency, these decisions are also formally reported to Council. In addition, all of the decisions have been published on the Council's website for public scrutiny. During this period, the Council has continued to take decisions in line with its scheme of delegation, for example in relation to changes to arrangements for service delivery to reflect government guidance. Regular briefings have taken place with Cabinet Members individually and collectively and decisions taken by officers have been reported to all Members on a regular basis by the Director of Law and Governance as part of her briefings on the Council's response to the pandemic.

On 4 April 2020, temporary regulations came into force which allow local authority meetings to be held remotely in line with national guidance on public health and restrictions on activity. The Council has developed a set of procedures and protocols to support the running of remote meetings in line with these regulations and an interim schedule of meetings in place. These

interim arrangements will be kept under regular review in the light of local and national developments.

Throughout the pandemic the Council has maintained and kept under review Covid 19 risk registers. Initially these concentrated on the delivery of the Council's statutory functions. The high-level themes were the safeguarding of vulnerable children, adult social care, decision making and governance, the financial implications, staff support and health and safety, data compliance and support for the homeless. As the pandemic has continued other risks have been considered such as the economic impact on the city and the reopening of schools. Data to support this process has been gathered through a series of virtual meetings with the Directors of the Council and the outcomes are reported to the senior management team. These are in addition to the service and corporate risk registers. Equality Impact Assessments are also being undertaken to identify and evaluate potential impacts on staff from protected groups and key protected groups from communities within the City.

To manage the financial impacts of the pandemic and support the management and reporting of the numerous grant schemes, a number of Covid specific cost centres have been created in the Council's financial system. This is enabling specific Covid related costs to be easily identified and tracked enabling the relevant funding to be used to resource it. These are subject to regular review to ensure any new financial issues are linked into the wider COVID financial impact tracking.

A log of internal control issues which have arisen during the pandemic is being maintained by the Internal Audit function to ensure the effectiveness of the overall system of internal control is kept under review and compensating

controls agreed where required. This will also help to inform the focus of Internal Audit work in the forthcoming year.

In July 2020, the Coventry, Solihull and Warwickshire Resilience Team with support from Public Health conducted a desk top exercise across the three beacon authorities to test their Local Outbreak Management Plans. The exercise used a number of different outbreak scenarios to facilitate a discussion on the potential responses and escalation options that may be required to deal with outbreaks in different settings and with varying degrees of complexity. The exercise provided an opportunity for the Council to incorporate lessons learnt from the initial pandemic into its future plans and arrangements.

The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money,

whilst achieving its objectives. The review of effectiveness and further consideration of the implications of the coronavirus pandemic has informed identification of the following key challenges for 2020-21 (table two), along with the actions planned to address these matters to further enhance our governance arrangements.

**Table Two**

<b>Ref</b>	<b>Governance issue</b>	<b>Planned actions 2020-21</b>	<b>Responsible officer</b>	<b>Timescale</b>
<b>1</b>	Sustainable improvement in Children's Services	<p>The new local arrangements for the multi-agency safeguarding partnership have been launched in line with revised statutory guidance. A review of the re-design of the service has been concluded and small service changes have now been made in response. A further phase of transformational activity will commence to support further improvement activity. Service Performance reviews take place twice a year as do Quality Assurance visits by the Children's Services Leadership Team.</p> <p>A Children's Services workforce strategy has been implemented to ensure that a competent and confident workforce is available to meet the needs of vulnerable children and families, recognising the specific sector challenges regarding availability of social workers and the demand that the service experiences.</p>	Director of Children's Services	Ongoing
<b>2</b>	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium-Term Financial Strategy	<p>The 2020/21 budgetary control position is being closely monitored to ensure that the financial impact of COVID-19 can be managed alongside the other financial pressures being experienced by the Council. Early indications within period 2 and quarter 1 monitoring are that Government emergency funding should enable the Council to move towards delivering a balanced 2020/21 budgetary position.</p> <p>A re-valuation of the Council's 2021/22 financial position is being undertaken assessing a range of scenarios. This incorporates the current and future impact of Covid and the potential outcomes from the forthcoming Government spending review. This position,</p>	Director of Finance & Corporate Services	<p>July 2020</p> <p>September 2020</p>

		<p>including the need to manage cost pressures and identify savings proposals, will be considered by Corporate Leadership Team, Strategic Management Board and then Cabinet.</p> <p>These proposals will be formalised through the 2021/22 Pre-Budget Report.</p>		November 2020
3	Raising educational standards	<p>A decision has been made to delay the co-creation of the annual actions and key principles for Education Standards and Improvement until September 2020. Whilst the Council would normally have some indicative results for the key year groups that would set the direction for the improvement statements by this time, this year the information is not available as a result of COVID 19. Whilst there are 'outcomes' of a type for older children at GCSE and at A level, the Council does not have results for Reception Good Level of Development, Year 1 phonics or Key stage 1 or 2 Standard Assessment Tests, beyond school held predictions, which may not be an accurate reflection given the time some children have had out of school.</p> <p>Work has commenced on proposed actions from a secondary perspective, which are focused in some regard around the reset and recovery needed in September 2020, and feedback is being sought on these from Secondary Headteacher colleagues. The Council will work on developing these for all phases in September 2020.</p>	<p>Director of Education &amp; Skills</p> <p>Head of Education Improvement &amp; Standards 0-19</p> <p>Senior Adviser Education Improvement 11-19 (25)</p>	Ongoing
4	Implementation of the Information Management Strategy	<p>The following actions are planned for 2020/21:</p> <p>Confirm and approve: the Information Management Strategy Group terms of reference, the updated Information Management Strategy and the new Training Strategy.</p> <p>The Senior Information Risk Owner and Head of Information Governance to drive the imbedding of Data Security and Information Risk Management across the organisation.</p> <p>Implement new mandatory training; subject to Senior Management Board sign off.</p>	<p>Senior Information Risk Owner/ Head of Information Governance / Information Management Strategy Group / Data Protection Team</p>	<p>December 2020</p> <p>December 2020</p> <p>March 2021</p>
5	Delivery of the People Plan	<p>During 2020/21 the following actions are planned:</p> <p>The further development and implementation of the workforce created values to embed the Council's One Coventry approach</p> <p>Continued development of the Equality, Diversity &amp; Inclusion Strategy and a related action plan</p> <p>Introduction of an electronic case work system to improve the management of casework</p> <p>Introduction of a new reward platform for employees</p>	Director of Human Resources	On-going

		<p>Extending the opportunities for talent mapping and career progressions at all levels across the organisation</p> <p>Improved Employee Engagement which can be measured through job satisfaction</p> <p>Continued development of employee relations including continuing to revise core policies and procedures and providing supporting training</p> <p>The continuation of ensuring the safety and wellbeing of our employees.</p> <p>Increasing the numbers of apprentices joining the council and securing substantive roles.</p> <p>The People Plan is in the process of being reviewed to ensure it continues to meet the organisational need post Covid-19.</p> <p>The introduction of the values was delayed to the pandemic but will be going to vote in September 2020 which will be the revised start of the employee engagement strategy.</p> <p>The pandemic has greatly impacted on the Human Resources service and resulted in some significant changes; reduction in recruitment but increase in the volume of applicants and online interviewing for example, the work undertaken by Occupational Health to continue to provide support to staff remotely, extending service hours, development of Covid-19 specific risk assessments etc.</p> <p>The Council has continued to develop and deliver its commitment to Equality, Diversity and Inclusion through relaunching the employee support networks and introducing the women's network. As a result of an external survey of the Equality Diversity and Inclusion work to date, the Council is developing a strategy to address areas of weakness.</p>		
6	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	<p>A range of actions have been planned to mitigate the cost of temporary accommodation (TA). These actions have led to a forecast of a balanced budget at Quarter 1:</p> <p>Ensure 90% occupancy of Caradoc Hall and Cornerstone TA contract.</p> <p>Delivery of up to 74 Private rented properties to end homelessness duties.</p> <p>The purchasing of HMOs to accommodate single people in TA.</p> <p>Continue no families in B&amp;B accommodation and eliminate the use of B&amp;Bs for single people.</p> <p>Negotiated reductions in nightly rates and secured a number of HMOs through TA providers.</p> <p>Implement the TA charging policy</p> <p>The impact of Covid-19 has added greater risk and complexity and is an actively moving picture at this time.</p>	<p>Director of Housing &amp; Transformation</p> <p>Head of Housing &amp; Homelessness</p>	Ongoing

		<p>Although demand on the Housing service has reduced during the pandemic, it is anticipated that a sharp increase in demand for services will be forthcoming over the coming months.</p> <p>The service has made a number of operational changes to ensure that the ability to prevent homelessness increase significantly.</p>		
7	Development of a corporate data access standard	Development and implementation of a corporate access standard and protocol for all systems that hold personal data.	Members & Elections Team Manager	January 2021
8	Governance over relationships with partners and outside bodies	<p>During 2020/21, the following actions are taking place:</p> <p>One Coventry approach continues to be developed through a shared partnership approach.</p> <p>Covid-19 reset and recovery work utilised to confirm key shared priorities:</p> <p>Economic recovery aligned to the West Midlands Combined Authority and Coventry &amp; Warwickshire Local Enterprise Partnership strategies.</p> <p>Health and Well-being recovery aligned to health and care system and Coventry &amp; Warwickshire joint Health &amp; Well-Being strategies.</p> <p>Development of a CEO led Anchor Leaders group across Coventry and Warwickshire to consolidate partnership working and key mutual priorities for action.</p> <p>One Coventry Plan refresh planned for 2020/21 to capture and consolidate changes resulting from Covid-19 and Council policy direction.</p>	Deputy Chief Executive	On-going
9	Governance over the programme of capital projects	The Council has an ambitious programme of capital projects, which in 2020/21 will continue to accelerate in advance of the Council becoming City of Culture in Spring 2021. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. This is particularly important as we deal with the effects of the Covid-19 epidemic. Governance arrangements are established with delivery overseen by project boards who report to the responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Council's Capital Programme Delivery Board which is chaired by the Chief Executive. In 2020/21 the focus will be on ensuring that as the programme	Chief Executive	On-going

		continues to move at pace, governance arrangements remain embedded and robust and programme delivery supports the Council's wider aspirations as well as supporting the local economy as we emerge from the Pandemic.		
10	City of culture legacy	<p>To date, circa £90million of direct investment has been secured for the city through being awarded the title of UK City of Culture 2021. Of this funding £45million is being invested in the city's infrastructure (improving public realm and highways) and £19million is to be invested in the city's cultural assets (performance spaces, heritage venues and creative hubs.) Work on both these investment programmes has commenced, with the Box at FarGo and Belgrade Theatre Phase 1 works already completed.</p> <p>Work will continue to secure further programme and legacy investment from private and public sector sponsors and partners. The range and quality of visitor accommodation available in the city is being improved, including through new hotel developments, alongside the city's food and beverage sectors.</p> <p>The city's Cultural Compact, which brings together the Council's key partners in delivery of the City of Culture Legacy meets regularly. The Compact is in the process of refreshing the cultural strategy, to take account of recent changes such as the impact of Covid-19 and the imperative of Black Lives Matters on the cultural sector, and to ensure that the development of the City of Culture legacy is clearly rooted in a shared set of priorities and action plans. This work is funded by Arts Council England and will be linked to an annual action plan and reporting cycle. Also under way is a consultancy project commissioned by the City of Culture Trust, to investigate the routes to a sustainable and impactful legacy. This is intended to be completed by the Summer of 2021.</p>	Strategic Lead, City of Culture / Head of Service Sports, Culture, Destination & Business in-conjunction with key stakeholders /colleagues	On-going
11	Acting on the outcomes of the review of the Council's Scrutiny function.	The planned final stage and subsequent follow up to the review planned for March 2020 was delayed by the Covid-19 situation. This is now being programmed again and will be built into the Scrutiny work programme which is being developed for this municipal year.	Members & Elections Team Manager	March 2021
12	Strengthening arrangements linked to the programme of health and safety audits undertaken.	A revised audit strategy for 2020-22 has been developed and a new set of audit protocols have been put in place. Whilst a resource assessment to underpin a risk-based audit programme for 2020/21 was developed in March 2020, the production and delivery of the programme has been significantly impacted due to the coronavirus pandemic and the refocusing of the priorities of the Occupational Health, Safety and	Occupational Health, Safety & Wellbeing Services Manager	March 2021

		Wellbeing Service as a result.  As such, it is recognised that embedding these arrangements may not be possible during 2020-21, although this will be kept under review for the remainder of the year.		
13	Further development of the Council's IT disaster recovery plans and processes	A working group will be established to enhance understanding between ICT and the Resilience Team of business needs / ICT capabilities, which will support the development of robust and realistic plans and ensure that the disaster recovery and business continuity processes are more integrated and aligned.  ICT disaster recovery processes will be enhanced, with supporting documents formalised and testing arrangements agreed.	Head of ICT & Digital	March 2021
14	Review and update of the Social Value and Sustainability Policy	A working group will review the Policy, consult on the revised Policy and then propose a final version of a new Policy for approval by Cabinet.	Head of Procurement & commissioning	December 2020
15	Implementation of the Local Government Ethical Standards Best Practice from the Committee on Standards in Public Life	Separate bodies which have been set up or are owned by the Council will be advised around the application of the Nolan principle of openness and requested to consider publication of their board agendas / minute and annual reports in an accessible place, whilst understanding any wider implications arising from this.	Director of Law & Governance	March 2021
16	Implementation of the Redmond Review into the oversight of local audit and the transparency of local authority financial reporting	Senior management and key stakeholders will consider the findings of the Redmond Review and develop arrangements to ensure the effective implementation of the report's recommendations from the Council's perspective and any future legislation arising from this.	Strategic Management Board / Corporate Governance Group in-conjunction with key stakeholders	March 2021

We acknowledge that the coronavirus pandemic will continue to have an impact during 2020-21, including creating challenges to the delivery of some of the planned actions which are highlighted in table two above. Notwithstanding this, we are satisfied that these steps will

address the need for improvements that were identified in our review next annual review.  
and we will monitor their implementation and operation, as part of our



Cllr George Duggins  
Leader of Coventry City Council



Martin Reeves  
Chief Executive of Coventry City Council

## 2 Main Financial Statements

### 2.1 Overview of Main Financial Statements

The Statement of Accounts includes the following core financial statements prepared in line with IFRS.

#### **Comprehensive Income & Expenditure Statement CIES** (sections 2.2 & 4.2)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (section 3.2) and the Movement in Reserves Statement.

#### **The Movement in Reserves Statement** (sections 2.3 & 4.3)

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the

amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments. Changes have been made to improve and simplify the presentation to the Movement in Reserves Statement in accordance with recommendations in the Code of Practice. Details of the movements in usable revenue reserves are provided within section 3.13.

#### **Balance Sheet** (sections 2.4 & 4.4)

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold and

reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

#### **Cash Flow Statement** (sections 2.5 & 4.5)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the receipts of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

## 2.2 Comprehensive Income &amp; Expenditure Statement

2018/19			Service segment	2019/20			Section Ref.
Gross Expenditure *restated £000	Gross Income *restated £000	Net Expenditure *restated £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
25,704	(23,642)	2,062	Public Health	26,318	(24,857)	1,461	3.2
1,598	(126)	1,472	People Directorate Management	1,571	(127)	1,444	3.2
219,342	(202,759)	16,583	Education and Skills	209,352	(190,786)	18,566	3.2
81,485	(10,787)	70,698	Children and Young People's Services	86,635	(11,380)	75,255	3.2
124,016	(46,062)	77,954	Adult Social Care	128,704	(49,164)	79,540	3.2
16,270	(2,581)	13,689	Housing & Transformation	26,819	(7,814)	19,005	3.2
3,075	(1,161)	1,914	Human Resources	2,743	(977)	1,766	3.2
5,338	(732)	4,606	Place Directorate Management	2,605	(923)	1,682	3.2
34,465	(4,216)	30,249	Business, Investment & Culture	55,947	(6,588)	49,359	3.2
32,723	(14,783)	17,940	Transportation & Highways	52,216	(16,741)	35,475	3.2
48,592	(15,619)	32,973	Streetscene & Regulatory Services	50,876	(18,572)	32,304	3.2
7,003	(2,328)	4,675	Project Management and Property Services	5,869	(3,162)	2,707	3.2
121,071	(114,451)	6,620	Finance & Corporate Services	107,490	(98,769)	8,721	3.2
14,862	(18,333)	(3,471)	Contingency and Central Budgets	92,785	(38,980)	53,805	3.2
<b>735,544</b>	<b>(457,580)</b>	<b>277,964</b>	<b>Cost of Services</b>	<b>849,930</b>	<b>(468,840)</b>	<b>381,090</b>	
		<b>33,938</b>	<b>Other Operating Expenditure</b>			<b>18,724</b>	3.1
		<b>10,586</b>	<b>Finance and Investment Income and Expenditure</b>			<b>11,413</b>	3.1
		<b>(324,924)</b>	<b>Taxations and Non-Specific Grant Income</b>			<b>(378,357)</b>	3.1
		<b>(2,436)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>32,870</b>	
		<b>(66,026)</b>	<b>Sub-total of other comprehensive Income and Expenditure</b>			<b>(22,256)</b>	3.1
		<b>(68,462)</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>10,614</b>	

\* These amounts have been restated as detailed in section 3.39.

## 2.3 Movement in Reserves Statement

### Usable Reserves and Overall Position 2019/20

	General Fund Balance	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>31 March 2019</b>	<b>(108,161)</b>	<b>(1,894)</b>	<b>(21,467)</b>	<b>(131,522)</b>	<b>(224,661)</b>	<b>(356,183)</b>
Total Comprehensive Income and Expenditure	32,870	0	0	32,870	(22,256)	10,614
Adjustments between Accounting Basis and Funding Basis under Regulations	(35,935)	60	(9,632)	(45,507)	45,507	0
<b>Net (Increase)/ Decrease</b>	<b>(3,065)</b>	<b>60</b>	<b>(9,632)</b>	<b>(12,637)</b>	<b>23,251</b>	<b>10,614</b>
<b>31 March 2020</b>	<b>(111,226)</b>	<b>(1,834)</b>	<b>(31,099)</b>	<b>(144,159)</b>	<b>(201,410)</b>	<b>(345,569)</b>

### Unusable Reserves 2019/20

	Capital Adjustment Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Financial Instruments Adjustment Account	Financial Instruments Revaluation Reserve	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Pooled Investment Funds Adjustment Account	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>31 March 2019</b>	<b>(551,350)</b>	<b>(183,427)</b>	<b>(2,629)</b>	<b>10,916</b>	<b>(79,441)</b>	<b>(7,177)</b>	<b>585,005</b>	<b>3,493</b>	<b>(51)</b>	<b>(224,661)</b>
Total Comprehensive Income and Expenditure	0	(1,498)	0	0	15,354	0	(36,112)	0	0	(22,256)
Adjustments between Accounting Basis and Funding Basis under Regulations	4,571	4,385	2,629	(385)	0	6,869	23,613	589	3,236	45,507
<b>Net (Increase)/ Decrease</b>	<b>4,571</b>	<b>2,887</b>	<b>2,629</b>	<b>(385)</b>	<b>15,354</b>	<b>6,869</b>	<b>(12,499)</b>	<b>589</b>	<b>3,236</b>	<b>23,251</b>
<b>31 March 2020</b>	<b>(546,779)</b>	<b>(180,540)</b>	<b>0</b>	<b>10,531</b>	<b>(64,087)</b>	<b>(308)</b>	<b>572,506</b>	<b>4,082</b>	<b>3,185</b>	<b>(201,410)</b>

Section 3.13 presents further details of the movements in usable and unusable reserves.

**Usable Reserves and Overall Position 2018/19 Comparatives.**

	General Fund Balance £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves *restated £000	Total Authority Reserves *restated £000
<b>31st March 2018</b>	<b>(91,409)</b>	<b>(7,179)</b>	<b>(23,978)</b>	<b>(122,566)</b>	<b>(165,155)</b>	<b>(287,721)</b>
Total Comprehensive Income and Expenditure	(2,436)	0	0	(2,436)	(66,026)	(68,462)
Adjustments between Accounting Basis and Funding Basis under Regulations	(14,316)	5,285	2,511	(6,520)	6,520	0
<b>Net (Increase)/ Decrease</b>	<b>(16,752)</b>	<b>5,285</b>	<b>2,511</b>	<b>(8,956)</b>	<b>(59,506)</b>	<b>(68,462)</b>
<b>31st March 2019</b>	<b>(108,161)</b>	<b>(1,894)</b>	<b>(21,467)</b>	<b>(131,522)</b>	<b>(224,661)</b>	<b>(356,183)</b>

**Unusable Reserves 2018/19 Comparatives**

	Capital Adjustment Account *restated £000	Revaluation Reserve *restated £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Financial Inst. Revaluation Reserve *restated £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Pooled Investment Funds Adjustment Account *restated £000	Total Unusable Reserves *restated £000
<b>31st March 2018</b>	<b>(499,833)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>(74,594)</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>(1,016)</b>	<b>(165,155)</b>
Total Comprehensive Income and Expenditure	0	(8,485)	0	0	(5,384)	0	(52,157)	0	0	(66,026)
Adjustments between Accounting Basis and Funding Basis under Regulations	(51,517)	19,462	2,858	(384)	537	2,608	32,717	(726)	965	6,520
<b>Net (Increase)/ Decrease</b>	<b>(51,517)</b>	<b>10,977</b>	<b>2,858</b>	<b>(384)</b>	<b>(4,847)</b>	<b>2,608</b>	<b>(19,440)</b>	<b>(726)</b>	<b>965</b>	<b>(59,506)</b>
<b>31st March 2019</b>	<b>(551,350)</b>	<b>(183,427)</b>	<b>(2,629)</b>	<b>10,916</b>	<b>(79,441)</b>	<b>(7,177)</b>	<b>585,005</b>	<b>3,493</b>	<b>(51)</b>	<b>(224,661)</b>

\* These amounts have been restated as detailed in section 3.39.

## 2.4 Balance Sheet

31 March 2019 *restated £000	Balance Sheet	31 March 2020 £000	Section Ref.
872,294	Property, Plant and Equipment	912,656	3.15
25,893	Heritage Assets	25,900	3.16
224,372	Investment Property	213,525	3.17
110,809	Long Term Investments	110,092	3.21
24,883	Long Term Debtors	28,058	3.22
<b>1,258,251</b>	<b>Long Term Assets</b>	<b>1,290,231</b>	
37,285	Short Term Investments	37,245	3.34
362	Inventories	301	
75,870	Short Term Debtors	85,262	3.23
26,621	Cash and Cash Equivalents	24,593	2.5
2,938	Assets held for Sale	1,340	3.17
<b>143,076</b>	<b>Current Assets</b>	<b>148,741</b>	
(65,572)	Short Term Borrowing	(67,426)	3.34
(74,388)	Short Term Creditors	(85,463)	3.24
(1,946)	Short Term Provisions	(1,674)	3.25
<b>(141,906)</b>	<b>Current Liabilities</b>	<b>(154,563)</b>	
(12,329)	Long Term Provisions	(19,757)	3.25
(317,344)	Long Term Borrowing	(313,422)	3.34
(553,905)	Net Pension Liability	(572,506)	3.31
(1,447)	Donated Assets Account	(1,566)	3.28
(8,256)	Capital Grants Receipts in Advance	(21,808)	3.7
(9,957)	Other Long Term Liabilities	(9,781)	3.26
<b>(903,238)</b>	<b>Long Term Liabilities</b>	<b>(938,840)</b>	
<b>356,183</b>	<b>Net Assets</b>	<b>345,569</b>	
(131,522)	Usable Reserves	(144,159)	2.3
(224,661)	Unusable Reserves	(201,410)	2.3
<b>(356,183)</b>	<b>Total Reserves</b>	<b>(345,569)</b>	

\* These amounts have been restated as detailed in section 3.39.

The unaudited accounts were authorised for issue on 26<sup>th</sup> June 2020 and the audited accounts were authorised for issue on *(date to be added on completion of the audit)*.

## 2.5 Cash Flow Statement

2018/19 *restated £000's	Cash Flow Statement	2019/20 £000's
(2,436)	Net (Surplus) or Deficit on the Provision of Services	32,870
(103,609)	Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(144,591)
70,491	Adjust items included in Net Surplus/Deficit on the Provision of Services that are Investing & Financing Activities	133,324
<b>(35,554)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>21,603</b>
31,338	Investing Activities	(20,603)
(6,212)	Financing Activities	1,028
<b>(10,428)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>2,028</b>
(16,193)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(26,621)
(26,621)	Cash and Cash Equivalents at the End of the Reporting Period	(24,593)

\* These amounts have been restated as detailed in section 3.39.

Section 3.27 presents an analysis of the amounts included in the provision of services for non-cash movements and items included in investing and financing activities.

### 3 Notes to the Main Financial Statements

#### 3.1 Note to the CIES

2018/19		2019/20	
Net Expenditure *restated £000	Category of Income or Expenditure	Net Expenditure £000	Section Ref.
19,137	(Gain)/Loss on Disposal of Fixed Assets**	2,961	
14,770	Levy Payments to Other Bodies	15,728	
31	Precepts of Local Precepting Authorities	35	
<b>33,938</b>	<b>Other Operating Expenditure</b>	<b>18,724</b>	
19,537	Interest Payable and Similar Charges	17,519	3.34
(2,857)	External Investment Income	(3,635)	3.34
13,681	Net interest on the net defined benefit liability	13,086	3.31
(17,225)	Commercial Property Income	(16,941)	
6,772	Commercial Property Expenditure	6,792	
(9,191)	Dividends and Interest Receivable	(8,561)	3.34
122	(Gain)/loss on impairment of assets	0	3.34
(253)	(Gain)/loss on revaluation of financial instruments	3,153	3.34
<b>10,586</b>	<b>Finance and Investment Income and Expenditure</b>	<b>11,413</b>	
(131,404)	Council Tax	(134,449)	3.39
(114,554)	Retained Business Rates	(114,732)	3.39
7,857	Business Rates Top-up	17,916	3.39
(12,370)	General Government Grants	(14,165)	
(74,380)	Capital Grant	(132,842)	3.7
(73)	Donated Assets – amortised credits	(85)	
<b>(324,924)</b>	<b>Taxations and Non-Specific Grant Income</b>	<b>(378,357)</b>	
(8,485)	(Gain)/loss on revaluation of non current assets	(1,498)	3.13
(5,384)	(Gain)/loss on revaluation of financial instruments	15,354	3.34
(52,157)	Remeasurement of the net defined benefit liability	(36,112)	3.31
<b>(66,026)</b>	<b>Sub-total of other comprehensive Income and Expenditure</b>	<b>(22,256)</b>	

\* These amounts have been restated as detailed in section 3.39.

\*\*The 2019/20 'Loss on Disposal of Fixed Assets' includes £2,117k of derecognition as a result of schools transferring to academy status during the year. The equivalent figure for 2018/19 was £17,818k.

## 3.2 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (see section 2.2).

2018/19			2019/20			
Net Expenditure Chargeable to the General Fund restated*	Adjustments between the Funding and Accounting Basis restated*	Net Expenditure in the Comprehensive Income and Expenditure Statement restated*	Service segment	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
2,090	(28)	2,062	Public Health	1,571	(110)	1,461
1,472	0	1,472	People Directorate Management	1,444	0	1,444
(8,287)	24,870	16,583	Education and Skills	15,424	3,142	18,566
70,197	501	70,698	Children and Young People's Services	75,412	(157)	75,255
74,064	3,890	77,954	Adult Social Care	76,536	3,004	79,540
9,716	3,973	13,689	Housing & Transformation	17,208	1,797	19,005
1,914	0	1,914	Human Resources	1,766	0	1,766
1,110	3,496	4,606	Place Directorate Management	817	865	1,682
8,264	21,985	30,249	Business, Investment & Culture	9,106	40,253	49,359
337	17,603	17,940	Transportation & Highways	(261)	35,736	35,475
29,989	2,984	32,973	Streetscene & Regulatory Services	28,617	3,687	32,304
2,223	2,452	4,675	Project Management and Property Services	3,475	(768)	2,707
6,618	2	6,620	Finance & Corporate Services	8,719	2	8,721
1,895	(5,366)	(3,471)	Contingency and Central Budgets	(11,687)	65,492	53,805
<b>201,602</b>	<b>76,362</b>	<b>277,964</b>	<b>Net Cost of Services</b>	<b>228,147</b>	<b>152,943</b>	<b>381,090</b>
(218,354)	(62,046)	(280,400)	Other Income and Expenditure	(231,212)	(117,008)	(348,220)
<b>(16,752)</b>	<b>14,316</b>	<b>(2,436)</b>	<b>Surplus or Deficit</b>	<b>(3,065)</b>	<b>35,935</b>	<b>32,870</b>
(91,409)			Opening General Fund	(108,161)		
(16,752)			Plus Surplus/(Deficit) on General Fund	(3,065)		
<b>(108,161)</b>			<b>Closing General Fund at 31 March</b>	<b>(111,226)</b>		

\* These amounts have been restated as outlined in section 3.39.

### 3.3 Note to the Expenditure and Funding Analysis

This note provides a breakdown of the adjustments from the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2018/19				2019/20				
Adjustment for Capital Purposes (Note 1) *restated	Net Changes for the Pension Adjustment (Note 2)	Other Differences (Note 3) *restated	Total Adjustments *restated	Service segment	Adjustment for Capital Purposes (Note 1)	Net Changes for the Pension Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
(28)	0	0	(28)	Public Health	(110)	0	0	(110)
0	0	0	0	People Directorate Management	0	0	0	0
24,870	0	0	24,870	Education and Skills	3,142	0	0	3,142
501	0	0	501	Children and Young People's Services	(157)	0	0	(157)
3,890	0	0	3,890	Adult Social Care	3,004	0	0	3,004
3,973	0	0	3,973	Housing & Transformation	1,797	0	0	1,797
0	0	0	0	Human Resources	0	0	0	0
3,496	0	0	3,496	Place Directorate Management	865	0	0	865
21,985	0	0	21,985	Business, Investment & Culture	40,253	0	0	40,253
17,603	0	0	17,603	Transportation & Highways	35,736	0	0	35,736
2,984	0	0	2,984	Streetscene & Regulatory Services	3,687	0	0	3,687
2,452	0	0	2,452	Project Management and Property Services	(802)	0	33	(769)
2	0	0	2	Finance & Corporate Services	2	0	0	2
(23,309)	19,036	(1,093)	(5,366)	Contingency and Central Budgets	51,403	10,527	3,562	65,492
<b>58,419</b>	<b>19,036</b>	<b>(1,093)</b>	<b>76,362</b>	<b>Net Cost of Services</b>	<b>138,820</b>	<b>10,527</b>	<b>3,595</b>	<b>152,942</b>
(78,335)	13,681	2,608	(62,046)	Other Income and Expenditure	(136,962)	13,086	6,869	(117,007)
<b>(19,916)</b>	<b>32,717</b>	<b>1,515</b>	<b>14,316</b>	<b>Surplus or Deficit</b>	<b>1,858</b>	<b>23,613</b>	<b>10,464</b>	<b>35,935</b>

\* These amounts have been restated as outlined in section 3.39.

Note 1: Adjustments for Capital Purposes – This column adds in depreciation and revaluation gains and losses, and includes adjustments for the following:

- Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure Minimum Revenue Provision and

other revenue contributions not chargeable under generally accepted accounting practices.  
- Capital grant income and expenditure

Note 2: Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. This represents the removal of the employer pension contributions made by the authority as

allowed by statute and the replacement with current and past service costs.

Note 3: Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

### 3.4 Revenue Outturn

The following tables provide a reconciliation between the revenue outturn position reported to management and the first column of the Expenditure and Funding Analysis tables in section 3.2.

2019/20	Net Expenditure Chargeable to the General Fund	Adjustment for elements within the Provision of Service that are not included in the Cost of Services	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position	Budget
Service Segment	£000	£000	£000	£000	£000
Public Health	1,571	21	502	2,094	2,808
People Directorate Management	1,444	0	0	1,444	1,501
Education and Skills	15,424	5,081	(5,351)	15,154	13,851
Children and Young People's Services	75,412	(1)	(664)	74,747	72,280
Adult Social Care	76,536	1,217	(287)	77,466	77,466
Housing & Transformation	17,208	(8)	(548)	16,652	13,610
Human Resources	1,766	27	(152)	1,641	1,319
Place Directorate Management	817	1,277	313	2,407	2,500
Business, Investment & Culture	9,106	(487)	(469)	8,150	7,853
Transportation & Highways	(261)	4,473	523	4,735	4,585
Streetscene & Regulatory Services	28,617	1,121	(153)	29,585	28,484
Project Management and Property Services	3,475	(14,301)	1,778	(9,048)	(7,990)
Finance & Corporate Services	8,719	(338)	(1,297)	7,084	7,407
Contingency and Central Budgets	(11,687)	2,156	8,870	(661)	5,776
<b>Net Cost of Services</b>	<b>228,147</b>	<b>238</b>	<b>3,065</b>	<b>231,450</b>	<b>231,450</b>
Other Income and Expenditure	(231,212)	(238)	0	(231,450)	(231,450)
<b>Surplus or Deficit</b>	<b>(3,065)</b>	<b>0</b>	<b>3,065</b>	<b>0</b>	<b>0</b>

2018/19	Net Expenditure Chargeable to the General Fund*	Adjustment for elements within the Provision of Service that are not included in the Cost of Services*	Contributions to/(from) revenue earmarked reserves*	Revenue Outturn Position*	Budget*
Service Segment	£000	£000	£000	£000	£000
Public Health	2,090	155	398	2,643	3,453
People Directorate Management	1,472	0	0	1,472	1,441
Education and Skills	(8,287)	19,883	2,252	13,848	13,763
Children and Young People's Services	70,197	35	695	70,927	71,945
Adult Social Care	74,064	1,483	(1,060)	74,487	74,523
Housing & Transformation	9,716	(117)	(246)	9,353	7,561
Human Resources	1,914	(730)	610	1,794	1,631
Place Directorate Management	1,110	3,790	(3,538)	1,362	1,361
Business, Investment & Culture	8,264	(260)	(231)	7,773	6,909
Transportation & Highways	337	4,498	(604)	4,231	4,430
Streetscene & Regulatory Services	29,989	(41)	(280)	29,668	26,655
Project Management and Property Services	2,223	(10,875)	692	(7,960)	(7,706)
Finance & Corporate Services	6,618	(330)	3	6,291	7,009
Contingency and Central Budgets	1,895	(1,455)	12,486	12,926	21,415
<b>Net Cost of Services</b>	<b>201,602</b>	<b>16,036</b>	<b>11,177</b>	<b>228,815</b>	<b>234,390</b>
Other Income and Expenditure	(218,354)	(16,036)	0	(234,390)	(234,390)
<b>Surplus or Deficit</b>	<b>(16,752)</b>	<b>0</b>	<b>11,177</b>	<b>(5,575)</b>	<b>0</b>

\* These amounts have been restated as a result of service segment changes, as outlined in section 3.39.

### 3.5 Segmental Analysis

This note provides an analysis of income by service segment and details of the revenue outturn position.

2019/20	Income from Grants and Contributions	Tax Income	Income from Fees and Charges	Total Income	Total Expenditure	Net Total Expenditure	Contributions to/(from) revenue earmarked reserves
Service Segment	£000	£000	£000	£000	£000	£000	£000
Public Health	(24,740)	0	(117)	(24,857)	26,449	1,592	502
People Directorate Management	(127)	0	0	(127)	1,571	1,444	0
Education and Skills	(185,192)	0	(5,594)	(190,786)	211,291	20,505	(5,351)
Children and Young People's Services	(9,932)	0	(1,448)	(11,380)	86,791	75,411	(664)
Adult Social Care	(31,440)	0	(17,724)	(49,164)	126,917	77,753	(287)
Housing & Transformation	(1,597)	0	(6,226)	(7,823)	25,023	17,200	(548)
Human Resources	(30)	0	(947)	(977)	2,770	1,793	(152)
Place Directorate Management	(923)	0	0	(923)	3,017	2,094	313
Business, Investment & Culture	(5,428)	0	(1,160)	(6,588)	15,207	8,619	(469)
Transportation & Highways	(6,765)	0	(10,061)	(16,826)	21,038	4,212	523
Streetscene & Regulatory Services	(963)	0	(17,639)	(18,602)	48,340	29,738	(153)
Project Management and Property Services	(12)	0	(18,286)	(18,298)	7,472	(10,826)	1,778
Finance & Corporate Services	(96,192)	0	(2,915)	(99,107)	107,488	8,381	(1,297)
Contingency and Central Budgets	(162,560)	185	(34,955)	(197,330)	187,799	(9,531)	8,870
<b>Net Cost of Services</b>	<b>(525,901)</b>	<b>185</b>	<b>(117,072)</b>	<b>(642,788)</b>	<b>871,173</b>	<b>228,385</b>	<b>3,065</b>
Other Income and Expenditure	0	(231,450)	0	(231,450)	0	(231,450)	0
<b>Surplus or Deficit</b>	<b>(525,901)</b>	<b>(231,265)</b>	<b>(117,072)</b>	<b>(874,238)</b>	<b>871,173</b>	<b>(3,065)</b>	<b>3,065</b>

2018/19	Income from Grants and Contributions*	Tax Income	Income from Fees and Charges*	Total Income*	Total Expenditure*	Net Total Expenditure*	Contributions to/(from) revenue earmarked reserves*
Service Segment	£000	£000	£000	£000	£000	£000	£000
Public Health	(23,555)	0	(87)	(23,642)	25,887	2,245	398
People Directorate Management	(126)	0	0	(126)	1,598	1,472	0
Education and Skills	(197,669)	0	(5,090)	(202,759)	214,355	11,596	2,252
Children and Young People's Services	(9,631)	0	(1,156)	(10,787)	81,019	70,232	695
Adult Social Care	(28,693)	0	(17,369)	(46,062)	121,609	75,547	(1,060)
Housing & Transformation	(904)	0	(1,794)	(2,698)	12,297	9,599	(246)
Human Resources	(7)	0	(1,154)	(1,161)	2,345	1,184	610
Place Directorate Management	(662)	0	(70)	(732)	5,632	4,900	(3,538)
Business, Investment & Culture	(3,486)	0	(730)	(4,216)	12,220	8,004	(231)
Transportation & Highways	(5,436)	0	(9,620)	(15,056)	19,891	4,835	(604)
Streetscene & Regulatory Services	(960)	0	(14,701)	(15,661)	45,609	29,948	(280)
Project Management and Property Services	0	(15)	(17,809)	(17,824)	9,172	(8,652)	692
Finance & Corporate Services	(111,929)	0	(2,851)	(114,780)	121,068	6,288	3
Contingency and Central Budgets	(90,342)	(3,711)	(26,065)	(120,118)	120,558	440	12,486
<b>Net Cost of Services</b>	<b>(473,400)</b>	<b>(3,726)</b>	<b>(98,496)</b>	<b>(575,622)</b>	<b>793,260</b>	<b>217,638</b>	<b>11,177</b>
Other Income and Expenditure	0	(234,390)	0	(234,390)	0	(234,390)	0
<b>Surplus or Deficit</b>	<b>(473,400)</b>	<b>(238,116)</b>	<b>(98,496)</b>	<b>(810,012)</b>	<b>793,260</b>	<b>(16,752)</b>	<b>11,177</b>

\* These amounts have been restated as a result of service segment changes, as outlined in section 3.39.

### 3.6 Income and Expenditure Analysis

This note provides an analysis of the income received and expenditure incurred within the Provision of Services in the Comprehensive Income and Expenditure Statement. These figures exclude the impact of internal recharges.

Expenditure/ Income	2018/19	2019/20
	*restated	
	£000	£000
<b>Income</b>		
Fees, charges and other service income	(69,707)	(87,482)
Interest and investment income	(28,804)	(29,590)
Income from council tax and non-domestic rates	(238,101)	(231,265)
Government grants and contributions	(473,400)	(525,901)
<b>Total Income</b>	<b>(810,012)</b>	<b>(874,238)</b>
<b>Expenditure</b>		
Employee benefits expenses	297,512	298,064
Other services expenses	391,488	403,312
Depreciation, amortisation, impairment	70,753	153,250
Interest payments	33,218	30,605
Precept and levies	14,801	15,763
(Gain)/Loss on Disposal of Assets	17,985	2,961
(Gain)/Loss on Revaluation of Financial Instruments	(253)	3,153
<b>Total Expenditure</b>	<b>825,504</b>	<b>907,108</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>15,492</b>	<b>32,870</b>

\* These amounts have been restated as outlined in section 3.39.

An analysis of the 'Fees, charges and other service income' by service segment is provided in the table below, including the details of the income received through contracts with service recipients.

2018/19			2019/20			
Income from service recipients	Other income	Total fees, charges and other service income	Service Segment	Income from service recipients	Other income	Total fees, charges and other service income
£000	£000	£000		£000	£000	£000
(86)	0	(86)	Public Health	(117)	0	(117)
0	0	0	People Directorate Management	0	0	0
(5,007)	0	(5,007)	Education and Skills	(5,497)	(1)	(5,498)
(1,160)	0	(1,160)	Children and Young People's Services	(1,448)	0	(1,448)
(17,352)	0	(17,352)	Adult Social Care	(17,709)	0	(17,709)
(1,554)	(240)	(1,794)	Housing & Transformation	(5,994)	(232)	(6,226)
(958)	(196)	(1,154)	Human Resources	(825)	(122)	(947)
(70)	0	(70)	Place Directorate Management	0	0	0
(730)	0	(730)	Business, Investment & Culture	(1,160)	0	(1,160)
(6,291)	(3,127)	(9,418)	Transportation & Highways	(6,720)	(3,340)	(10,060)
(14,580)	(7)	(14,587)	Streetscene & Regulatory Services	(17,455)	0	(17,455)
(1,219)	(11)	(1,230)	Project Management and Property Services	(889)	(7)	(896)
(2,522)	0	(2,522)	Finance & Corporate Services	(2,577)	0	(2,577)
(9,199)	(5,398)	(14,597)	Contingency and Central Budgets	(10,020)	(13,369)	(23,389)
<b>(60,728)</b>	<b>(8,979)</b>	<b>(69,707)</b>	<b>Total</b>	<b>(70,411)</b>	<b>(17,071)</b>	<b>(87,482)</b>

### 3.7 Analysis of Capital Grants

The Capital Grant total of £132,902k is the amount of grant applied during 2019/20. This represents the total level of grant received of £132,842k plus £60k which has been transferred from the Capital Grants Unapplied Reserve (see section 2.3). In addition, the Council's Balance Sheet (as at 31/03/2020) reflects Capital Grants received in advance of £21,808k.

2018/19* £000	Grant / Grant Body	2019/20 £000
28,839	Innovate UK**	68,019
21,528	Ministry of Housing, Communities and Local Government	17,722
7,117	West Midlands Combined Authority	17,275
1,128	C&W Development Partnership LLP	14,031
13,079	Department for Education	4,786
3,071	Department for Transport	3,040
3,549	Citizen	2,740
87	Other Capital Grants & Contributions (Gov)	1,929
1,267	Other Capital Grants & Contributions (Non-Gov)	3,360
<b>79,665</b>	<b>Total</b>	<b>132,902</b>

\* 2018/19 figures have been restated to reflect updated grant categories.

\*\* The significant increase in the grant from Innovate UK was due to £68m being received for the new Battery Plant facility.

### 3.8 Analysis of Revenue Grants

The following table provides an analysis of revenue grant income, separately identifying all grants with a value above £2m.

2018/19* £000	Grant	2019/20 £000
168,239	Dedicated Schools Grant **	156,375
109,377	Housing Benefit subsidy and administration	92,854
23,211	Better Care Fund	26,013
21,969	Public Health	21,389
0	COVID-19 Grant	10,407
10,756	Pupil Premium Grant	9,450
13,531	Education & Skills Funding Agency	8,908
8,607	Private Finance Initiative Grants	8,607
9,940	Business Rates relief compensation and administration	12,040
5,060	New Homes Bonus	5,036
3,538	Migration Projects	4,207
0	Adult Education	3,313
969	Social Care Support Grant	2,650
2,396	Independent Living Fund	2,323
0	Teachers Pension Employer Contribution	2,421
17,747	Other revenue grants reimbursements & contributions (Govt)	20,566
3,363	Other revenue grants reimbursements & contributions (Non -Govt)	6,500
<b>398,703</b>	<b>Total</b>	<b>393,059</b>

\*2018/19 figures have been restated to reflect updated grant categories.

\*\* The difference between the level of Dedicated Schools Grant (DSG) provided in this table and the amount provided within Deployment of Dedicated Schools Grant note (section 3.9) is due to adjustments agreed with the Department for Education.

### 3.9 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, 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 and Early Years (England) regulations 2017. 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 2019/20 are as follows:

Notes	Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
<b>A</b>	Final DSG for 2019/20 before Academy Recoupment	33,119	270,369	303,488
<b>B</b>	Academy figure recouped for 2019/20	0	146,964	146,964
<b>C</b>	<b>Total DSG after Academy Recoupment 2019/20</b>	<b>33,119</b>	<b>123,405</b>	<b>156,524</b>
<b>D</b>	Plus: Brought forward from 2018/19	6,083	0	6,083
<b>E</b>	Less Carry Forward to 2020/21 agreed in advance	3,841	0	3,841
<b>F</b>	Agreed initial budgeted distribution in 2019/20	35,361	123,405	158,766
<b>G</b>	In year adjustments	0	78	78
<b>H</b>	Final budgeted distribution for 2019/20	35,361	123,483	158,844
<b>I</b>	Less: Actual central expenditure	35,905	0	35,905
<b>J</b>	Less: Actual ISB deployed to schools	0	123,483	123,483
<b>K</b>	Plus: Local authority contribution for 2019/20	0	0	0
<b>L</b>	<b>Carry forward to next year agreed in advance</b>	<b>(544)</b>	<b>0</b>	<b>3,297</b>

#### Notes

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2020 early years block adjustment.

B: Figure recouped from the authority in 2019/20 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after EFA Academy recoupment for 2019/20

D: Figure brought forward from 2018/19 should be as agreed with the Department. Details of the exercise to obtain this agreement were contained in the Financial Monitoring Team's e-mail circulated in May 2020.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2020/21 rather than distribute in 2019/20.

F: Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.

G: Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.

H: Budgeted distribution of DSG as at the end of the financial year.

I: Actual amount of central expenditure items in 2019/20 - amounts not actually spent.

J: Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares).

K: Any contribution from the local authority in 2019/20 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2020/21, i.e.:

- For central expenditure, difference between budgeted distribution of DSG and actual expenditure, plus any local authority contribution.

- For ISB, difference between final budgeted distribution and amount actually deployed to schools, plus any local authority contribution.

- Total is carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2020/21 already agreed.

### 3.10 Related Party Transactions

The authority is required to disclose material transactions with related parties – bodies or individuals that have 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.

The former Deputy Chief Executive (Place) is also the Chief Executive of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and a senior officer is seconded to the role of Operations Director at the same organisation. A member of Coventry City Council is on the board of CWLEP. It is a company limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity, and it also has a role in coordinating elements of government funding for growth.

During 2019/20 the Council gave grants to the CWLEP of £1,082,172 and also paid it £18,600 for services. At the end of the financial year the Council balance sheet had a debtor balance of £64,984 in respect of the CWLEP and a creditor balance of £81,785.

#### **Members**

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances is shown in note 3.33. During 2019/20, in addition to the transactions relating to the CWLEP outlined above, works and services to the value of £1,551,017 were commissioned from organisations that 15 members had an interest in (most of which are not for profit). Contracts were entered into in full compliance with the Council's

standing orders. In addition, the Council paid grants totalling £4,191,032 to voluntary organisations in which 13 members had an interest. In all instances the grants were made with proper consideration to declarations of interest. The sum of £505,383 was received from organisations with which 18 members declared an interest. There was a debtors balance of £710,004 with companies in which 16 members declared an interest; and a creditors balance of £1,214,255 in which 16 members declared an interest.

Individual members' declaration of interest forms are available on the City Council's website.

#### **Senior Officers**

During 2019/20, in addition to the transactions relating to the CWLEP outline above, works and services to the value of £57,077 were commissioned from companies in which 2 senior officers had an interest. Grants to the value of £1,049,990 were made to organisations in which 2 senior officers had an interest. Contracts were entered into in full compliance with the Council's standing orders. In all instances, the payments were made with proper consideration to declarations of interest. The sum of £560,910 was received from organisations with which 2 senior officers declared an interest. There was a debtors balance of £306,372 with companies in which 3 senior officers declared an interest; and a creditors balance of £431,792 in which 3 senior officers declared an interest.

#### **Central Government**

Central Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework

within which the authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many transactions that the authority has with other parties. Details of the main transactions between the Council and Government departments are set out in the Comprehensive Income and Expenditure Statement (section 2.2).

#### **Other Public Bodies**

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

- Pension payments are made to the West Midlands Metropolitan Authorities Pension Fund, The Teachers' Pension Agency and the NHS Business Service Authority. Further details are included in section 3.30.
- Precept payments are made to the West Midlands Crime and Police Commissioner and the West Midlands Fire and Rescue Authority, and these are shown within the Collection Fund Income and Expenditure Statement (section 3.38).
- Levy payments are made to the Environment Agency.
- Payments to the West Midlands Combined Authority (WMCA) of £16,019,478, of which £15,629,986 was a levy, and other contributions totalling £389,482. Details of the capital grants received from the WMCA are shown in section 3.7.
- The Council has a pooled budget arrangement with Coventry and Rugby Clinical Commissioning group to operate a

Better Care Fund (BCF). Transactions and balances are detailed in section 3.11.

to NCH including interest of £20,405 in March 2020. NCH supplied services to the City Council to the value of £347,583. The City Council provided services to the value of £10,278.

at 31<sup>st</sup> March 2020. The City Council also provided further a loan facility of £211,460.

CAPL provided services to the City Council totalling £35,048

### **Organisations Controlled or Significantly Influenced by the Council**

The Council has a combination of: financial interests (shareholdings), representation at board of director level and significant financial influence in a number of companies. Details of transactions with those companies are as follows;

#### **The Coventry & Solihull Waste Disposal Company Limited (CSWDC)**

During the year, the Council made payments of £8,123,981 to the company for services received and in return provided services to the value of £178,697 of which £2,933 was unpaid as at 31<sup>st</sup> March 2020.

In addition, the Council received Business Rates payments of £624,310 and dividends of £6,920,000

#### **Coventry North Regeneration Limited (CNR) and North Coventry Holdings Limited (NCH)**

There remains a balance outstanding of £5,000 on the cash flow assistance loan provided by the City Council to CNR. CNR receives contributions from the City Council to cover its expenses. In 2019/20 the total was £4,010.

During 2019/20 NCH placed a cash deposit of £2,700,000 with the City Council. This was repaid

#### **Culture Coventry Trust (CCT)**

Payment of £2,428,497 was made to CCT on a long-term arrangement for the provision of museum and tourist information services on behalf of the authority. In addition, the authority provided;

- Services to the Trust totalling £105,430 of which £16,088 was unpaid as at 31<sup>st</sup> March 2020.
- A revolving cash flow facility of £600k of which £175,746 was repaid this year leaving £23,478 outstanding.

The Trust paid the City Council

- £188,203 to cover part of their pension deficit
- £17,800 in interest in respect of the revolving cash flow facility

The Trust is deemed to be influenced by the Council due to its reliance on significant Council funding.

#### **Coombe Abbey Park Limited (CAPL)**

CAPL paid the City Council £865,022 in respect of rent on long lease agreements and £558,682 in respect of loan repayments.

The City Council provided services to CAPL totalling £37,996 of which £18,012 was unpaid as

#### **UK Battery Industrialisation Centre UK Ltd (UKBIC)**

The City Council paid £13,151,154 towards the development costs of UKBIC.

#### **Friargate JV Project Limited (FJVP)**

The City Council paid £958,879 to cover its share of the running and development costs of FJVP.

#### **Tom White Waste Limited (TWW)**

The City Council acquired a 100% shareholding in TWW on 4<sup>th</sup> March 2020. It is considered that there is no added value to this statement by including related party transactions for such a short period to the end of the financial year.

## 3.11 Pooled Budgets

### Better Care Fund

Coventry City Council and Coventry and Rugby Clinical Commissioning Group (CCG) drew up an agreement to operate a Better Care Fund (BCF) pooled budget from 1st April 2015. This was established under Section 75 of the NHS Act 2006 with the purpose of further integrating the health and social care services within Coventry.

There are a number of separate work-streams within the BCF pooled budget arrangements. These work-streams, together with the respective contributions from the two partner organisations and an analysis of the expenditure made by the City Council, are outlined in the table below. The City Council's expenditure is analysed according to the nature of the resourcing and decision making involved.

<b>Better Care Fund</b>	<b>Coventry City Council</b>	<b>Coventry and Rugby CCG</b>	<b>Total</b>	<b>Coventry City Council</b>	<b>Coventry City Council</b>	<b>Coventry City Council</b>	<b>Coventry City Council</b>
<b>2019/20</b>	<b>Contribution</b>	<b>Contribution</b>	<b>Contribution</b>	<b>Expenditure Internal<sup>1</sup></b>	<b>Expenditure Lead Commissioner<sup>2</sup></b>	<b>Expenditure Shared<sup>3</sup></b>	<b>Expenditure Total</b>
<b>Workstreams</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Urgent Care	0	(6,712)	<b>(6,712)</b>	0	0	0	<b>0</b>
Out of Hospital & Nursing Care	(8,680)	(34,304)	<b>(42,984)</b>	8,680	0	0	<b>8,680</b>
Voluntary Sector Review	(1,332)	(943)	<b>(2,275)</b>	1,332	0	0	<b>1,332</b>
Community Support Services	(1,990)	(2,757)	<b>(4,747)</b>	739	100	913	<b>1,752</b>
Reablement / Discharge to Assess	(3,764)	(2,337)	<b>(6,101)</b>	2,670	1,638	0	<b>4,308</b>
Dementia	(7,666)	(3,437)	<b>(11,103)</b>	7,666	0	0	<b>7,666</b>
Care Act Implementation	(523)	(796)	<b>(1,319)</b>	0	825	0	<b>825</b>
Disabled Facility Grants	(4,899)	0	<b>(4,899)</b>	3,597	0	0	<b>3,597</b>
Protecting Social Care	(14,091)	(7,587)	<b>(21,678)</b>	11,682	7,587	0	<b>19,269</b>
Integrating Commissioning	(130)	0	<b>(130)</b>	116	0	0	<b>116</b>
Whole System Prevention	(364)	0	<b>(364)</b>	356	0	0	<b>356</b>
Mental Health Resource Centre	0	(186)	<b>(186)</b>	0	0	179	<b>179</b>
LD Homes	0	(2,816)	<b>(2,816)</b>	0	0	1,265	<b>1,265</b>
LD Compact	0	(311)	<b>(311)</b>	0	0	311	<b>311</b>
Winter Pressures	(1,551)	0	<b>(1,551)</b>	1,051	0	0	<b>1,051</b>
<b>Total</b>	<b>(44,990)</b>	<b>(62,186)</b>	<b>(107,176)</b>	<b>37,889</b>	<b>10,150</b>	<b>2,668</b>	<b>50,707</b>

1 - This is where resources are controlled and expended by City Council.

2 - The City Council acts as lead commissioner and accounts for expenditure with service providers.

3 - Resources are pooled and the City Council and CCG account for their share of the expenditure as a joint operation in line with the Section 75 agreement.

The following table provides details of the BCF contributions and expenditure for the previous year, for comparative purposes.

Better Care Fund 2018/19 Workstreams	Coventry City Council Contribution £000	Coventry and Rugby CCG Contribution £000	Total Contribution £000	Coventry City Council Expenditure Internal £000	Coventry City Council Expenditure Lead Commissioner £000	Coventry City Council Expenditure Shared £000	Coventry City Council Expenditure Total £000
Urgent Care	0	(6,712)	(6,712)	0	0	0	0
Out of Hospital & Nursing Care	(6,837)	(29,510)	(36,347)	6,837	0	0	6,837
Voluntary Sector Review	(1,333)	(942)	(2,275)	1,323	0	0	1,323
Short Term Care	(2,819)	(6,836)	(9,655)	1,623	1,040	923	3,586
Dementia	(7,547)	(3,734)	(11,281)	7,547	0	0	7,547
Care Act Implementation	(308)	(900)	(1,208)	0	685	0	685
Disabled Facility Grants	(4,595)	0	(4,595)	3,411	0	0	3,411
Acceleration Fund	(7)	(2,133)	(2,140)	0	0	288	288
Protecting Social Care	(8,849)	(7,580)	(16,429)	9,274	7,580	0	16,854
Community Promoting Independence	(745)	0	(745)	294	0	0	294
Discharge to Assess Support	(1,407)	0	(1,407)	1,256	0	0	1,256
Improving System Flow	(410)	0	(410)	10	0	0	10
Integrating Commissioning	(366)	0	(366)	123	0	0	123
Whole System Prevention	(732)	0	(732)	375	0	0	375
<b>Total</b>	<b>(35,955)</b>	<b>(58,347)</b>	<b>(94,302)</b>	<b>32,073</b>	<b>9,305</b>	<b>1,211</b>	<b>42,589</b>

### 3.12 External Audit Costs

Coventry City Council has incurred the following costs in relation to services provided by its external auditors:

2018/19 £000	Audit Fees	2019/20 £000
134	Fees payable to the external auditors in respect of statutory external audit services	185
30	Fees payable in relation to other services	66
<b>164</b>	<b>Total Fees</b>	<b>251</b>

Since 2012/13 the appointed external auditors have been Grant Thornton UK LLP.

The fees in respect of other services provided by Grant Thornton in 2019/20 relate to certification of the Teachers' Pension return (£4,200), the Innovate UK Grant claim for UK BIC (£23,700) and the certification of the Housing Benefit Subsidy Claim (£38,000). The comparative figure for 2018/19 related to the certification of the Teachers Pension return (£4,200), provision of the CFO Insights online tool that delivers financial analysis against all local authority accounts (£10,000) and the certification of the Housing Benefit Subsidy Claim (£16,000).

### 3.13 Usable and Unusable Reserves

Further details of the Council's usable and unusable reserves, shown in section 2.3 are provided below:

#### Usable Reserves

\* This is a working balance that is maintained to assist in managing unforeseen financial challenges.

#### Unusable Reserves

2018/19			Category of Reserve Movement	2019/20		
Capital Adjustment Account [CAA] *restated £000	Revaluation Reserve [RR] *restated £000	CAA & RR Combined *restated £000		Capital Adjustment Account [CAA] £000	Revaluation Reserve [RR] £000	CAA & RR Combined £000
<b>(499,833)</b>	<b>(194,404)</b>	<b>(694,237)</b>	<b>Opening Balance</b>	<b>(551,350)</b>	<b>(183,427)</b>	<b>(734,777)</b>
28,157	0	28,157	Depreciation	25,392	0	25,392
35,709	0	35,709	Derecognitions	16,289	0	16,289
(3,016)	(8,485)	(11,501)	Revaluations	645	(1,498)	(853)
(17,436)	0	(17,436)	Investment Property Revaluations	37,326	0	37,326
1,340	0	1,340	Intangibles	898	0	898
(79,665)	0	(79,665)	Capital grants and contributions applied	(132,902)	0	(132,902)
25,767	0	25,767	Revenue Expenditure funded from Capital	75,385	0	75,385
(10,586)	0	(10,586)	Capital receipts applied	(8,202)	0	(8,202)
4,870	0	4,870	Disposal of Assets	14,749	0	14,749
514	0	514	Repayment of Loans	730	0	730
(2,771)	0	(2,771)	Capital Expenditure funded from Revenue	(6,437)	0	(6,437)
(1,250)	0	(1,250)	Issue of Loans	(1,376)	0	(1,376)
(19,462)	19,462	0	Written out of the Revaluations Reserve	(4,384)	4,385	1
(10,904)	0	(10,904)	Revenue provision for the Repayment of Debt	(11,464)	0	(11,464)
(1,764)	0	(1,764)	Management of Capital Reserve	(2,148)	0	(2,148)
(73)	0	(73)	Deferred Capital - Amortised credit	(85)	0	(85)
78	0	78	Impairment of Financial Assets	0	0	0
(1,218)	0	(1,218)	Revaluation of Financial Assets	(83)	0	(83)
193	0	193	Other Gains and Losses	238	0	238
<b>(551,350)</b>	<b>(183,427)</b>	<b>(734,777)</b>	<b>Closing Balance</b>	<b>(546,779)</b>	<b>(180,540)</b>	<b>(727,319)</b>

\* These amounts have been restated as outlined in section 3.39.

### **Capital Adjustment Account**

The Capital Adjustment Account absorbs the difference arising from the different rates at which non-current assets are accounted for as being consumed and those at which resources are set-aside to finance their acquisition, construction or enhancement. Movements in this reserve are shown in the table below, together with those of the Revaluation Reserve.

### **Revaluation Reserve**

This reserve contains the gains made by the Council arising from increases in the value of its: Property, Plant and Equipment; and Non-operational Assets. The reserve only includes gains since its inception on 1st April 2007. Prior to that, gains were consolidated into the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains realised.

Revaluation Reserve movements are shown in the table above, together with those of the Capital Adjustment Account.

### **Financial Instruments Adjustment Account**

This 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 Code Of Practice on Local Authority Accounting and those

required by statute to be met from the General Fund.

### **Collection Fund Adjustment Account**

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

### **Pension Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. A breakdown of the movements in this reserve is provided in section 3.31.

### **Accumulated Absences Account**

The account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

### **Available for Sale Financial Instruments Reserve**

Prior to the adoption of IFRS9 this recorded unrealised revaluation gains arising from holding available for sale investments, plus any unrealised losses that had not arisen from impairment of the assets.

### **Financial Instruments Revaluation Reserve**

This reserve contains the gains made by the authority arising from increases in value of its

investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable Capital Receipts Reserve.

### **Pooled Investment Funds Adjustment Account**

In accordance with capital financing regulations the Pooled Investment Funds Adjustment Account holds fair value gains and losses on pooled investment funds measured at fair value through profit or loss (FVPL).

### 3.14 Adjustments between Accounting Basis & Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

2018/19 *restated £000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	2019/20 £000
	<b>Reversal of items debited or credited to the CIES</b>	
	<b>Usable Reserves</b>	
<b>(5,285)</b>	<b>Capital grants &amp; contributions unapplied movement to the CIES</b>	<b>(60)</b>
	<b>Unusable Reserves</b>	
(28,159)	Charges for depreciation non-current assets	(25,392)
(36,568)	Charges for derecognition of non-current assets	(16,289)
21,311	Revaluation of Property, Plant & Equipment and Assets Held for sale	(37,973)
(1,340)	Amortisation of intangible assets	(898)
79,665	Capital grants and contributions applied	132,902
(25,767)	Revenue expenditure funded from capital under statute	(75,385)
384	Movement in Debt Redemption Premia	385
(32,717)	Retirement benefit Adjustment Account debited or credited to the CIES	(23,613)
(2,608)	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	(6,869)
726	Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)	(589)
(167)	Loss on Disposal funded from Capital Receipts	(274)
(193)	Rescheduling of Finance Lease Repayments	(236)
73	Amortised Deferred Receipts	83
(76)	Loss on Impairment of Debtors	0
253	(Gain)/Loss on Revaluation of Fair Value through P&L Financial Instruments	(3,153)
10,904	Statutory provision for the financing of capital investment	11,464
1,250	Repayment of Transferred Debt Principal	1,376
4,535	Capital expenditure charged against the General Fund balance.	8,586
(537)	Crystallisation of Financial Instrument revaluation (gains)/losses	0
<b>(9,031)</b>	<b>Sub Total of adjustments affecting Unusable Reserves</b>	<b>(35,875)</b>
<b>(14,316)</b>	<b>Total Adjustments</b>	<b>(35,935)</b>

\* These amounts have been restated as detailed in section 3.39.

### 3.15 Property, Plant and Equipment

The table below shows the movement in the City Council's Property, Plant and Equipment during the year.

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total £000
<b>Cost or Valuation</b>							
<b>01 April 2019</b>	<b>846,500</b>	<b>38,962</b>	<b>435,327</b>	<b>15,982</b>	<b>3,272</b>	<b>80,522</b>	<b>1,420,565</b>
Additions	5,896	4,786	22,306	628	0	49,602	83,218
Revaluation increase/(decreases) to Revaluation Reserve	1,400	0	0	0	0	0	1,400
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(6,975)	0	0	0	252	0	(6,723)
Disposals	(22)	0	0	0	0	0	(22)
Derecognition	(5,583)	0	(12,866)	(1,503)	0	0	(19,952)
Reclassifications	46,355	0	(7)	0	2,050	(46,640)	1,758
<b>31 March 2020</b>	<b>887,571</b>	<b>43,748</b>	<b>444,760</b>	<b>15,107</b>	<b>5,574</b>	<b>83,484</b>	<b>1,480,244</b>
<b>Depreciation and Impairment</b>							
<b>01 April 2019</b>	<b>394,172</b>	<b>31,525</b>	<b>122,556</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>548,271</b>
<b>Depreciation Charge</b>	<b>14,223</b>	<b>1,913</b>	<b>9,256</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,392</b>
Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(6,075)	0	0	0	0	0	(6,075)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
<b>31 March 2020</b>	<b>402,320</b>	<b>33,438</b>	<b>131,812</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>567,588</b>
<b>Net Book Value</b>							
<b>31 March 2020</b>	<b>485,251</b>	<b>10,310</b>	<b>312,948</b>	<b>15,107</b>	<b>5,556</b>	<b>83,484</b>	<b>912,656</b>
<b>01 April 2019</b>	<b>452,328</b>	<b>7,437</b>	<b>312,771</b>	<b>15,982</b>	<b>3,254</b>	<b>80,522</b>	<b>872,294</b>

The table below shows the movement in the City Council's Property, Plant and Equipment during the previous year for comparative purposes.

	Other Land & Buildings *restated £000	Vehicles, Plant & Equip't £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total *restated £000
<b>Cost or Valuation</b>							
<b>01 April 2018</b>	<b>869,919</b>	<b>36,722</b>	<b>426,534</b>	<b>15,972</b>	<b>164</b>	<b>45,578</b>	<b>1,394,889</b>
Additions	7,537	2,240	16,084	436	0	44,124	<b>70,421</b>
Revaluation increase/(decreases) to Revaluation Reserve	6,727	0	0	0	0	0	<b>6,727</b>
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(18,086)	0	0	0	859	0	<b>(17,227)</b>
Disposals	(2,275)	0	0	0	0	0	<b>(2,275)</b>
Derecognition	(24,320)	0	(7,284)	(426)	0	0	<b>(32,030)</b>
Reclassifications	6,998	0	(7)	0	2,249	(9,180)	<b>60</b>
<b>31 March 2019</b>	<b>846,500</b>	<b>38,962</b>	<b>435,327</b>	<b>15,982</b>	<b>3,272</b>	<b>80,522</b>	<b>1,420,565</b>
<b>Depreciation and Impairment</b>							
<b>01 April 2018</b>	<b>399,302</b>	<b>29,030</b>	<b>113,558</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>541,908</b>
Depreciation Charge	16,666	2,495	8,998	0	0	0	<b>28,159</b>
Disposals	0	0	0	0	0	0	<b>0</b>
Depreciation written out to the Revaluation Reserve	(692)	0	0	0	0	0	<b>(692)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(21,104)	0	0	0	0	0	<b>(21,104)</b>
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	<b>0</b>
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	0	0	0	0	0	<b>0</b>
<b>31 March 2019</b>	<b>394,172</b>	<b>31,525</b>	<b>122,556</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>548,271</b>
<b>Net Book Value</b>							
<b>31 March 2019</b>	<b>452,328</b>	<b>7,437</b>	<b>312,771</b>	<b>15,982</b>	<b>3,254</b>	<b>80,522</b>	<b>872,294</b>
<b>01 April 2018</b>	<b>470,617</b>	<b>7,692</b>	<b>312,976</b>	<b>15,972</b>	<b>146</b>	<b>45,578</b>	<b>852,981</b>

\* These amounts have been restated as detailed in section 3.39

Depreciation is a calculation of the amount an asset has decreased in value due to general wear and tear etc. and is provided for on all assets with a determinable finite life (except for land, community assets, heritage 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. The basis upon which depreciation is charged for the different asset types is detailed in the accounting policies, see section 5.7.

### 3.16 Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the authority principally for their contribution to knowledge and culture.

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. These valuations were last updated in 2007 and have not been reassessed during 2019/20 because the cost of carrying this out is considered to outweigh the benefits to users of the financial statements. As such, any change in the amounts recognised reflect additions or disposals rather than revaluations.

The table provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2019 and the carried forward balance on 31st March 2020. There have been no significant or material additions or disposals over the last five years that warrant any further disclosure.

Type of Heritage Assets	31 March 2019 £000	31 March 2020 £000
Transport Museum Collection	6,933	6,933
Scientific	20	20
Clocks	265	265
Arms & Armour	35	35
Textiles	5,035	5,035
Silver	375	375
General	132	139
Natural History	40	40
Works of Art	232	232
Furniture	140	140
Visual Arts	12,438	12,438
Civic Regalia	248	248
<b>Total</b>	<b>25,893</b>	<b>25,900</b>

Heritage assets relate predominantly to the museum collections at The Herbert Art Gallery & Museum, Coventry Transport Museum and other assets situated in the Council House and St Mary's Guildhall which have been categorised in the table above.

Details of the following classification of heritage asset which are most significant in terms of value are:

**Visual Art collection** - The Authority holds a significant collection of paintings which are on display at The Herbert. The collection is reported on the Balance Sheet at insurance valuations based on market values of which the most significant valuations include 'Ebbw Vale' by Lowry, 'King George III' by Lawrence and 'Bacchus and Ariadne' by Giordano and Brueghel.

**Textile Collection** - The Authority holds an extensive collection of textiles which are on display at The Herbert and St Mary's Guildhall. The collection is reported on the Balance Sheet at insurance valuations based on market values of which the most significant valuation relates to the Tournai Tapestry that was commissioned to commemorate the visit of King Henry VII and Queen Elizabeth in 1500.

**Transport Museum Collection** - The Authority holds an extensive transport collection which is on display at The Coventry Transport Museum. The collection is reported on the Balance Sheet at insurance valuations based on market values of which the most significant valuations include the Thrust 2 and Thrust SSC cars. Thrust SSC (supersonic car) is the current world land speed record holder and became the first car to officially break the sound barrier.

Heritage assets have been recognised where the authority has information on the cost or value.

Where the cost or value is not available, and the cost of obtaining the information outweighs the benefits to users of the financial statements, they have not been recognised and are disclosed separately below:

**Monuments** - There are approximately sixty monuments consisting of sculptures, public art, murals and memorials situated around the city that have not been included in the financial statements due to not previously having values for these items. It is the view of the Authority that the cost of obtaining the information outweighs the benefits to users of the financial statements. Three of the most significant monuments of historic importance to Coventry and recognised internationally include:

- **Self Sacrifice**, The Lady Godiva Statue - created in 1944 and installed in Broadgate in 1949.
- **Godiva and Peeping Tom figures Broadgate Clock Tower** - Carved wooden figures which form part of the clock located in Broadgate. Created in 1951 by Trevor Tennant.
- **Broadgate Standard** - Standard containing elephant and castle from City coat of arms. Located in Broadgate and installed in March 1948.

**Artefacts and archaeology relating to the Pottery and Ceramics Industry** - The Authority holds a significant collection of pottery and ceramics at various sites that have been obtained via collection and archaeological finds. None of these collections satisfy the authority's capital de minimis policy and, although they warrant recognition in terms of their contribution to knowledge and culture, this is the reason they are not included in the Balance Sheet. One of the most significant collections of historic importance

to Coventry is the collection from the Lunt Roman Fort which is now located at the Whitefriars site, circa 40 complete or near complete Roman "pots".

**Local History Archive** - Within the History Centre at The Herbert, the Authority holds a wide range of records and material relating to the history of Coventry which includes books, maps, newspapers, electoral registers and building plans.

Further information about the Authority's Acquisition and Disposal Policy for Museum Archives and Local History Collections, including details regarding the preservation and management of assets can be viewed on the council's website ([www.coventry.gov.uk](http://www.coventry.gov.uk)).



### 3.17 Non-Operational Assets

The tables below show the movement in the City Council's Non-Operational Assets during 2019/20, followed by comparative movements for the previous year.

	Investment Property	Assets Held for Sale	Heritage Assets	Under Construction**	Total
	£000	£000	£000	£000	£000
<b>01 April 2019</b>	<b>185,470</b>	<b>2,938</b>	<b>25,893</b>	<b>38,902</b>	<b>253,203</b>
Additions	5,500	0	7	35,768	41,275
Revaluation increase/(decrease) to Revaluation Reserve	98	0	0	0	98
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(1,708)	15,179	0	(50,797)	(37,326)
Disposals	0	(14,727)	0	0	(14,727)
Derecognition	0	0	0	0	0
Reclassifications	3,406	(2,050)	0	(3,114)	(1,758)
<b>31 March 2020</b>	<b>192,766</b>	<b>1,340</b>	<b>25,900</b>	<b>20,759</b>	<b>240,765</b>

	Investment Property *restated	Assets Held for Sale	Heritage Assets	Under Construction**	Total *restated
	£000	£000	£000	£000	£000
<b>01 April 2018</b>	<b>165,407</b>	<b>4,819</b>	<b>25,893</b>	<b>8,903</b>	<b>205,022</b>
Additions	6,873	0	0	29,999	36,872
Revaluation increase/(decrease) to Revaluation Reserve	0	1,066	0	0	1,066
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	17,497	(61)	0	0	17,436
Disposals	0	(2,595)	0	0	(2,595)
Derecognition	(4,246)	(292)	0	0	(4,538)
Reclassifications	(61)	1	0	0	(60)
<b>31 March 2019</b>	<b>185,470</b>	<b>2,938</b>	<b>25,893</b>	<b>38,902</b>	<b>253,203</b>

\* These amounts have been restated as detailed in section 3.39

\*\* All Under Construction Non-Operational Assets are Investment Properties and are included within that category on the Balance Sheet. These are reviewed annually and have been revalued where material differences arise.

The Council changed its approach in 2017/18 so that a higher proportion of its investment properties is revalued each year. As a result, over 80% of investment properties have been revalued. The remaining assets have been subject to a review to ensure that there have been no material changes to their value. There are some property interests held under operating leases that the authority sub-lets. These properties are accounted for as Investment Properties.

Operating expenditure incurred and rental income generated from Investment Property is shown as 'Commercial Property' within the Comprehensive Income and Expenditure Account (section 2.2).

The table below provides a breakdown of Investment Properties. These are all valued at Level 2 of the fair value hierarchy.

Type of Investment Property	31 March 2019 *restated '£000	31 March 2020 £000
Commercial	145,649	150,806
Office Units	18,838	20,357
Agricultural	10,416	10,362
Residential	7,835	8,243
Other	2,732	2,998
<b>Total</b>	<b>185,470</b>	<b>192,766</b>

\* These amounts have been restated as detailed in section 3.39

### 3.18 Capital Expenditure and Capital Financing

The table below shows how capital expenditure was financed in 2019/20 and in the previous year.

2018/19		2019/20
£000		£000
<b>400,518</b>	Opening Capital Financing Requirement	<b>440,275</b>
	<b>Capital Investment</b>	
70,421	Property, Plant and Equipment	83,218
36,872	Investment Properties	41,275
1,340	Intangible Assets	898
25,767	Revenue Expenditure Funded from Capital Under Statute	75,385
10,495	Investments	14,637
2,010	Debtors	660
<b>146,905</b>	<b>Total Capital Investment</b>	<b>216,073</b>
	<b>Sources of Finance</b>	
(10,586)	Capital Receipts	(8,202)
(79,665)	Government Grants and Other Contributions	(132,902)
(4,535)	Revenue Contributions	(8,586)
(10,904)	Revenue Provision for Debt Repayment	(11,464)
(208)	Donated Assets	(204)
(1,250)	Other Adjustments	(1,375)
<b>(107,148)</b>	<b>Total from Sources of Finance</b>	<b>(162,733)</b>
<b>440,275</b>	<b>Closing Capital Financing Requirement</b>	<b>493,615</b>
	<b>Explanation of movement in year</b>	
(10,904)	Revenue Provision for Debt Repayment	(11,464)
(1,115)	Repayment of Transferred Debt Principal	(1,225)
51,911	Capital Investment funded by borrowing	66,178
(135)	Restatement of Historic Debt Liability	(149)
<b>39,757</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>53,340</b>

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£215,867) includes all the items recorded under capital investment above (£216,073k) less new assets recorded as part of the Street Lighting PFI contract (£204k) see section 3.28.

### 3.19 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2015/16 to 2019/20. The effective date of each revaluation is the date that the revaluation was produced.

Year of revaluation	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	0	10,310	312,948	15,107	0	83,484	421,849
Valued at current value as at:							
31st March 2016	4,556	0	0	0	146	0	4,702
31st March 2017	18,973	0	0	0	0	0	18,973
31st March 2018	82,309	0	0	0	0	0	82,309
31st March 2019	78,852	0	0	0	0	0	78,852
31st March 2020	300,561	0	0	0	5,410	0	305,971
<b>Total Cost or Valuation</b>	<b>485,251</b>	<b>10,310</b>	<b>312,948</b>	<b>15,107</b>	<b>5,556</b>	<b>83,484</b>	<b>912,656</b>

Revaluation of Fixed Assets is undertaken within a 5-year rolling programme. This is a re-assessment of asset valuations and has been undertaken by qualified City Council staff in accordance with the "Royal Institute of Chartered Surveyors Appraisal and Valuation Manual". The valuation bases used for the fixed asset classifications are detailed in the accounting policies, see section 5.7. In addition, a review is undertaken by the Council's valuer to determine whether the carrying amount of other assets, not due for valuation as part of the rolling programme, is consistent with their current value.

The valuer has considered both external factors, such as market conditions and changes in the regulatory environment, and internal factors, such as obsolescence and physical damage.

Due to the COVID-19 outbreak and the resulting economic uncertainty the value of the Council's property assets is subject to material uncertainty. Further details of this issue are provided in section 5.2 Significant Assumptions made in estimating Assets and Liabilities.

### 3.20 Capital Commitments

The City Council approved a capital programme for 2019/20 of £195m and a provisional programme of £232m for 2020/21 and £173m for 2021/22. The following are significant contracts legally committed to finish projects already started on 31st March 2020.

Significant Capital Commitments Current Year	Outstanding Commitment £000	Contract Value £000	Date for Completion
Station Masterplan - Phase 2 (Buckingham Group)	21,668	27,024	28/04/2021
Public Realm 5 / City of Culture / Precincts (Eurovia)	11,538	13,781	01/02/2021
Whitley South (Buckingham Group)	6,793	46,528	01/09/2020
Station Masterplan - Foot Bridge & Canopies Construction Costs (Buckingham Group)	5,966	11,462	10/05/2021
Nuneaton Town Centre Transformation (Warwickshire County Council)	3,180	7,500	31/12/2020
A452 Europa Way Corridor (Warwickshire County Council)	2,961	3,600	31/03/2021
Coventry Very Light Rapid Transit - Vehicle Contract University of Warwick	2,323	6,007	31/03/2021
A46 N-S Corridor (Stanks) - (Warwickshire County Council)	2,207	4,100	31/12/2020
Coventry Very Light Rapid Transit - DMBC VLRNIC Retaining Wall (Dudley Metropolitan Council)	1,796	4,330	31/05/2020
City Centre South -Developer Agreement (Shearer Property Group)	1,790	3,204	21/03/2023
City Centre South - Cov Point demolition contractor (CNC Group Holding Ltd)	709	2,756	30/10/2020
Station Masterplan - Foot Bridge & Canopies Asset Protection Agreement (Network Rail)	661	914	10/05/2021
City Centre Destination Leisure Facility (Buckingham Group)	545	29,125	26/09/2020
Alan Higgs 50m Project (Galliford Try)	545	11,470	08/03/2021
Mixed Recycling Facility - development costs (Blooms)	313	956	31/12/2020
Heatline (Engie)	307	1,230	31/03/2021
Mixed Recycling Facility - development costs (Pinsent Masons)	266	351	31/12/2020
Mixed Recycling Facility - development costs (KPMG)	237	350	31/12/2020
<b>Total</b>	<b>63,805</b>	<b>174,688</b>	

### 3.21 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 section 3.35 Associated Company Interests & Holdings.

31 March 2019	Long Term Investments	31 March 2020
£000		£000
57,000	The Coventry and Solihull Waste Disposal Company Limited	57,000
29,252	Birmingham Airport Holdings Limited	17,867
0	Tom White Waste Limited	14,637
10,495	Friargate Joint Venture Project Limited	10,495
11,359	Coombe Abbey Park Limited	7,390
2,703	North Coventry Holdings Limited	2,703
0	UK Battery Industrialisation Centre Ltd	0
0	University of Warwick Science Park Innovation Centre Limited	0
<b>110,809</b>	<b>Total Long Term Investments</b>	<b>110,092</b>

A valuation exercise undertaken jointly with BDO LLP in 2019 valued the Council's shareholding in Birmingham Airport Holdings Limited at £29.3m. A subsequent valuation in 2020 undertaken by BDO LLP has resulted in a reduced valuation of £17.9m.

A valuation exercise undertaken jointly with BDO LLP in 2019 valued the Council's shareholding in the Coventry and Solihull Waste Disposal Company at £57.0m. A subsequent valuation exercise in 2020 again undertaken jointly with BDO LLP has maintained this valuation at £57.0m.

The Council completed the purchase of a 100% shareholding in Coombe Abbey Park Limited in December 2017. The Company owns and operates the Coombe Abbey Hotel which is situated just outside the city boundary. The fair value of the investment was calculated to be £11.4m in 2018/19. An updated valuation exercise in 2020 has reduced the valuation to £7.4m.

The Council purchased 50% of Friargate Joint Venture Project Limited in January 2019. This is a 50/50 joint venture with Friargate Holdings 2 Limited, established to develop new buildings within the Friargate district of the city. The investment is being held at a value of £10.5m consistent with the purchase value of the shareholding.

The Council maintains a shareholding in the University of Warwick Science Park Innovation Centre Limited. This has been valued at nil as at 31st March 2020.

The UK Battery Industrialisation Centre Ltd was incorporated in February 2018 and the Council is currently the sole shareholder. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group. The City Council

has initially purchased the land and most of the equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency and the West Midlands Combined Authority. Activity within the company has been minimal to date and it is held at nil value as at 31<sup>st</sup> March 2020.

In March 2020 the Council purchased Tom White Waste Limited, a company which provides a commercial waste collection service in the local area. The purpose of the acquisition is to complement the Council's existing in-house waste services. The investment is being held at a value of £14.6m consistent with the purchase value of the shareholding.

See the note on Associated Company Interests & Holdings for details of the Council's investment in North Coventry Holdings Limited and further details regarding the Council's other company interests.

### 3.22 Long Term Debtors

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

Long term debtors include a number of different types of financial assets, including loans provided for service purposes and debtors arising from finance lease disposals. Under IFRS9 debtors are accounted for as either at amortised cost or fair value through profit and loss, with the former being assessed for impairment.

31 March 2019		Long Term Debtors		31 March 2020	
£000		Gross Debtor £000	Impairment £000	Net Debtor £000	
5,040	Friargate LLP	5,310	(11)	5,299	
4,324	City College Car Park	4,124	(13)	4,111	
3,789	Belgrade Plaza	3,787	0	3,787	
0	Coventry and Solihull Waste Disposal Company Limited	3,598	0	3,598	
4,004	Coombe (2013)	3,554	(9)	3,545	
1,137	CAWAT	1,110	(13)	1,097	
1,023	Binley Innovation Centre	1,066	(43)	1,023	
706	Residential Property Debts	648	0	648	
600	Coombe (2018)	643	0	643	
0	CWRT- Duplex Facility	410	0	410	
222	Belgrade Theatre	208	0	208	
118	Mortgages	88	0	88	
110	Museum of British Road Transport	81	0	81	
67	Housing Loans	67	0	67	
5	Coventry North Regeneration Limited	5	0	5	
2	Car Loans	2	0	2	
100	Culture Coventry Trust - Pension	0	0	0	
186	Culture Coventry Trust - Revolving Loan	0	0	0	
<b>21,433</b>	<b>Total held at amortised cost</b>	<b>24,701</b>	<b>(89)</b>	<b>24,612</b>	
£000		Gross Debtor £000	Revaluation £000	Net Debtor £000	
3,098	Kickstart	1,845	1,206	3,051	
352	Pathways to Care Loans	300	95	395	
<b>3,450</b>	<b>Total held at fair value through profit and loss</b>	<b>2,145</b>	<b>1,301</b>	<b>3,446</b>	
<b>24,883</b>	<b>Total Long Term Debtors</b>	<b>26,846</b>	<b>1,212</b>	<b>28,058</b>	

### 3.23 Short Term Debtors

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

31 March 2019				Debtors Classification	31 March 2020			
Debtor	Payment In Advance	Impairment Allowance	Total		Debtor	Payment In Advance	Impairment Allowance	Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
15,289	0	0	<b>15,289</b>	Central Government Bodies	13,868	0	0	<b>13,868</b>
4,934	13	0	<b>4,947</b>	Other Local Authorities	13,524	394	0	<b>13,918</b>
1,810	0	0	<b>1,810</b>	NHS Bodies	3,434	0	0	<b>3,434</b>
0	0	0	<b>0</b>	Public Corporations	0	0	0	<b>0</b>
46,788	9,841	(12,493)	<b>44,136</b>	All Other Bodies	44,643	16,182	(13,993)	<b>46,832</b>
17,123	0	(7,435)	<b>9,688</b>	Debts Relating to Local Taxation	18,440	0	(11,230)	<b>7,210</b>
<b>85,944</b>	<b>9,854</b>	<b>(19,928)</b>	<b>75,870</b>	<b>Total Debtors</b>	<b>93,909</b>	<b>16,576</b>	<b>(25,223)</b>	<b>85,262</b>

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2019			Debts Relating to Local Tax	31 March 2020		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000s	£000s	£000s		£000s	£000s	£000s
3,982	1,172	5,154	Less than one year	2,870	1,166	4,036
1,450	427	1,877	1-2 years	1,170	183	1,353
2,013	176	2,189	2-6 years	1,469	62	1,531
468	0	468	More than 6 years	290	0	290
<b>7,913</b>	<b>1,775</b>	<b>9,688</b>	<b>Total</b>	<b>5,799</b>	<b>1,411</b>	<b>7,210</b>

### 3.24 Short Term Creditors

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

31 March 2019			Creditors Classification	31 March 2020		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
£000s	£000s	£000s		£000s	£000s	£000s
(12,707)	(1,589)	<b>(14,296)</b>	Central Government Bodies	(8,258)	(13,904)	<b>(22,162)</b>
(402)	(86)	<b>(488)</b>	Other Local Authorities	(3,870)	(98)	<b>(3,968)</b>
(3,343)	(5)	<b>(3,348)</b>	NHS Bodies	(1,454)	(60)	<b>(1,514)</b>
(15)	0	<b>(15)</b>	Public Corporations	0	0	<b>0</b>
(42,551)	(7,708)	<b>(50,259)</b>	All Other Bodies	(42,529)	(10,472)	<b>(53,001)</b>
(601)	(5,381)	<b>(5,982)</b>	Credits Relating to Local Taxation	(519)	(4,299)	<b>(4,818)</b>
<b>(59,619)</b>	<b>(14,769)</b>	<b>(74,388)</b>	<b>Total Creditors</b>	<b>(56,630)</b>	<b>(28,833)</b>	<b>(85,463)</b>

### 3.25 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that it 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 2019/20 is explained below:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
<b>31 March 2019</b>	<b>(5,440)</b>	<b>(8,500)</b>	<b>(335)</b>	<b>(14,275)</b>
Increase in provision	(1,025)	(7,495)	0	(8,520)
Amounts used	0	812	0	812
Unused amounts reversed	0	483	69	552
<b>31 March 2020</b>	<b>(6,465)</b>	<b>(14,700)</b>	<b>(266)</b>	<b>(21,431)</b>

The split between short and long term provisions, as at 31st March 2020, is provided in the following table:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
Short Term Provisions	0	(1,653)	(21)	<b>(1,674)</b>
Long Term Provisions	(6,465)	(13,047)	(245)	<b>(19,757)</b>
<b>Total</b>	<b>(6,465)</b>	<b>(14,700)</b>	<b>(266)</b>	<b>(21,431)</b>

The Council's provision for its self-insurance liability is based upon the large majority of its known insurance claims. The provision is used when insurance claims require settlement, the timing of which is uncertain. The Council also maintains an insurance earmarked reserve that is set aside for claims that have been incurred but not yet received as detailed within the note on usable and unusable reserves.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2019/20 and earlier financial years although the amount and timing of future payments are uncertain. The Business Rates provision has increased in 2019/20 due mostly to the low level of appeals/net downward liability movements for the last two years, reflecting the move to the new check/challenge/appeal system, which has constrained large movements.

### 3.26 Other Funds

The City Council administers several funds that have been established from donations, contributions and bequests. The funds are set up to achieve specific objectives and are consolidated within the Council's accounts. The following table provides details of the balances held in these funds.

Other Funds	31 March 2019	31 March 2020
	£000	£000
<b>Trust Funds:</b>		
Tenant Contributions	(1,581)	(1,629)
Social Services Client Funds	(149)	(166)
<b>Trust Funds Total</b>	<b>(1,730)</b>	<b>(1,795)</b>
Developer Contributions(e.g s106)	(18,785)	(16,871)
PFI refinancing gain	0	(1,225)
Other, including bequests and charity donations	(754)	(1,429)
<b>Overall Total</b>	<b>(21,269)</b>	<b>(21,320)</b>
<b>Of which:</b>		
Short Term Creditors	(11,313)	(11,539)
Other Long Term Liabilities	(9,957)	(9,781)

## 3.27 Notes to the Cash Flow

The Surplus or Deficit on the Provision of Services has been adjusted for the following non-cash movements:

2018/19 *restated £000	Adjustments for Non Cash Movements	2019/20 £000
(28,159)	Depreciation	(25,391)
(36,568)	Derecognition of Non-current Assets	(16,289)
21,311	Revaluation of Non-current Assets	(37,973)
(1,340)	Amortisation	(898)
1,301	(Increase)/ Decrease in Impairment Provision for Bad Debts	(1,499)
(14,029)	(Increase)/ Decrease in Creditors and Provisions	(18,056)
18,202	Increase/ (Decrease) in Debtors	10,326
136	Increase/ (Decrease) in Inventory	(62)
(63,817)	Pension Liability	(54,713)
(646)	Other Non Cash items charged to Net Surplus or Deficit on Provision of Services	(36)
<b>(103,609)</b>	<b>Total</b>	<b>(144,591)</b>

\* These amounts have been restated as detailed in section 3.39.

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

2018/19 £000	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2019/20 £000
74,380	Net Application of grants to capital financing	132,842
(3,889)	Council Tax & Business Rates Adjustments	482
<b>70,491</b>	<b>Total</b>	<b>133,324</b>

2018/19 £000	Cash Flows from Investing Activities	2019/20 £000
108,633	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	125,390
176,734	Purchase of Short Term and Long Term Investments	629,273
12,505	Other Payments for Investing Activities	15,293
(4,870)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(14,749)
(183,721)	Proceeds from Short Term and Long Term Investments	(629,416)
(77,943)	Other Receipts from Investing Activities	(146,394)
<b>31,338</b>	<b>Total</b>	<b>(20,603)</b>

2018/19 £000	Cash Flows from Financing Activities	2019/20 £000
53,876	Repayments of Short and Long Term Borrowing	134,536
2,670	Cash Payment for Reduction of outstanding liability relating to Finance Lease & on Bal Sheet PFI Contract	2,532
(66,662)	Cash Receipts of Short and Long Term Borrowing	(135,565)
15	Net Other Payment and Receipts for Financing Activities	7
3,889	Council Tax and NNDR Adjustments	(482)
<b>(6,212)</b>	<b>Total</b>	<b>1,028</b>

All changes in liabilities arising from financing activities are a result of financing cash flows. No such changes relate to non-cash movements.

The cash flows for operating activities include the following items:

2018/19 £000	Cash Flows from Interest and Dividends	2019/20 £000
(2,857)	Interest received	(3,635)
19,537	Interest paid	17,519
(9,191)	Dividends received	(8,561)
<b>7,489</b>	<b>Total</b>	<b>5,323</b>

The balance of Cash and Cash Equivalents is made up of the following elements:

2018/19 £000	Breakdown of Cash and Cash Equivalents	2019/20 £000
(32)	Cash held by the council	(54)
(26,164)	Bank current accounts	(17,664)
(425)	On call deposits	(6,875)
<b>(26,621)</b>	<b>Total</b>	<b>(24,593)</b>

### 3.28 Private Finance Initiative (PFI)

PFI is an arrangement 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.

These PFI arrangements have been classified and accounted for as 'service concessions' under IFRIC 12, recognising finance leases under IAS 17 'Leases'.

The Council's contracts under PFI arrangements are outlined in this disclosure note.

#### **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.

In February 2013 Caludon Castle School transferred to Academy Status, with the lease of the site to the school. This transfer did not result in any fundamental changes to the PFI contract itself. However, as a result of the transfer the value of the school's land and buildings was removed (as an impairment) from the Council's balance sheet.

The Council is due to receive PFI grants of £56.3m from central government over the period of this contract.

In 2019/20 expenditure on unitary charge payments to the contractor was £3,200k, compared with £3,152k in 2018/19. In each of these years £1,875k of PFI grant was received, giving a net cost of £1,325k in 2019/20 (£1,277k in 2018/19). The school contribution was £654k in 2019/20 (£667k in 2018/19). The unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2020/21	1,550	634	597	2,781
2021/22 - 2024/25	6,514	2,608	1,883	11,005
2025/26 - 2029/30	9,720	3,077	776	13,573
2030/31 - 2034/35	9,306	3,811	(241)	12,876
<b>Total</b>	<b>27,090</b>	<b>10,130</b>	<b>3,015</b>	<b>40,235</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 underperformance and non-availability.

The liability held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2019/20 are shown in the tables below.

<b>Loans</b>	<b>£000</b>
<b>Liability brought forward</b>	<b>(10,842)</b>
Unitary Charge (Lease repayment)	712
<b>Liability carried forward (breakdown below)</b>	<b>(10,130)</b>
Long term liability	(9,496)
Current liability	(634)

### **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 five sites were 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 entered into a 25 year contract with Anchor Trust.

The Council is due to receive PFI grants of £43.5m from central government over the period of this contract.

In 2019/20 expenditure on unitary charge payments to the contractor was £7,485k, compared with £7,308k in 2018/19. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

<b>Year</b>	<b>Service Charge</b>	<b>Repayment of Liability</b>	<b>Interest Charge</b>	<b>Total Unitary Charge</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
2020/21	5,718	416	1,560	7,694
2021/22 - 2024/25	21,279	4,357	7,213	32,849
2025/26 - 2029/30	32,946	6,120	7,084	46,150
2030/31 - 2032/33	16,170	3,846	2,738	22,754
<b>Total</b>	<b>76,113</b>	<b>14,739</b>	<b>18,595</b>	<b>109,447</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 underperformance and non-availability.

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2019/20 are shown in the tables below.

<b>Operational Assets Other Land &amp; Buildings</b>		<b>£000</b>
<b>Cost or Valuation</b>		
Brought forward		21,758
Adjustment to brought forward position		0
Carried forward		21,758
<b>Depreciation and Impairments</b>		
Brought forward		(14,855)
Revaluation		(177)
Carried forward		(15,032)
<b>Balance Sheet carried forward</b>		<b>6,726</b>
<b>Balance Sheet brought forward</b>		<b>6,903</b>
<b>Long Term Loans</b>		
		<b>£000</b>
<b>Liability brought forward</b>		<b>(15,310)</b>
Unitary Charge (Lease repayment)		571
<b>Liability carried forward (breakdown below)</b>		<b>(14,739)</b>
Long term liability		(14,323)
Current liability		(416)

At the end of the contract (June 2032) the facilities and sites will transfer back to the Council at nil consideration

### **Street Lighting PFI Contract**

In August 2010 the City Council entered into a PFI contract with Balfour Beatty (Connect Roads Coventry Limited) for the provision of street lighting services. The contract provides for the replacement and maintenance of street lights and similar equipment across the city, together with the associated energy costs, for a period of 25 years. The Council is due to receive PFI grants of £124.3m from central government over the period of this contract.

In 2019/20 expenditure on unitary charge payments to the contractor was £7,791k, compared with £7,927k in 2018/19. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

In 2019 the Council, in conjunction with other stakeholders, re-financed the Street Lighting PFI Contract, with an overall saving to the Council of £1.9m over the remainder of the contract, with this being split between an ongoing reduction in the unitary charge of £46.5k and a one-off sum of £1,200k. The one-off sum is being credited as a reduction in interest payment costs over the term of the contract.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2020/21	1,938	1,358	4,129	7,425
2021/22 - 2024/25	9,619	5,789	15,018	30,426
2025/26 - 2029/30	13,058	11,552	15,201	39,811
2030/31 -2034/35	14,332	18,814	8,882	42,028
2035/36	1,742	2,823	517	5,082
<b>Total</b>	<b>40,689</b>	<b>40,336</b>	<b>43,747</b>	<b>124,772</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 underperformance and non-availability.

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within are shown in the tables below.

Operational Assets - Infrastructure	£000
<b>Cost or Valuation</b>	
Brought forward	50,453
Initial recognition - Donated Asset	204
Carried forward	50,657
<b>Depreciation and Impairments</b>	
Brought forward	(6,879)
Adjustment to brought forward position	0
Charged this year	(1,354)
Carried forward	(8,233)
<b>Balance Sheet carried forward</b>	<b>42,424</b>
<b>Balance Sheet brought forward</b>	<b>43,574</b>

Long Term Loans	£000
<b>Liability brought forward</b>	<b>(41,585)</b>
Adjustment to brought forward position	0
Unitary Charge (Lease repayment)	1,249
<b>Liability carried forward (breakdown below)</b>	<b>(40,336)</b>
Long term liability	(38,978)
Current liability	(1,358)

Donated Assets Account	£000
<b>Donated Assets account brought forward</b>	<b>(1,447)</b>
Donated Assets recognised in year	(204)
Credited to Comprehensive Income & Expenditure account	85
<b>Donated Assets account carried forward</b>	<b>(1,566)</b>

At the end of the contract (October 2035), the infrastructure assets will transfer back to the Council at nil consideration.

## 3.29 Leases

### Authority as Lessee

#### Finance Leases

The Authority has acquired a number of properties, vehicles, plant and IT equipment under finance leases. The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

	31 March 2019 £000	31 March 2020 £000
Other Land and Buildings	2,426	2,065
Vehicles, Plant, Furniture and Equipment	0	0
	<b>2,426</b>	<b>2,065</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2019 £000	31 March 2020 £000
Finance lease liabilities :		
- current	0	0
- non-current	0	0
Finance costs payable in future years	12,036	11,886
<b>Minimum Lease Payments</b>	<b>12,036</b>	<b>11,886</b>

The minimum lease payments will be payable over the following periods:

	31 March 2019 £000	31 March 2020 £000
Not later than one year	202	228
Later than one year and not later than five years	807	833
Later than five years	11,027	10,825
	<b>12,036</b>	<b>11,886</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 there were no contingent rents payable by the Authority.

### Operating Leases

The Authority also has a number of properties, vehicles, plant and IT equipment under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2019 £000	31 March 2020 £000
Not later than one year	82	67
Later than one year and not later than five years	105	132
Later than five years	87	64
	<b>274</b>	<b>263</b>

### Authority as Lessor

#### Finance Leases

The Authority have gross investments in leases, made up of the minimum lease payments expected to be received over the remaining terms and the residual values anticipated for the properties when the leases comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the properties acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtors remain outstanding. The gross investments are made up of the following amounts:

	31 March 2019 £000	31 March 2020 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	203	246
- non-current	8,124	11,508
Unearned finance income	26,670	27,869
Unguaranteed residual value of property	0	0
<b>Gross Investment in the lease</b>	<b>34,997</b>	<b>39,623</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	31 March 2019 £000	31 March 2020 £000
Not later than one year	630	703
Later than one year and not later than five years	2,519	2,697
Later than five years	31,848	36,223
	<b>34,997</b>	<b>39,623</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20, contingent rents receivable by the Authority totalled £88k.

### Operating Leases

The Authority leases out land and buildings to third parties under operating leases. The minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2019 £000	31 March 2020 £000
Not later than one year	9,915	11,040
Later than one year and not later than five years	28,907	33,648
Later than five years	323,871	321,846
<b>Total</b>	<b>362,693</b>	<b>366,534</b>

### 3.30 Pension Costs

The Council currently participates in three post-employment pension schemes on behalf of its employees: the West Midlands Metropolitan Authorities Pension Fund in relation to the majority of Council employees; the NHS Pensions Scheme of which a small number of adult social care and public health employees are members; and the Teachers' Pension Scheme which covers Teachers employed by the Council.

The Council's pension deficit increased slightly in 2019/20. When compared to the total value of everything the Council owns, the overall pension deficit remains a significant matter for consideration. Further details on pension liabilities are provided in note 3.31.

#### **Officers**

The overall position on pensions has required increases in Local Government Pension scheme pension contributions from employers and employees nationally. Coventry City Council has made year-on-year increases in employer pension contributions since 2014/15. Although these increases continue to represent extra costs to the Council, these are being managed within its overall budget and mean that the financial position of the authority remains sound.

In 2017/18 the City Council made an upfront payment of £93,300k to cover employer contributions up to and including 2019/20. The amount that would have been paid without this upfront payment was £37,818k, (£36,877k in 2018/19), representing 27.3% of employees'

pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. The contributions were set in line with local government pension regulations, following the actuarial review by Barnett Waddingham LLP as at March 2016.

The Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2019/20, this amounted to £677k (£1,909k in 2018/19).

The stated pension position includes an estimate of the potential impact of the Court of Appeal judgement regarding the McCloud and Sargeant cases relating to age discrimination within the judicial and fire pension schemes respectively.

This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service. Further information can be found in West Midlands Metropolitan Authorities Pension Fund's Annual report, which is available upon request from the Pension Fund.

#### **Teaching Staff**

In 2019/20, the City Council paid £11,338k (£9,059k in 2018/19) to the Department for Education (DfE) for teachers' pension costs, which represents 23.68% (rate increased from 1<sup>st</sup> September 2019 – previously 16.48%) of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension

contributions. In 2019/20, these amounted to £2,310k (£2,379k in 2018/19).

The Scheme is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts, it is therefore accounted for on the basis as a defined contribution scheme. It is expected that the level of contributions during the next annual reporting period will be £11,500k although the actual level would be significantly affected in the event of transfers of schools to academy status.

#### **NHS Staff**

Staff who work for the public health service which transferred to the City Council on 1st April 2013 may be members of the NHS Pension Scheme, which is administered by the NHS Business Services Authority. 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 costs charged to the accounts are the employer's contributions payable to NHS Pension Scheme. In 2019/20 the City Council paid £30k to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£28k in 2018/19), which represents 20.68% of pensionable pay.

### 3.31 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. Barnett Waddingham LLP, the current 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. The stated pensions position includes an estimate of the potential impact of the Court of Appeal judgement regarding the McCloud and Sargeant cases relating to age discrimination within the judicial and fire pension schemes respectively.

#### Summary of Outcome

The overall increase in the deficit is analysed as follows:

2018/19			2019/20		
LGPS	Teachers	Total	LGPS	Teachers	Total
£000	£000	£000	£000	£000	£000
(510,135)	(32,110)	<b>(542,245)</b>	(524,204)	(29,701)	<b>(553,905)</b>
(46,301)	0	<b>(46,301)</b>	(52,220)	0	<b>(52,220)</b>
1,967	2,379	<b>4,346</b>	2,005	2,324	<b>4,329</b>
0	0	<b>0</b>	0	0	<b>0</b>
31,235	0	<b>31,235</b>	29,263	0	<b>29,263</b>
(44,174)	(742)	<b>(44,916)</b>	(41,721)	(628)	<b>(42,349)</b>
51,385	772	<b>52,157</b>	36,420	(308)	<b>36,112</b>
(7,630)	0	<b>(7,630)</b>	7,061	0	<b>7,061</b>
(551)	0	<b>(551)</b>	(797)	0	<b>(797)</b>
<b>(524,204)</b>	<b>(29,701)</b>	<b>(553,905)</b>	<b>(544,193)</b>	<b>(28,313)</b>	<b>(572,506)</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 LGPS deficit increased slightly within 2019/20 and there were some significant movements within the outcome which can largely be explained as follows:

- A decrease in the discount rate which creates a liability increase. Every time there is a decrease in discount rates it drives up the value of pension benefits and increases current service costs.
- A decrease in salary and pension increase assumptions which reduces future liabilities.
- A reduction in the value of the schemes' assets due to the current financial climate
- Continuing benefit of an upfront payment of £93,300k made by the City Council to the Pension Fund in April 2017 which covered the next 3 years pension contributions

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 teachers' pensions relating to added years when the pensions are actually paid.

The cost of retirement benefits is recognised 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 as part of the Adjustments between Accounting Basis and Funding Basis under Regulations.

The following transactions have been made in the Income and Expenditure Account and as Adjustments between Accounting Basis and Funding Basis under Regulations:

LGPS £000	2018/19 Teachers £000	Total £000		LGPS £000	2019/20 Teachers £000	Total £000
<b>Net Cost of Services</b>						
46,301	0	46,301	Current Service Cost	52,220	0	52,220
0	0	0	Past Service Costs (Gain)	0	0	0
7,630	0	7,630	Settlements and curtailments	(7,061)	0	(7,061)
551	0	551	Administration Expenses	797	0	797
<b>54,482</b>	<b>0</b>	<b>54,482</b>	<b>Net Cost of Services sub-total</b>	<b>45,956</b>	<b>0</b>	<b>45,956</b>
<b>Financing and Investment Income and Expenditure</b>						
44,174	742	44,916	Interest cost	41,721	628	42,349
(31,235)	0	(31,235)	Expected return on scheme assets	(29,263)	0	(29,263)
<b>12,939</b>	<b>742</b>	<b>13,681</b>	<b>Net Interest Cost</b>	<b>12,458</b>	<b>628</b>	<b>13,086</b>
<b>67,421</b>	<b>742</b>	<b>68,163</b>	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>58,414</b>	<b>628</b>	<b>59,042</b>
<b>Other Post Employment Benefit Charged to CIES</b>						
(51,385)	(772)	(52,157)	Re-measurements	(36,420)	308	(36,112)
<b>16,036</b>	<b>(30)</b>	<b>16,006</b>	<b>Total Post Employment Benefit Charged to the CIES</b>	<b>21,994</b>	<b>936</b>	<b>22,930</b>
<b>Movement in Reserves Statement</b>						
(67,421)	(742)	(52,157)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(58,414)	(628)	(59,042)
<b>Actual amount charged against the General Fund for pensions in the year:</b>						
1,967	0	1,967	Employers contributions payable to scheme	2,005	0	2,005
	2,379	2,379	Retirement benefits payable to pensioners		2,324	2,324

The cumulative amount of re-measurements recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2020 is a loss of £25.5m.

**Reconciliation of fair value of the scheme (plan) assets:**

<u>Local Government Pension Scheme</u>	<u>2018/19</u>	<u>2019/20</u>
	<u>£000</u>	<u>£000</u>
Opening balance at 1st April	1,248,504	1,245,807
Expected rate of return	31,235	29,263
Re-measurements	14,137	(18,694)
Employer contributions	1,967	2,005
Contributions by scheme participants	8,313	8,931
Benefits paid	(56,651)	(57,230)
Settlements	(1,147)	(6,100)
Administration Expenses	(551)	(797)
<b>Closing balance at 31st March</b>	<b>1,245,807</b>	<b>1,203,185</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a £10.6m gain (compared to a £45.4m gain in 2018/19).

**Reconciliation of present value of the scheme liabilities (defined benefit obligation):**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	2018/19 £000	2019/20 £000
<b>LGPS &amp; Teachers</b>		
Opening Balance at 1st April	1,790,749	1,799,712
Current Service Cost	46,301	52,220
Interest Cost	44,916	42,349
Contributions from scheme participants	8,313	8,931
Remeasurement (gains) and losses:		
(Gain)/loss arising from changes in financial assumptions	61,429	(176,194)
(Gain)/loss arising from changes in demographic assumptions	(99,449)	55,751
Experience (gain)/loss	0	65,637
Past service cost	0	0
Losses/(gains) on curtailment	11,863	184
Liabilities assumed on entity combinations	0	0
Benefits paid	(59,030)	(59,554)
Liabilities extinguished on settlements	(5,380)	(13,345)
Closing balance at 31st March	1,799,712	1,775,691

**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 factors such as mortality rates and salary levels.

The main assumptions used in the actuarial calculation are:	31st March 2019	31st March 2020
Rate of CPI inflation	2.40%	1.90%
Rate of increase in salaries	3.90%	2.90%
Rate of increase in pensions	2.40%	1.90%
Discount rate	2.40%	2.35%
<b>Mortality Assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
Men	20.9	21.9
Women	23.2	24.1
<b>Longevity at 65 for future pensioners in 20 years time</b>		
Men	22.6	23.8
Women	25.0	26.0

The defined benefit obligation is an estimate and as such is sensitive to the actuarial assumptions in the table above. The table below is a sensitivity analysis based on possible changes to these assumptions. The sensitivity analysis assumes that for each change in assumption, all of the other assumptions remain constant.

<b>Sensitivity Analysis - LGPS</b>				
<b>Adjustments to Discount Rate</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,713,938	1,747,378	1,781,503
Projected Service Cost	£000	51,645	53,000	54,391
<b>Adjustment to long term salary increase</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,750,172	1,747,378	1,744,606
Projected Service Cost	£000	53,026	53,000	52,974
<b>Adjustment to Pension increases &amp; deferred valuation</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,778,827	1,747,378	1,716,531
Projected Service Cost	£000	54,371	53,000	51,664
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	£000	1,825,238	1,747,378	1,673,079
Projected Service Cost	£000	54,733	53,000	51,322
<b>Sensitivity Analysis - Unfunded Teachers</b>				
<b>Adjustments to Discount Rate</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	28,050	28,313	28,579
<b>Adjustment to Pension increases &amp; deferred valuation</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	28,580	28,313	28,049
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	£000	29,652	28,313	27,036

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

<b>Asset Categories</b>	<b>31st March 2019</b>		<b>31st March 2020</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Equities</b>	736,341	59.1%	684,908	56.9%
<b>Bonds</b>	167,685	13.5%	190,129	15.8%
<b>Property</b>	105,812	8.5%	107,018	8.9%
<b>Cash/Liquidity</b>	39,454	3.2%	43,180	3.6%
<b>Other</b>	196,515	15.8%	177,950	14.8%
<b>Total</b>	<b>1,245,807</b>		<b>1,203,185</b>	

As a result of the impact of Covid-19 on the global financial markets, the valuation of the Pension Fund's investment properties is reported on the basis of material valuation uncertainty. The Council's/Authority's share of these assets is £79m.

### 3.32 Officers' Remuneration (including exit packages)

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

The Council is required to disclose the number of employees whose remuneration during 2018/19 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions) and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

2018/19				2019/20				
Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total	Remuneration Band	Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total
38	13	27	78	£50,000 - £54,999	49	2	64	115
26	7	28	61	£55,000 - £59,999	21	1	21	43
17	4	16	37	£60,000 - £64,999	25	1	20	46
13	8	14	35	£65,000 - £69,999	12	3	12	27
13	1	7	21	£70,000 - £74,999	11	0	13	24
1	1	4	6	£75,000 - £79,999	9	0	6	15
3	0	4	7	£80,000 - £84,999	2	0	4	6
3	0	2	5	£85,000 - £89,999	1	0	6	7
1	0	1	2	£90,000 - £94,999	1	0	3	4
0	0	1	1	£95,000 - £99,999	0	0	3	3
0	0	4	4	£100,000 - £104,999	0	0	0	0
0	0	2	2	£105,000 - £109,999	0	0	4	4
0	0	3	3	£110,000 - £114,999	0	0	1	1
0	0	1	1	£115,000 - £119,999	0	0	4	4
0	0	0	0	£125,000 - £129,999	0	0	1	1
0	0	0	0	£135,000 - £139,999	0	0	1	1
0	0	0	0	£140,000 - £144,999	0	0	1	1
0	0	1	1	£155,000 - £159,999	0	0	1	1
0	0	1	1	£170,000 - £174,999	0	0	0	0
0	0	0	0	£190,000 - £194,999	0	0	1	1
0	0	1	1	£195,000 - £199,999	0	0	0	0
0	0	0	0	£545,000 - £549,000	0	0	1	1
<b>115</b>	<b>34</b>	<b>117</b>	<b>266</b>	<b>Total</b>	<b>131</b>	<b>7</b>	<b>167</b>	<b>305</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; benefits in kind; expenses allowances; compensation for loss of employment; and pension contributions (employer's contributions and any other emoluments). The tables below provide the required disclosure:

Management Board and Statutory Post Holders	Salary Inc Fees & Allowances	Loss of Office	Pension Contributions Note 4.	Total Remuneration	
2019/20	£	£	£	£	Notes
Chief Executive - Martin Reeves	214,769	0	38,658	253,427	6
Deputy Chief Executive (Place) - Martin Yardley	151,991	395,110	26,559	573,660	1. & 5.
Deputy Chief Executive (People) - Gail Quinton	158,868	0	28,596	187,464	5
Director of Health & Well-Being (Director of Public Health)	107,183	0	15,413	122,596	
Director of Finance and Corporate Services (Section 151 Officer)	125,597	0	22,607	148,204	
Director of Law and Governance (Monitoring Officer)	90,445	0	16,280	106,725	
Director of Children's Services (DCS)	117,001	0	21,065	138,066	2.
Director of Adults Services (DAS)	114,784	0	20,661	135,445	2.
Director of Human Resources	67,919	0	12,225	80,144	3.
<b>TOTAL</b>	<b>1,148,557</b>	<b>395,110</b>	<b>202,064</b>	<b>1,745,731</b>	

Management Board and Statutory Post Holders	Salary Inc Fees & Allowances	Loss of Office	Pension Contributions Note 4.	Total Remuneration	
2018/19	£	£	£	£	
Chief Executive - Martin Reeves	197,340	0	35,521	232,861	6
Deputy Chief Executive (Place) - Martin Yardley	160,654	0	27,237	187,891	1. & 5.
Deputy Chief Executive (People) - Gail Quinton (DCS & DAS)	172,711	0	30,703	203,414	5
Director of Health & Well-Being (Director of Public Health)	103,002	0	14,812	117,814	
Director of Finance and Corporate Services (Section 151 Officer)	117,619	0	21,171	138,790	
City Solicitor & Monitoring Officer	84,007	0	15,121	99,128	
<b>TOTAL</b>	<b>835,333</b>	<b>0</b>	<b>144,565</b>	<b>979,898</b>	

#### Notes

1. Deputy Chief Executive (Place) left the Council in March 2020 and the loss of office amount represents the early retirement cost of this decision to the Council.
2. The posts of Director of Children's Services (DCS) and Director of Adults Services (DAS) Services are now included in the this table to recognise the legal responsibilities that have been assigned to these posts.
3. Director of Human Resources joined the Council in July 2019.
4. Pension contributions, for both years, have been recalculated using the Primary Rate.
5. These officers received additional payments in 2018/19 related to back dated pay awards.
6. In 19/20 the CEO, Martin Reeves, received fees for his role as Acting Returning Officer at the General, Local and EU elections.

### Exit Packages

The Council is required to disclose details of exit packages paid to employees. These include redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Exit package cost band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£000	£000
£0 - £20,000	13	8	63	48	76	56	411	303
£20,001 - £40,000	2	2	3	3	5	5	142	136
£40,001 - £60,000	1	1	1	0	2	1	112	41
£60,001 - £80,000	1	1	0	0	1	1	78	68
£80,001 - £100,000	0	2	0	0	0	2	0	184
£100,000 - £150,000	0	1	0	0	0	1	0	129
£350,001 - £400,000	0	0	0	1	0	1	0	395
<b>Total cost inc in bandings</b>	<b>17</b>	<b>15</b>	<b>67</b>	<b>52</b>	<b>84</b>	<b>67</b>	<b>743</b>	<b>1,256</b>

### 3.33 Members' Allowances

The Council paid the following amounts to members during the year:

Financial Year	2018/19	2019/20
	£000s	£000s
Basic Allowances	747	752
Other Allowances	282	313
Expenses	2	2
<b>Total</b>	<b>1,031</b>	<b>1,067</b>

### 3.34 Financial Instruments

Financial instruments include both assets and liabilities.

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost, comprising: cash; fixed term deposits; loans provided for service purposes; corporate bonds; trade and lease receivables.
- Fair value through other comprehensive income (FVOCI), comprising: shares held in certain companies.
- Fair value through profit and loss, comprising: money market funds, pooled bond, equity and property funds and loans provided where the cash flows are not solely payments of principal and interest.

The financial liabilities held by the Council during the year are measured at amortised cost and comprise: long-term loans from the Public Works Loan Board and commercial lenders; short-term loans from other local authorities; lease payables; Private Finance Initiative contracts detailed in note 3.28 and trade payables for goods and services received.

The Balance Sheet includes the following categories of financial instruments:

	Long Term		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
<b>Financial Liabilities</b>				
<b>Loans at Amortised Cost</b>				
- principal sum borrowed	240,465	240,464	58,012	60,426
- accrued interest	0	0	3,636	3,078
<b>Total Borrowing</b>	<b>240,465</b>	<b>240,464</b>	<b>61,648</b>	<b>63,504</b>
<b>Other Long Term Liabilities at amortised cost:</b>				
- PFI arrangements	65,205	62,797	2,532	2,408
- Transferred Debt	11,674	10,161	1,392	1,514
<b>Total Financial Liabilities (excluding creditors)</b>	<b>317,344</b>	<b>313,422</b>	<b>65,572</b>	<b>67,426</b>
Creditors	0	0	42,551	42,529

	Long Term		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
<b>Financial Assets</b>				
<b>At amortised Cost</b>				
- Principal sum invested	0	0	6,916	10,020
- Accrued interest	0	0	25	131
- Loss allowance	0	0	0	0
<b>At Fair Value through other comprehensive income</b>				
- Principal at amortised cost	0	0	0	0
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
- Equity investments elected FVOCI	110,809	110,092	0	0
<b>At Fair Value through profit &amp; loss</b>				
- Fair value	0	0	30,344	27,094
<b>Total Investments</b>	<b>110,809</b>	<b>110,092</b>	<b>37,285</b>	<b>37,245</b>
<b>At amortised Cost</b>				
- Principal sum invested	0	0	26,196	19,168
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
<b>At Fair Value through profit &amp; loss</b>				
- Fair value	0	0	425	5,425
<b>Total Cash &amp; Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>26,621</b>	<b>24,593</b>
<b>At amortised Cost</b>				
- Trade receivables	0	0	43,104	43,386
- Lease receivables	0	0	0	0
- Loans made for service purposes	21,359	24,384	3,647	1,247
- Accrued Interest	0	0	37	43
- Loss allowance	(122)	(89)	0	(33)
<b>At Fair Value through profit &amp; loss</b>				
- Fair value	3,449	3,447	0	0
<b>Included in Debtors</b>	<b>24,686</b>	<b>27,742</b>	<b>46,788</b>	<b>44,643</b>
<b>Total Financial Assets</b>	<b>135,495</b>	<b>137,834</b>	<b>110,694</b>	<b>106,481</b>

	Long Term Debtors	Short Term Debtors	Short Term Creditors
	31 March 2019	31 March 2019	31 March 2019
	£000	£000	£000
Included in Financial Instruments	24,686	46,788	42,551
Other Debtors/Creditors	197	29,082	31,837
<b>Total</b>	<b>24,883</b>	<b>75,870</b>	<b>74,388</b>

  

	Long Term Debtors	Short Term Debtors	Short Term Creditors
	31 March 2020	31 March 2020	31 March 2020
	£000	£000	£000
Included in Financial Instruments	27,742	44,643	42,529
Other Debtors/Creditors	316	40,619	42,934
<b>Total</b>	<b>28,058</b>	<b>85,262</b>	<b>85,463</b>

Current borrowings and investments represent amounts due to be settled within 12 months, including accrued interest. In 2019/20 borrowing costs of £2,460k on qualifying assets were capitalised (£1,410k in 2018/19).

The Council has elected to account for a number of investments as equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance:

	Fair Value		Cumulative Gain/(Loss) in FIRR		Dividends	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000	£000	£000
<b>Shareholdings:</b>						
Birmingham Airport Holdings Limited	29,252	17,867	17,602	6,217	1,616	1,641
Coventry and Solihull Waste Disposal Company Limited	57,000	57,000	57,000	57,000	7,040	6,920
Coombe Abbey Park Limited	11,359	7,390	2,212	(1,757)	500	0
Friargate JV Project Limited	10,495	10,495	0	0	0	0
North Coventry Holdings Limited	2,703	2,703	2,703	2,703	0	0
Coventry North Regeneration Limited	0	0	0	0	0	0
University of Warwick Science Park Innovation Centre Limited	0	0	(154)	(154)	0	0
UK Battery Industrialisation Centre Ltd	0	0	0	0	0	0
Tom White Waste Limited	0	14,637	0	0	0	0
<b>Total</b>	<b>110,809</b>	<b>110,092</b>	<b>79,363</b>	<b>64,009</b>	<b>9,156</b>	<b>8,561</b>

As part of the adoption of IFRS 9 Financial Instruments with effect from 1st April 2018 the Council elected to present changes in the fair value of pooled investment funds within Other Comprehensive Income. However, it has subsequently been determined that this designation was not permitted and that the changes must be reported at fair value through profit and loss. This has necessitated a prior period restatement as detailed in section 3.39. The cumulative loss on these pooled funds as at 31st March 2020 totalled £3,185k.

The 2019/20 Comprehensive Income and Expenditure Statement include the following amounts in relation to financial instruments:

	Financial Liabilities		Financial Assets		Total £000
	Amortised Cost	Amortised Cost	Elected to fair value through OCI	Fair Value through Profit & Loss	
	£000	£000	£000	£000	
<b>Financial Assets</b>					
Interest expense	17,519	0	0	0	17,519
Impairment losses	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>17,519</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,519</b>
Interest & Dividend Income	0	(2,116)	(8,561)	(1,519)	(12,196)
Gains on Derecognition	0	0	0	0	0
Gains from changes in Fair Value	0	0	0	(83)	(83)
Impairment loss reversals	0	(2,040)	0	0	(2,040)
<b>Interest and investment income</b>	<b>0</b>	<b>(4,156)</b>	<b>(8,561)</b>	<b>(1,602)</b>	<b>(14,319)</b>
<b>Net Impact on Surplus/deficit on provision of services</b>	<b>17,519</b>	<b>(4,156)</b>	<b>(8,561)</b>	<b>(1,602)</b>	<b>3,200</b>
Gains on revaluation	0	(271)	0	0	(271)
Losses on revaluation	0	0	15,354	3,236	18,590
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>(271)</b>	<b>15,354</b>	<b>3,236</b>	<b>18,319</b>
<b>Net (gain) / loss for the year</b>	<b>17,519</b>	<b>(4,427)</b>	<b>6,793</b>	<b>1,634</b>	<b>21,519</b>

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value, which for most assets is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2020, using the following methods and assumptions:

- for Public Works Loan Board (PWLB) and other local authority loans using the appropriate market rate for such loans as at 31<sup>st</sup> March 2020.
- for "Lenders Option Borrower's Option" market loans (LOBOs) and Stock Issue loans, using the appropriate interest rate swap added to the value of any embedded options.
- for PFI and finance leases using the appropriate corporate bond rate
- for other long term loans and investments using market rates for similar instruments and with similar maturity terms
- for shares, taking into account the company's net assets and expected future profits
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months, including trade payables and receivables, the carrying amount is assumed to approximate fair value.

Fair values are shown below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value Level	31 March 2019		31 March 2020	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial Liabilities at amortised cost</b>					
▪ PWLB	2	199,448	288,250	192,626	305,355
▪ Market Loans	2	38,566	63,647	38,570	71,572
▪ Stock Issue	2	12,245	17,463	12,248	16,657
▪ Other Local Authorities	2	64,487	66,404	71,772	73,077
▪ PFI	2	67,737	122,000	65,205	108,299
▪ Short Term Creditors	N/A	42,551	42,551	42,529	42,529
▪ Other	N/A	433	433	426	426
<b>Total Liabilities</b>		<b>425,467</b>	<b>600,748</b>	<b>423,376</b>	<b>617,915</b>
<b>Financial Assets at fair value:</b>					
▪ Money Market Funds	1	425	425	6,875	6,875
▪ Collective Investment Funds	1	30,392	30,392	27,117	27,117
▪ Corporate and Government Bonds	1	6,894	6,894	0	0
▪ Shares in Unlisted Companies	3	110,809	110,809	110,092	110,092
▪ Long Term Debtors	3	3,449	3,449	3,447	3,447
<b>Financial Assets at amortised cost:</b>					
▪ Short Term Cash Deposits	N/A	0	0	10,000	10,000
▪ Long Term Debtors	3	21,236	25,661	24,295	31,336
▪ Short Term Debtors	N/A	46,788	46,788	44,643	44,643
▪ Bank Accounts	N/A	10,622	10,622	4,719	4,719
<b>Total Financial Assets</b>		<b>230,615</b>	<b>235,040</b>	<b>231,188</b>	<b>238,229</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 fair value figures for PWLB, Market Loans & Stock Issue above have been calculated by the Council's treasury advisors, Arlingclose. The loan stock, which is listed on the London Stock Exchange, totals £12.004m, is at a fixed interest rate of 8.25% and is due to mature for repayment on 5th January 2026. The fair value figure for PFI has been calculated in house, using an Arlingclose calculator. Fair value figures for Other Local Authority, Creditors & Other Liabilities are all calculated in house.

Financial assets and liabilities categorised as Level 3 are:

- Shares in unlisted companies, as included in note 3.21. Fair value is calculated by applying a market based discount rate or multiplier to the forecast earnings set out in the financial plans of the companies. A 5% variation in earnings would alter the value of the shares by £5.0m.
- Long term loans to companies, as included in note 3.22. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2020. A 1% variation in the discount rate would alter the value of the loans by £3.0m.

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 management 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 and loans provided by the Council.

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 2019/20 this required that deposits were only made with banks, building societies & corporate bonds with a high quality credit rating (minimum A- long term). In addition, as at 31st March 2020 the policy limited the maximum that can be deposited with an institution at any point in time to £20m. Under the Treasury Management Strategy, the Section 151 officer 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 arising from deposits made with banks and financial institutions, based on experience of default and un-collectability over the last five financial years, adjusted to reflect the current market conditions.

	Long Term		Short Term	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
AAA	0	0	425	6,875
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	0	4,719
A-	0	0	17,515	10,000
BBB+	0	0	0	0
Unrated Local Authorities	0	0	0	0
Unrated Building Societies	0	0	0	0
Unrated Pooled Funds	0	0	30,000	30,000
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>47,940</b>	<b>51,594</b>

The deposits set out above as at 31st March 2020 were held with financial institutions domiciled in the following countries:

Country	£000
United Kingdom	46,594
Ireland	5,000
<b>Total</b>	<b>51,594</b>

Pooled property and equity funds are included in the above tables for completeness but are subject to price risk, as referred to later in this note.

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.

Credit risk on long term debtors including service loans, is assessed through the review of the risk of default and the level of loss given the occurrence of a default, taking into account collateral. Where available, and where relevant, the following information is used to assess the risk of default:

- financial and other information about the particular debtor, including statutory accounts, credit rating and forward looking business planning data;
- the extent to which contract payments are overdue;
- recovery or repayment plans where payments are overdue;
- the wider local and national context.

Write off is considered only where it is assessed that the amount will be not be paid, taking into account any recovery plans.

Financial instruments are assessed at each balance sheet date to assess whether credit risk has increased significantly since recognition and the previous balance sheet date. Where it is deemed that the credit risk has not increased significantly or that the risk is low, then loss allowances are calculated as 12 month expected credit losses, based on the likelihood of a credit loss event occurring in the following 12 months. Otherwise loss allowances are calculated based on the expected lifetime credit losses.

The Council manages the credit risk arising from its loans for service purposes, together with any loan commitments in line with the Commercial Investment Strategy.

The authority does not generally allow credit for trade debtors. Loss allowances are calculated by reference to the historic cost of default, viewed on collective basis. £5,743k of the £44,643k trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	3,145
Three to six months	726
Six months to one year	697
More than one year	1,175
<b>Total</b>	<b>5,743</b>

### Liquidity Risk

As the authority has ready access to borrowings from the 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:

Maturity of Financial Liabilities	31/03/2019	31/03/2020
	£000	£000
Less than one year	58,972	61,934
Between one and two years	1,513	1,664
Between two and five years	15,251	15,802
Between six and ten years	16,656	14,441
More than ten years	218,718	218,718
<b>Total</b>	<b>311,110</b>	<b>312,559</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, accrued interest on loans and liabilities in respect of PFI and Finance Leases.

LOBO loans are included in the maturity analysis of financial liabilities based on their actual contractual maturity date, rather than the earliest date on which the lender can opt to increase the interest rate. In the event of the lender increasing the interest rate the City Council can opt to repay the loan. A total of £38m of such loans are held, £10m of which the lenders have interest review options at up to annual intervals, and £28m at 5 yearly intervals, from May 2015. 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 interest income in the Income and Expenditure Account will rise.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. 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 pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

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 value of variable interest rate exposure to £84.5m in 2019/20. 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.

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 strategy, at 31st March 2020, a 1% variation in interest rates would not have a material impact on variable rate borrowings, investments or government grant receivable for financing costs.

However, a 1% increase in interest rates would result in a decrease in the fair value of fixed rate borrowing liabilities of £57.4m. This movement would be equal and opposite for a 1% fall in interest rates.

**Price Risk**

The Council's investment in pooled property funds is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £16.5m. A 5% fall in commercial property prices at 31<sup>st</sup> March 2020 would result in a £595k (2019 £638k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Financial Instrument Revaluation Reserve.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £13.5m. A 5% fall in equity prices at 31<sup>st</sup> March 2020 would result in a £280k (2019 £374k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Financial Instrument Revaluation Reserve.

In addition, the Council has shareholdings to the value of £110m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value 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 value 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 value of shares will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general value of shares (positive or negative) would thus have resulted in a gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2018/19.

**Foreign Exchange Risk**

The Council still holds €11,172k (€18,871k 2018/19) which were purchased at an exchange change rate of 1.1657 euros to the pound. The purchase was made to enable certainty of project costs when paying suppliers in euros for UK Battery Industrialisation Centre (UKBIC) equipment. The full cost of the purchase of euros was reimbursed by Innovate UK who are the funders for the UKBIC project.

Due to the funding from Innovate UK the authority has no exposure to loss arising from movements in exchange rates.

### 3.35 Associated Company Interests & Holdings

The City Council maintains investments and/or interests 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 3.21.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
		<b>31st March 2019 Audited</b>	<b>31st March 2020</b>
<b>Birmingham Airport Holdings Limited (Company Registration Number: 03312673)</b>			
The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares. The City Council owns : 5.8% of the 324m ordinary shares £1.8 million preference shares 6% of the 1000 C Class shares of 0.01p	Net Assets	123,787	Not Available
	Profit before taxation	32,091	Not Available
	Profit after taxation	25,703	Not Available
		<b>31st December 2018 Audited</b>	<b>31st December 2019 Unaudited</b>
<b>Coombe Abbey Park Limited (Company Registration Number 02700383)</b>			
The principal activity of the company is the running of Coombe Abbey Hotel, Brinklow Road, Coventry.  The City Council acquired 100% of the shares in the company on 22nd December 2017 .	Net Assets	5,994	Not Available
	Profit (loss) before taxation	495	Not Available
	Profit (loss) after taxation	495	Not Available
		<b>31st March 2019 Audited</b>	<b>31st March 2020 Audited</b>
<b>Coventry North Regeneration Limited (Company Registration Number: 04523598)</b>			
NCH holds 100% of the shares in Coventry North Regeneration Limited (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.  The company's principal activity was to build the Ricoh Arena. The Arena, combines a sports stadium, conference and exhibition space, hotel, casino and other leisure and community facilities.  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	Net Assets	0	0
	Profit (loss) before taxation	0	0
	Profit (loss) after taxation	0	0

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>The Coventry and Solihull Waste Disposal Company Limited (Company Registration Number: 02690488)</b>		<b>31st March 2019 Audited</b>	<b>31st March 2020 Unaudited</b>
The company's business is the disposal of waste. It is jointly owned by Coventry City Council and Solihull Metropolitan Borough Council with Warwickshire County Council and Leicestershire County Council holding a minor limited rights shareholding at nil value. The company is included in Coventry's group accounts as a joint venture as voting rights are shared equally with Solihull MBC.	Net Assets	22,329	23,613
	Profit before taxation	11,980	14,257
	Profit (loss) after taxation	9,668	11,383
The City Council owns: 66% of the ordinary share capital.			
<b>Culture Coventry (Registration Number: 08359113)</b>		<b>31st March 2019 Audited</b>	<b>31st March 2020</b>
The merger of Coventry Transport Museum and The Herbert Art Gallery Museum was completed in August 2013. Culture Coventry is the new Charitable Trust set up to run both museums and is also responsible for running the Lunt Roman Fort and the Priory Visitor Centre.	Net Assets	2,748	Not Available
	Net incoming/(outgoing) resources	(787)	Not Available
Under IFRS10 The Council is deemed to exert significant influence over Culture Coventry. On this basis Culture Coventry is treated as an associate of the Council but has not been included within the Group Accounts on the grounds of materiality.			
<b>Friargate JV Project Limited (Company Registration Number 11730348)</b>		<b>31st March 2019</b>	<b>31st March 2020</b>
The Company was set up in January 2019 to develop new buildings in the Friargate district of the City. This is a 50/50 joint venture with Friargate Holdings 2 Limited - private limited company	Net Assets/(liabilities)	20,002	Not Available
	Profit (loss) before taxation	2	Not Available
	Profit (loss) after taxation	2	Not Available
The City Council purchased a 50% share in the company for £10m			

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>North Coventry Holdings Limited (Company Registration Number: 04931967)</b>		<b>31st March 2019</b>	<b>31st March 2020</b>
		<b>Audited</b>	<b>Audited</b>
The Council holds 100% of the shares in North Coventry Holdings Limited (NCH) 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.	Net Assets	2,737	2,753
	Profit (loss) before taxation	14	19
	Profit (loss) after taxation	11	15
NCH's main activity is to hold 100% shares in Coventry North Regeneration Limited (CNR) . NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.			
Copies of NCH's accounts can be acquired from: Company Secretary, North Coventry Holdings Limited, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			
<b>University of Warwick Science Park Business Innovation Centre Limited (Company Registration Number: 03616665)</b>		<b>31st Jul 2018</b>	<b>31st Jul 2019</b>
		<b>Audited</b>	<b>Audited</b>
This company was established by the University of Warwick Science Park, CCC and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.	Net Assets/(liabilities)	(514)	(439)
	Profit (loss) before taxation	229	74
	Profit (loss) after taxation	229	74
The City Council holds: Just under 20% (value £2,000) of the ordinary share capital. £152,166 of preference share capital and £1,066,471 of 7% debentures.			
<b>UK Battery Industrialisation Centre Ltd (Company Registration Number 11227726 and UK BIC Ltd (Company Registration Number 11218387)</b>		<b>31st December 2018</b>	<b>31st December 2019</b>
The purpose of the companies is to set up and run the National Battery Development Facility.	Net Assets/(liabilities)	259	Not Available
	Profit (loss) before taxation	0	Not Available
	Profit (loss) after taxation	0	Not Available
The City Council is currently the sole shareholder with 1 share with a nominal value of £1 in each company.			
<b>Tom White Waste Limited (Company Registration Number 1201361)</b>		<b>31st March 2019</b>	<b>31st March 2020</b>
The principal activity of the company is waste management and recycling.	Net Assets/(liabilities)	6,037	Not Available
	Profit (loss) before taxation	1,202	Not Available
	Profit (loss) after taxation	907	Not Available
The City Council acquired 100% of the shares in the company on 5th March 2020			

Where not specifically stated above, copies of company accounts can be obtained directly from Companies House.

### 3.36 Events after the Balance Sheet Date

The audited Statement of Accounts was authorised for issue by the Director of Finance on 26 June 2020. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and the notes have been adjusted to reflect the impact of this information.

#### COVID-19 Pandemic

During the last quarter of 2019/20 the COVID-19 pandemic resulted in the imposition of lockdown measures in many countries, although for the UK the strictest measures did not come into effect until 23 March. The 2019/20 impact of lockdown on the Council's finances was relatively modest. The Comprehensive Income and Expenditure Statement includes £2.8 million of additional costs incurred in 2019/20 in relation to COVID-19 and the other main implication for the 2019/20 accounts relates to the valuation of the Council's financial instruments. These have been valued with the future impact of COVID-19 being a key consideration and the value recorded as at 31 March in these accounts reflects the conditions at that date. The financial impact is expected to be significant for 2020/21 and the Council's latest estimate of this for 2020/21 and beyond is c£35m.

#### Pensions Payment

On 29th April 2020 the Council made a payment of £98m to the West Midlands Pension Fund. This represents the Council's estimated employer pension contributions in respect of both current and past service which will fall due over the three years from 2020/21 to 2022/23. The level of contributions due follows an actuarial review by the Fund's actuary Barnett Waddingham.

The Council has negotiated with the Fund to pay these contributions via a discounted one-off

payment although in accounting terms this will be spread over three years. This payment will reduce the Council's long term pension liability and in each of the years 2020/21 to 2022/23 a contribution of c£33m will be made from the General Fund to the Pension Reserve. Where required, further contributions will be made if the actual amount of current service costs in any year exceeds this amount.

The up-front payment reduces the Council's level of cash balances, held in the form of short-term treasury investments and is one of the factors causing the Council to undertake some short-term borrowing. The discounted payment to the Pension Fund will enable the Council to achieve a better financial return than it achieves through its treasury activity.

#### Birmingham Airport

Together, the 7 West Midland authorities own 49% of Birmingham Airport Holdings Limited (BAHL), and vote in one block at meetings. Coventry holds 5.8% of BAHL's ordinary shares with a reported fair value of £17.9 million as at 31 March 2020.

Subsequent to the balance sheet date, the COVID-19 pandemic and continued related Government restrictions on travel have had a significant impact on BAHL's trading. BAHL have proactively reduced cashflows, and therefore still retains a strong liquidity position.

Going forward, BAHL forecasts to retain a satisfactory cash balance, but will not comply with the June 2021 covenants relating to the financing arrangements, unless passenger volumes and revenues recover quickly. The impact of the Coronavirus pandemic on BAHL's ability to meet its covenant tests, and to take corrective measures

should it not be able to do so, is a material uncertainty for BAHL that may cast significant doubt on its ability to continue as a going concern.

BAHL shareholders, including the 7 West Midland authorities collectively, have stated their intention to engage in further discussion should tangible support be required. Such corrective action could have a significant impact on the valuation of the Council's investment in BAHL.

### 3.37 Contingent Liabilities and Assets

#### **Contingent Liabilities**

##### **University Hospital Mandatory Business Rates Relief**

The Council received a letter in February 2016 sent on behalf of University Hospitals Coventry and Warwickshire NHS Trust requesting mandatory Business Rates relief for University Hospital. The appeal for relief replicates similar claims made to other local authorities across the country. If the relief were to be granted this would represent an on-going impact on Business Rates revenue in excess of £2m with potential for a back-dated element of c£25m. This would affect the Council and might also impact the West Midlands Combined Authority although the precise split of potential financial liability would depend on the future structure of the local government finance system and the existing 100% Business Rates Pilot.

At a national level, the total level of claims is thought to be sufficient to represent a significant impact on the wider funding model for local government, especially if there was a risk that claims could be extended to other similar or related properties.

The Council has taken legal advice, organised through the Local Government Association and following this has responded to the claim, stating that it does not regard there to be an entitlement to relief. Given the current nature of the proceedings the Council believes that there are strong grounds for rejecting the claim and it has not been reflected as a provision in these accounts. However, because it remains possible that the claim is

upheld and because the potential costs are so large, it is appropriate to record the matter as a contingent liability.

##### **Friargate Bridgedeck Claw-Back**

As a result of a European Court of Auditors (ECA) audit on European Regional Development Fund (ERDF) spend on Friargate Bridge-deck the Council could face potential claw-back of ERDF grant. The key risk lies with the ECA's challenge over the validity of the procurement process, although having accessed a Highways England procurement framework, a widely used national procurement route, the Council maintains that it has observed the correct process in this regard. The Council continues to receive support for its case from the Ministry of Housing, Communities and Local Government.

Following the audit, the Council has submitted supporting paperwork justifying its position and the matter is subject to an ongoing dialogue. The Council's continued stance is that the claw-back argument is also based on a flawed understanding of the procurement process, form of contract and the contract management process in relation to grant funding claimed on the project. No current liability has been demonstrated and there is no indication of the size of any potential claw-back. However, given that the overall value of ERDF Bridgedeck expenditure amounts to £3.5m it is appropriate to record this as a contingent liability.

### 3.38 Collection Fund Statement and Notes

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 central government, the Police (West Midlands Police and Crime Commissioner) and Fire (West Midlands Fire and Rescue Authority). The difference between these two amounts is then a surplus or a deficit which is shared between the Council, central government, and the Police and Fire organisations.

2018/19			2019/20			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>						
0	(148,998)	(148,998)	Council Tax Receivable	0	(157,504)	(157,504)
(120,608)	0	(120,608)	Business Rates Receivable	(126,770)	0	(126,770)
2,994	0	2,994	Transitional Relief	2,149	0	2,149
<b>(117,614)</b>	<b>(148,998)</b>	<b>(266,612)</b>	<b>Total Income</b>	<b>(124,621)</b>	<b>(157,504)</b>	<b>(282,125)</b>
<b>EXPENDITURE: Precepts, Demands &amp; Shares</b>						
116,592	127,253	243,845	Coventry City Council	115,876	135,192	251,068
0	10,389	10,389	West Midlands Police	0	12,723	12,723
1,178	4,755	5,933	West Midlands Fire	1,170	5,054	6,224
<b>117,770</b>	<b>142,397</b>	<b>260,167</b>	<b>Total: Precepts, Demands &amp; Shares:</b>	<b>117,046</b>	<b>152,969</b>	<b>270,015</b>
<b>Distribution of previous years' surplus/deficit</b>						
129	0	129	Central Government	0	0	0
(395)	5,116	4,721	Coventry City Council	(2,050)	7,032	4,982
0	397	397	West Midlands Police	0	574	574
(3)	195	192	West Midlands Fire	(21)	263	242
<b>(269)</b>	<b>5,708</b>	<b>5,439</b>	<b>Total: Distribution of previous years Surplus/(Deficit)</b>	<b>(2,071)</b>	<b>7,869</b>	<b>5,798</b>
<b>117,501</b>	<b>148,105</b>	<b>265,606</b>	<b>TOTAL EXPENDITURE</b>	<b>114,975</b>	<b>160,838</b>	<b>275,813</b>
<b>Charges to Collection Fund</b>						
707	1,507	2,214	Less: Write offs uncollectable amounts	1,860	1,282	3,142
351	425	776	Less: Increase/(Decrease) in Bad Debt Provision	231	4,094	4,325
213	0	213	Less: Increase/(Decrease) in Appeals Provision	6,263	0	6,263
375	0	375	Less: Costs of Collection	377	0	377
<b>1,646</b>	<b>1,932</b>	<b>3,578</b>	<b>Total Charges to Collection Fund</b>	<b>8,731</b>	<b>5,376</b>	<b>14,107</b>
<b>1,533</b>	<b>1,039</b>	<b>2,572</b>	<b>(Surplus)/Deficit Arising During Year</b>	<b>(915)</b>	<b>8,710</b>	<b>7,795</b>
252	(11,072)	(10,820)	(Surplus)/Deficit b/fwd	1,785	(10,033)	(8,248)
<b>1,785</b>	<b>(10,033)</b>	<b>(8,248)</b>	<b>(Surplus)/Deficit c/fwd</b>	<b>870</b>	<b>(1,323)</b>	<b>(453)</b>
<b>Commitments</b>						
(2,071)	7,869	5,798	Surplus/(Deficit) committed in future year's budget setting	(26)	2,164	2,138
<b>(286)</b>	<b>(2,164)</b>	<b>(2,450)</b>	<b>Excess (Surplus)/Deficit c/fwd to following year's tax setting.</b>	<b>844</b>	<b>841</b>	<b>1,685</b>

### **Income and Expenditure Account**

The Collection Fund is a statutory account, which receives income from the Council Tax and Business Rates from which payments are made to the City Council's General Fund, the Police and Crime Commissioner for the West Midlands, the West Midlands Fire Authority and Central Government. These payments represent, for Council Tax, the amounts requested by each organisation at the beginning of the year to fund their net budgets and, for Business Rates, the amounts determined by the nationally set multiplier and the local Business Rates tax base and split by pre-determined percentages.

### **Income from Business Rates**

The City Council collects rates from local businesses on behalf of Central Government. The Government determines the level of rates payable, which was 50.4p per £ of rateable value (49.3p in 2018/19). The Valuation Office Agency sets the rateable value of each property and the total was £318,565,753 at 31st March 2020 (£318,680,248 at 31st March 2019). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. In addition to an impairment allowance for doubtful debts, to meet the anticipated impact of debts being written off, there is also a provision for the estimated future liability amendments due to appeals. Details of the movement in these provisions are provided within the tables later in this section.

### **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 obligations. 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 98.3%. The total number of dwellings on the valuation list is 142,287 of which 7,373 are exempt. Details of the Tax Base calculation are shown in the table below:

<b>Valuation Band</b>	<b>Number of Dwellings subject to tax</b>	<b>Band D Equivalent</b>
Band A entitled to disabled relief	142	62.4
A	53,818	27,053.6
B	40,608	24,842.2
C	22,700	16,083.9
D	9,340	7,524.0
E	4,590	4,577.1
F	2,256	2,670.6
G	1,357	1,864.0
H	103	164.6
<b>Total</b>	<b>134,914</b>	<b>84,842.4</b>
Estimated eventual collection rate		98.3%
Total Council Tax Base Band D 2019/20		83,400.1
Total Council Tax Base Band D 2018/19		80,815.4

**Provisions and Write Offs**

Level of Provisions & Write Offs	Business Rates Impairment allowance	Council Tax Impairment allowance	Business Rates Appeals Provision *
	for doubtful debts	for doubtful debts	
	£000	£000	£000
<b>Provision Brought forward</b>	<b>(2,725)</b>	<b>(5,301)</b>	<b>(8,585)</b>
Written off in year	1,860	1,282	820
Increase/Decrease in provision	(2,091)	(5,376)	(7,083)
<b>Provision Carried Forward</b>	<b>(2,956)</b>	<b>(9,395)</b>	<b>(14,848)</b>

\* The provision figures provided in section 3.25 include 99% of the Appeals Provision figures shown in the table above. This is the City Council's share of the Business Rates balances.

**Gross Debtors**

	Business Rates	Council Tax
	£000	£000
<b>Gross Debtors brought forward</b>	<b>4,518</b>	<b>14,156</b>
<b>Gross Debtors carried forward</b>	<b>4,382</b>	<b>15,956</b>

**Precepts and Demands on the Collection Fund**

The amounts accrued into the precepting organisations' own accounts are detailed below:

2018/19		2019/20		
Total	Council Tax	Precept	Share of surplus / (deficit)	Total
£000		£000	£000	£000
131,404	Coventry City Council	135,192	(743)	134,449
10,752	West Midlands Fire Service	12,723	(180)	12,543
4,910	West Midlands Police	5,054	81	5,135
<b>147,066</b>	<b>Total</b>	<b>152,969</b>	<b>(842)</b>	<b>152,127</b>

2018/19		2019/20			
Total	Business Rates	Precept	Share of surplus / (deficit)	Top-up/(Tariff)	Total
£000		£000	£000	£000	£000
255	Central Government	0	0	0	0
106,697	Coventry City Council	115,876	(1,144)	(17,916)	96,816
1,160	West Midlands Fire Service	1,170	(12)	0	1,158
<b>108,112</b>	<b>Total</b>	<b>117,046</b>	<b>(1,156)</b>	<b>(17,916)</b>	<b>97,974</b>

### 3.39 Prior Period Restatement

Prior period restatements have been required as a result of three changes:

- 1st Change – The segmental categories used for the Cost of Services have been altered to reflect the Council's management structure which was revised during 2019/20.
- 2nd Change – As part of the adoption of IFRS 9 Financial Instruments with effect from 1st April 2018 the Council elected to present changes in the fair value of pooled investment funds within Other Comprehensive Income. However, it has subsequently been determined that this designation was not permitted and that the changes must be reported as fair value through profit and loss.
- 3<sup>rd</sup> Change – A review of asset valuations has identified that a number of adjustments were required to the 31<sup>st</sup> March 2019 brought forward balances and valuation movements during 2018/19.

The impact of these changes on the Council's main statements is set out in detail below.

**1st Change** - The following table provides the details of the impact of this change on the restated 2018/19 gross expenditure and gross income amounts in the Comprehensive Income and Expenditure Statement (section 2.2).

<b>2018/19 Cost of Services</b>	<b>2018/19 Structure</b>	<b>2019/20 Structure</b>	<b>Impact of Restatement</b>	<b>2018/19 Structure</b>	<b>2019/20 Structure</b>	<b>Impact of Restatement</b>
<b>Service Segment</b>	<b>Gross Expenditure</b>	<b>Gross Expenditure</b>	<b>Gross Expenditure</b>	<b>Gross Income</b>	<b>Gross Income</b>	<b>Gross Income</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Public Health	25,704	25,704	0	(23,642)	(23,642)	0
People Directorate Management	1,598	1,598	0	(126)	(126)	0
Education and Skills	226,899	229,658	2,759	(200,536)	(202,759)	(2,223)
Children and Young People's Services	81,485	81,485	0	(10,787)	(10,787)	0
Adult Social Care	123,777	124,016	239	(45,885)	(46,062)	(177)
Housing & Transformation	19,344	16,270	(3,074)	(3,741)	(2,581)	1,160
Human Resources	0	3,075	3,075	0	(1,161)	(1,161)
Place Directorate Management	5,338	5,338	0	(732)	(732)	0
Business, Investment & Culture	36,186	34,465	(1,721)	(6,842)	(4,216)	2,626
Transportation & Highways	32,723	32,723	0	(14,783)	(14,783)	0
Streetscene & Regulatory Services	48,708	48,592	(116)	(15,619)	(15,619)	0
Project Management and Property Services	7,730	6,568	(1,162)	(2,102)	(2,328)	(226)
Finance & Corporate Services	121,071	121,071	0	(114,451)	(114,451)	0
Contingency and Central Budgets	24,060	24,060	0	(18,333)	(18,332)	1
<b>Total</b>	<b>754,623</b>	<b>754,623</b>	<b>0</b>	<b>(457,579)</b>	<b>(457,579)</b>	<b>0</b>

**2<sup>nd</sup> Change** – The following tables provide details of the impact of this change on the restated Finance and Investment Income and Expenditure, and Other Comprehensive Income and Expenditure amounts in the Comprehensive Income and Expenditure Statement (sections 2.2 and 3.1) and the Movement in Reserves Statement (section 2.3).

Category of Income or Expenditure	2018/19 Net Expenditure		
	Original	Impact of restatement	Restated
	£000	£000	£000
(Gain)/loss on revaluation of financial instruments	(1,218)	965	(253)
<b>Finance and Investment Income and Expenditure</b>	<b>9,621</b>	<b>965</b>	<b>10,586</b>
(Gain)/loss on revaluation of financial instruments	(4,419)	(965)	(5,384)
<b>Sub-total of other comprehensive Income and Expenditure</b>	<b>(62,835)</b>	<b>(965)</b>	<b>(63,800)</b>

	Financial Inst. Revaluation Reserve			Pooled Investment Funds Adjustment Account		
	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
	£000	£000	£000	£000	£000	£000
<b>31st March 2018</b>	<b>(75,610)</b>	<b>1,016</b>	<b>(74,594)</b>	<b>0</b>	<b>(1,016)</b>	<b>(1,016)</b>
Total Comprehensive Income and Expenditure	(4,419)	(965)	(5,384)	0	0	0
Adjustments between Accounting Basis and Funding Basis under Regulations	537	0	537	0	965	965
<b>Net (Increase)/ Decrease</b>	<b>(3,882)</b>	<b>(965)</b>	<b>(4,847)</b>	<b>0</b>	<b>965</b>	<b>965</b>
<b>31st March 2019</b>	<b>(79,492)</b>	<b>51</b>	<b>(79,441)</b>	<b>0</b>	<b>(51)</b>	<b>(51)</b>

**3<sup>rd</sup> Change** – The following tables provide details of the impact of this change on the main statements. The details are shown as further adjustments following those made as a result of the 1<sup>st</sup> and 2<sup>nd</sup> changes detailed above.

### Comprehensive Income & Expenditure Statement

2018/19

Service segment	Gross Expenditure Original	Impact of restatement	Restated	Net Expenditure Original	Impact of restatement	Restated
	£000	£000	£000	£000	£000	£000
Education and Skills	229,658	(10,316)	219,342	26,899	(10,316)	16,583
Project Management and Property Services	6,568	435	7,003	4,240	435	4,675
Finance & Corporate Services	121,071	0	121,071	6,620	0	6,620
Contingency and Central Budgets	24,061	(9,199)	14,862	5,728	(9,199)	(3,471)
<b>Cost of Services</b>	<b>754,624</b>	<b>(19,080)</b>	<b>735,544</b>	<b>297,044</b>	<b>(19,080)</b>	<b>277,964</b>
(Gain)/Loss on Disposal of Fixed Assets				17,985	1,152	19,137
<b>Other Operating Expenditure</b>				<b>32,786</b>	<b>1,152</b>	<b>33,938</b>
(Gain)/loss on revaluation of non current assets				(6,259)	(2,226)	(8,485)
<b>Sub-total of other comprehensive Income and Expenditure</b>				<b>(63,800)</b>	<b>(2,226)</b>	<b>(66,026)</b>
<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>				<b>(48,308)</b>	<b>(20,154)</b>	<b>(68,462)</b>

Movement in Reserves 2018/19	Capital Adjustment Account			Revaluation Reserve		
	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
	£000	£000	£000	£000	£000	£000
<b>31st March 2018</b>	<b>(499,833)</b>	<b>0</b>	<b>(499,833)</b>	<b>(194,404)</b>	<b>0</b>	<b>(194,404)</b>
Total Comprehensive Income and Expenditure	0	0	0	(6,259)	(2,226)	(8,485)
Adjustments between Accounting Basis and Funding Basis under Regulations	(33,341)	(18,176)	(51,517)	19,216	246	19,462
<b>Net (Increase)/Decrease</b>	<b>(33,341)</b>	<b>(18,176)</b>	<b>(51,517)</b>	<b>12,957</b>	<b>(1,980)</b>	<b>10,977</b>
<b>31st March 2019</b>	<b>(533,174)</b>	<b>(18,176)</b>	<b>(551,350)</b>	<b>(181,447)</b>	<b>(1,980)</b>	<b>(183,427)</b>

<b>Balance Sheet</b>			
<b>31st March 2019</b>	<b>Original</b>	<b>Impact of restatement</b>	<b>Restated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment	861,338	10,956	872,294
Investment Property	215,174	9,198	224,372
<b>Long Term Assets</b>	<b>1,238,097</b>	<b>20,154</b>	<b>1,258,251</b>
<b>Net Assets</b>	<b>336,029</b>	<b>20,154</b>	<b>356,183</b>
Unusable Reserves	(204,507)	(20,154)	(224,661)
<b>Total Reserves</b>	<b>(336,029)</b>	<b>(20,154)</b>	<b>(356,183)</b>

<b>Cash Flow Statement 2018/19</b>	<b>Original</b>	<b>Impact of restatement</b>	<b>Restated</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Net (Surplus) or Deficit on the Provision of Services	14,527	(16,963)	(2,436)
Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(120,572)	16,963	(103,609)

## 4 Additional Financial Statements - Group Accounts

### 4.1 Overview of Group Accounts

The Group Accounts have been prepared in accordance with IFRS and where material, the accounts of other group entities have been adjusted to align their accounting policies with that of the Local Authority parent. Sections 4.2 to 4.5 present the Group Accounts core financial statements. The purpose of these statements is described in section 2.1, together with details of changes in the presentation of the Movement in Reserves Statement.

Note 3.35 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. UK Battery Industrialisation Centre Ltd (UKBIC) Tom White Waste Limited (TWW), Coombe Abbey Park Limited (CAPL), North Coventry Holding Limited (NCH) and Coventry North Regeneration Limited (CNR) are included as subsidiaries within the Group, and The Coventry

and Solihull Waste Disposal Company Limited (CSWDC) and Friargate JV Project Limited (Friargate JV) are included as joint ventures.

Birmingham Airport Holdings Limited and University of Warwick Science Park Business Innovation Centre Limited have not been included within the Group as it was deemed under IAS 28 that the Council did not have the power to exercise significant influence over the business and financial affairs of these companies. Culture Coventry has not been included as it was considered by doing so it would not have had a material effect on the Group Accounts.

IFRS require that the financial statements of the reporting authority (Coventry City Council) and its subsidiaries, associates and jointly controlled entities shall be prepared as of the same date.

Where this does not happen, for consolidation purposes, additional financial statements, as of the same date as the reporting authority shall be prepared unless it is impracticable to do so. For consolidation purposes draft accounts as at 31st March 2020 for NCH, CNR and CSWDC have been used. For CAPL draft accounts as at 31st December 2019 and management accounts for January to March 2020 have been used. Management accounts up to 31st March 2020 have been used for Friargate JV Project Limited, TWW and UKBIC.

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 consolidated into the group accounts under the equity method.

## 4.2 Group Comprehensive Income and Expenditure Account

Service segment	2018/19	Net	Service segment	2019/20	Net	
	Gross Expenditure *restated £000			Gross Income *restated £000		Gross Expenditure £000
Public Health	25,704	(23,642)	2,062	26,318	(24,857)	1,461
People Directorate Management	1,598	(126)	1,472	1,571	(127)	1,444
Education and Skills	219,342	(202,759)	16,583	209,352	(190,786)	18,566
Children and Young People's Services	81,485	(10,787)	70,698	86,635	(11,380)	75,255
Adult Social Care	124,016	(46,062)	77,954	128,704	(49,164)	79,540
Housing & Transformation	16,270	(2,581)	13,689	26,819	(7,814)	19,005
Human Resources	3,075	(1,161)	1,914	2,743	(977)	1,766
Place Directorate Management	5,338	(732)	4,606	2,605	(923)	1,682
Business, Investment & Culture	34,465	(4,216)	30,249	62,707	(6,588)	56,119
Transportation & Highways	32,723	(14,783)	17,940	52,216	(16,741)	35,475
Streetscene & Regulatory Services	56,716	(25,483)	31,233	59,129	(28,061)	31,068
Project Management and Property Services	7,003	(2,328)	4,675	5,869	(3,162)	2,707
Finance & Corporate Services	121,254	(114,451)	6,803	107,794	(98,769)	9,025
Contingency and Central Budgets	14,862	(18,333)	(3,471)	92,785	(38,980)	53,805
<b>Cost of Services</b>	<b>743,851</b>	<b>(467,444)</b>	<b>276,407</b>	<b>865,247</b>	<b>(478,329)</b>	<b>386,918</b>
Other Operating Expenditure			32,786			18,724
Finance and Investment Income and Expenditure			11,198			12,038
Profit or Loss on Discontinued Operations			0			0
Taxations and Non-Specific Grant Income			(324,924)			(378,357)
<b>(Surplus) / Deficit on the Provision of Services</b>			<b>(3,381)</b>			<b>39,323</b>
Associates and JVs accounted for on Equity Basis			(7,976)			(9,125)
Tax Expenses			1,544			1,920
<b>Group (Surplus) or Deficit</b>			<b>(9,813)</b>			<b>32,118</b>
(Gain)/loss on revaluation of non current assets			6,693			(1,498)
(Gain)/loss on revaluation of financial instruments			(5,384)			26,022
Remeasurement of the net defined benefit liability			(52,157)			(36,112)
Share of other comprehensive income and expenditure of associates & joint ventures			(2,705)			(6,880)
<b>Sub-total of other Comprehensive Income and Expenditure</b>			<b>(53,553)</b>			<b>(18,468)</b>
<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>(63,366)</b>			<b>13,650</b>

\* These amounts have been restated as outlined in section 3.39.

### 4.3 Group Movement in Reserves Statement

#### Group Usable Reserves and Overall Position

	General Fund Balance £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>31/03/2019</b>	<b>(108,161)</b>	<b>(1,894)</b>	<b>(21,467)</b>	<b>(131,522)</b>	<b>(181,012)</b>	<b>(312,534)</b>
Total Comprehensive Income and Expenditure	32,118	0	0	32,118	(18,468)	13,650
Adjustments between group accounts and authority accounts	752	0	0	752	(752)	0
Adjustments between Accounting Basis and Funding Basis under Regulations	(35,935)	60	(9,632)	(45,507)	45,507	0
<b>Net (Increase) / Decrease</b>	<b>(3,065)</b>	<b>60</b>	<b>(9,632)</b>	<b>(12,637)</b>	<b>26,287</b>	<b>13,650</b>
<b>31/03/2020</b>	<b>(111,226)</b>	<b>(1,834)</b>	<b>(31,099)</b>	<b>(144,159)</b>	<b>(154,725)</b>	<b>(298,884)</b>

#### Group Unusable Reserves

	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Financial Instruments Revaluation Reserve £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Pooled Investment Funds Adjustment Account	Authority's share of the reserves of subsidiaries, associates and joint ventures £000	Total Unusable Reserves £000
<b>31/03/2019</b>	<b>(575,392)</b>	<b>(183,427)</b>	<b>(2,629)</b>	<b>10,916</b>	<b>(7,034)</b>	<b>(7,177)</b>	<b>585,005</b>	<b>3,493</b>	<b>(51)</b>	<b>(4,716)</b>	<b>(181,012)</b>
Total Comprehensive Income and Expenditure	0	(1,498)	0	0	26,022	0	(36,112)	0	0	(6,880)	(18,468)
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	0	0	0	(752)	(752)
Adjustments between Accounting Basis and Funding Basis under Regulations	4,571	4,385	2,629	(385)	0	6,869	23,613	589	3,236	0	45,507
<b>Net (Increase) / Decrease</b>	<b>4,571</b>	<b>2,887</b>	<b>2,629</b>	<b>(385)</b>	<b>26,022</b>	<b>6,869</b>	<b>(12,499)</b>	<b>589</b>	<b>3,236</b>	<b>(7,632)</b>	<b>26,287</b>
<b>31/03/2020</b>	<b>(570,821)</b>	<b>(180,540)</b>	<b>0</b>	<b>10,531</b>	<b>18,988</b>	<b>(308)</b>	<b>572,506</b>	<b>4,082</b>	<b>3,185</b>	<b>(12,348)</b>	<b>(154,725)</b>

## Group Usable Reserves and Overall Position Comparatives

	General Fund Balance £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves *restated £000	Total Authority Reserves *restated £000
<b>31st March 2018</b>	<b>(91,409)</b>	<b>(7,179)</b>	<b>(23,978)</b>	<b>(122,566)</b>	<b>(126,602)</b>	<b>(249,168)</b>
Total Comprehensive Income and Expenditure	(9,813)	0	0	(9,813)	(53,553)	(63,366)
Adjustments between group accounts and authority accounts	7,377	0	0	7,377	(7,377)	0
Adjustments between Accounting Basis and Funding Basis under Regulations	(14,316)	5,285	2,511	(6,520)	6,520	0
<b>(Increase) / Decrease in Year</b>	<b>(16,752)</b>	<b>5,285</b>	<b>2,511</b>	<b>(8,956)</b>	<b>(54,410)</b>	<b>(63,366)</b>
<b>31st March 2019</b>	<b>(108,161)</b>	<b>(1,894)</b>	<b>(21,467)</b>	<b>(131,522)</b>	<b>(181,012)</b>	<b>(312,534)</b>

## Group Unusable Reserves Comparatives

	Capital Adjustment Account *restated £000	Revaluation Reserve *restated £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Financial Instruments Revaluation Reserve Account *restated £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Pooled Investment Funds Adjustment Account *restated £000	Authority's share of the reserves of subsidiaries, associates and joint ventures £000	Total Unusable Reserves *restated £000
<b>31st March 2018</b>	<b>(523,875)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>(17,365)</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>(1,016)</b>	<b>5,366</b>	<b>(126,602)</b>
Total Comprehensive Income and Expenditure	0	(8,485)	0	0	9,794	0	(52,157)	0	0	(2,705)	(53,553)
Adjustments between group accounts and authority accounts	0	0	0	0	0	0	0	0	0	(7,377)	(7,377)
Adjustments between Accounting Basis and Funding Basis under Regulations	(51,517)	19,462	2,858	(384)	537	2,608	32,717	(726)	965	0	6,520
<b>Net (Increase) / Decrease</b>	<b>(51,517)</b>	<b>10,977</b>	<b>2,858</b>	<b>(384)</b>	<b>10,331</b>	<b>2,608</b>	<b>(19,440)</b>	<b>(726)</b>	<b>965</b>	<b>(10,082)</b>	<b>(54,410)</b>
<b>31st March 2019</b>	<b>(575,392)</b>	<b>(183,427)</b>	<b>(2,629)</b>	<b>10,916</b>	<b>(7,034)</b>	<b>(7,177)</b>	<b>585,005</b>	<b>3,493</b>	<b>(51)</b>	<b>(4,716)</b>	<b>(181,012)</b>

\* These amounts have been restated as detailed in section 3.39.

## 4.4 Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority, and a reconciliation to the Single Entity Balance Sheet is provided in section 4.6.

31/03/2019	Group Balance Sheet	31/03/2020
*restated '£000		£000
873,610	Property, Plant and Equipment	929,516
25,893	Heritage Assets	25,900
224,372	Investment Property	213,525
29,252	Long Term Investments	17,867
32,789	Investment in Associates and Joint Ventures	32,074
24,883	Long Term Debtors	28,058
<b>1,210,799</b>	<b>Long Term Assets</b>	<b>1,246,940</b>
37,285	Short Term Investments	37,245
409	Inventories	341
77,546	Short Term Debtors	89,474
30,185	Cash and Cash Equivalents	28,508
2,938	Assets held for Sale	1,340
<b>148,363</b>	<b>Current Assets</b>	<b>156,908</b>
(65,572)	Short Term Borrowing	(68,378)
(75,702)	Short Term Creditors	(91,285)
(1,946)	Short Term Provisions	(1,674)
0	Liabilities in Disposal Groups	0
<b>(143,220)</b>	<b>Current Liabilities</b>	<b>(161,337)</b>
(12,329)	Long Term Provisions	(19,757)
(317,514)	Long Term Borrowing	(317,438)
(553,905)	Net Pension Liability	(572,506)
(1,447)	Donated Assets Account	(1,566)
(8,256)	Capital Grants Receipts in Advance	(21,808)
(9,957)	Other Long Term Liabilities	(10,552)
<b>(903,408)</b>	<b>Long Term Liabilities</b>	<b>(943,627)</b>
<b>312,534</b>	<b>Net Assets</b>	<b>298,884</b>
(131,522)	Usable Reserves	(144,159)
(181,012)	Unusable Reserves	(154,725)
<b>(312,534)</b>	<b>Total Reserves</b>	<b>(298,884)</b>

\* These amounts have been restated as detailed in section 3.39.

## 4.5 Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2018/19 *restated '£000's	Cash Flow Statement	2019/20 £000's
(9,813)	Net (Surplus) or Deficit on the Provision of Services	32,118
(96,232)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(143,839)
70,491	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	133,324
<b>(35,554)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>21,603</b>
31,217	Investing Activities	(20,954)
(6,212)	Financing Activities	1,028
<b>(10,549)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>1,677</b>
(19,636)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(30,185)
(30,185)	Cash and Cash Equivalents at the End of the Reporting Period	(28,508)

Note 3.27 presents an analysis of the amounts relevant to the Single Entity accounts for: non-cash movements; items included in the provision of services that are investing and financing activities; investing activities; and financing activities. The following table provides a reconciliation of the adjustments between the Single Entity and the Group accounts for these amounts.

2018/19 *restated £000	Reconciliation of Single Entity to Group Cash Flows	2019/20 £000
<b>Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b>		
(103,609)	Single Entity Accounts	(144,591)
7,377	Additional element relating to Group Accounts	752
<b>(96,232)</b>	<b>Total for Group Accounts</b>	<b>(143,839)</b>
<b>Investing Activities</b>		
31,338	Single Entity Accounts	(20,603)
(121)	Additional element relating to Group Accounts	(351)
<b>31,217</b>	<b>Total for Group Accounts</b>	<b>(20,954)</b>

\* These amounts have been restated as detailed in section 3.39.

## 4.6 Group Balance Sheet Reconciliation

The table below provides a breakdown of the group adjustments made to the single entity balance sheet at the end of the financial year. Group entity abbreviations are as defined in section 4.1.

Group Balance Sheet 31 March 2020	Group Entities							Total Group Adjustments £000	Single Entity £000	Group Accounts £000
	CSWDC	CAPL	NCH	CNR	Friargate JV	TWW	UKBIC			
	£000	£000	£000	£000	£000	£000	£000			
Property, Plant and Equipment	0	908	0	0	0	12,719	3,233	16,860	905,184	922,044
Heritage Assets	0	0	0	0	0	0	0	0	25,900	25,900
Investment Property	0	0	0	0	0	0	0	0	222,170	222,170
Long Term Investments	(57,000)	(7,390)	(2,703)	0	(10,495)	(14,637)	0	(92,225)	110,092	17,867
Investment in Associates and Joint Ventures	21,688	0	0	0	10,386	0	0	32,074	0	32,074
Long Term Debtors	0	0	0	0	0	0	0	0	28,058	28,058
<b>Long Term Assets</b>	<b>(35,312)</b>	<b>(6,482)</b>	<b>(2,703)</b>	<b>0</b>	<b>(109)</b>	<b>(1,918)</b>	<b>3,233</b>	<b>(43,291)</b>	<b>1,291,404</b>	<b>1,248,113</b>
Short Term Investments	0	0	0	0	0	0	0	0	37,245	37,245
Inventories	0	40	0	0	0	0	0	40	301	341
Short Term Debtors	0	1,136	0	0	0	2,264	812	4,212	85,262	89,474
Cash and Cash Equivalents	0	423	2,741	5	0	609	137	3,915	24,593	28,508
Assets held for Sale	0	0	0	0	0	0	0	0	1,340	1,340
<b>Current Assets</b>	<b>0</b>	<b>1,599</b>	<b>2,741</b>	<b>5</b>	<b>0</b>	<b>2,873</b>	<b>949</b>	<b>8,167</b>	<b>148,741</b>	<b>156,908</b>
Short Term Borrowing	0	0	0	0	0	(952)	0	(952)	(67,426)	(68,378)
Short Term Creditors	0	(1,107)	(40)	(2)	0	(3,054)	(1,619)	(5,822)	(85,463)	(91,285)
Short Term Provisions	0	0	0	0	0	0	0	0	(1,674)	(1,674)
Liabilities in Disposal Groups	0	0	0	0	0	0	0	0	0	0
<b>Current Liabilities</b>	<b>0</b>	<b>(1,107)</b>	<b>(40)</b>	<b>(2)</b>	<b>0</b>	<b>(4,006)</b>	<b>(1,619)</b>	<b>(6,774)</b>	<b>(154,563)</b>	<b>(161,337)</b>
Long Term Provisions	0	0	0	0	0	0	0	0	(19,757)	(19,757)
Long Term Borrowing	0	(159)	0	0	0	(3,857)	0	(4,016)	(313,422)	(317,438)
Net Pension Liability	0	0	0	0	0	0	0	0	(572,506)	(572,506)
Donated Assets Account	0	0	0	0	0	0	0	0	(1,566)	(1,566)
Capital Grants Receipts in Advance	0	0	0	0	0	0	0	0	(21,808)	(21,808)
Other Long Term Liabilities	0	0	0	0	0	(771)	0	(771)	(9,781)	(10,552)
<b>Long Term Liabilities</b>	<b>0</b>	<b>(159)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,628)</b>	<b>0</b>	<b>(4,787)</b>	<b>(938,840)</b>	<b>(943,627)</b>
<b>Net Assets</b>	<b>(35,312)</b>	<b>(6,149)</b>	<b>(2)</b>	<b>3</b>	<b>(109)</b>	<b>(7,679)</b>	<b>2,563</b>	<b>(46,685)</b>	<b>346,742</b>	<b>300,057</b>
Usable Reserves	0	0	0	0	0	0	0	0	(144,158)	(144,158)
Unusable Reserves	35,312	6,149	2	(3)	109	7,679	(2,563)	46,685	(202,584)	(155,899)
<b>Total Reserves</b>	<b>35,312</b>	<b>6,149</b>	<b>2</b>	<b>(3)</b>	<b>109</b>	<b>7,679</b>	<b>(2,563)</b>	<b>46,685</b>	<b>(346,742)</b>	<b>(300,057)</b>

The table below provides a breakdown of the group adjustments made to the single entity balance sheet at the start of the financial year. Group entity abbreviations as defined in section 4.1.

Group Balance Sheet 31 March 2019	Group Entities					Total Group Adjustments £000	Single Entity £000	Group Accounts £000
	CSWDC	CAPL	NCH	CNR	Friargate JV			
	£000	£000	£000	£000	£000			
Property, Plant and Equipment	0	1,316	0	0	0	1,316	861,338	862,654
Heritage Assets	0	0	0	0	0	0	25,893	25,893
Investment Property	0	0	0	0	0	0	215,173	215,173
Long Term Investments	(57,000)	(11,359)	(2,703)	0	(10,495)	(81,557)	110,809	29,252
Investment in Associates and Joint Ventures	22,788	0	0	0	10,001	32,789	0	32,789
Long Term Debtors	0	0	0	0	0	0	24,883	24,883
<b>Long Term Assets</b>	<b>(34,212)</b>	<b>(10,043)</b>	<b>(2,703)</b>	<b>0</b>	<b>(494)</b>	<b>(47,452)</b>	<b>1,238,096</b>	<b>1,190,644</b>
Short Term Investments	0	0	0	0	0	0	37,285	37,285
Inventories	0	47	0	0	0	47	363	410
Short Term Debtors	0	1,676	0	0	0	1,676	75,870	77,546
Cash and Cash Equivalents	0	825	2,734	5	0	3,564	26,621	30,185
Assets held for Sale	0	0	0	0	0	0	2,938	2,938
<b>Current Assets</b>	<b>0</b>	<b>2,548</b>	<b>2,734</b>	<b>5</b>	<b>0</b>	<b>5,287</b>	<b>143,077</b>	<b>148,364</b>
Short Term Borrowing	0	0	0	0	0	0	(65,572)	(65,572)
Short Term Creditors	0	(1,300)	(12)	(2)	0	(1,314)	(74,388)	(75,702)
Short Term Provisions	0	0	0	0	0	0	(1,946)	(1,946)
Liabilities in Disposal Groups	0	0	0	0	0	0	0	0
<b>Current Liabilities</b>	<b>0</b>	<b>(1,300)</b>	<b>(12)</b>	<b>(2)</b>	<b>0</b>	<b>(1,314)</b>	<b>(141,906)</b>	<b>(143,220)</b>
Long Term Provisions	0	0	0	0	0	0	(12,329)	(12,329)
Long Term Borrowing	0	(170)	0	0	0	(170)	(317,344)	(317,514)
Net Pension Liability	0	0	0	0	0	0	(553,905)	(553,905)
Donated Assets Account	0	0	0	0	0	0	(1,447)	(1,447)
Capital Grants Receipts in Advance	0	0	0	0	0	0	(8,256)	(8,256)
Other Long Term Liabilities	0	0	0	0	0	0	(9,957)	(9,957)
<b>Long Term Liabilities</b>	<b>0</b>	<b>(170)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(170)</b>	<b>(903,238)</b>	<b>(903,408)</b>
<b>Net Assets</b>	<b>(34,212)</b>	<b>(8,965)</b>	<b>19</b>	<b>3</b>	<b>(494)</b>	<b>(43,649)</b>	<b>336,029</b>	<b>292,380</b>
Usable Reserves	0	0	0	0	0	0	(131,522)	(131,522)
Unusable Reserves	34,212	8,965	(19)	(3)	494	43,649	(204,507)	(160,858)
<b>Total Reserves</b>	<b>34,212</b>	<b>8,965</b>	<b>(19)</b>	<b>(3)</b>	<b>494</b>	<b>43,649</b>	<b>(336,029)</b>	<b>(292,380)</b>

## 4.7 Group Surplus/Deficit Reconciliation

The table below provides a breakdown of the group adjustments made to the single entity surplus/deficit position.

2018/19 *restated '£000	Reconciliation of Single Entity to Group (Surplus)/Deficit	2019/20 £000
(2,436)	Surplus/Deficit on the Authority's Single Entity Income and Expenditure account for the year.	32,870
(70)	Less: Subsidiary and Associate dividend income and any other distributions from Group Entities included in the Single Entity (Surplus)/Deficit on the Income & Expenditure Account	(57)
<b>(2,506)</b>	<b>(Surplus)/Deficit in the Group Income &amp; Expenditure attributable to the Authority</b>	<b>32,813</b>
	Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
(911)	Subsidiaries	6,487
(6,396)	Joint Ventures	(7,182)
<b>(9,813)</b>	<b>Group Account (Surplus)/Deficit for the year</b>	<b>32,118</b>

\* These amounts have been restated as detailed in section 3.39.

## 4.8 Group Tax Expense

The group tax expense (income) related to profit and loss from ordinary activities is presented in the statement of comprehensive income, the table below details the breakdown of this amount.

2018/19 £000	Group Tax Expense	2019/20 £000
	<b>CURRENT TAX:</b>	
1,599	Current Tax Expense / (Income)	1,805
(4)	Adjustment Recognised in the Period for Current Tax of Prior Periods	(9)
<b>1,595</b>	<b>Total Current Tax</b>	<b>1,796</b>
	<b>DEFERRED TAX:</b>	
(55)	Origination and Reversal of Temporary Differences	31
6	Changes in Tax Rates or the Imposition of New Taxes	87
(1)	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	6
<b>(50)</b>	<b>Total Deferred Tax</b>	<b>124</b>
<b>1,545</b>	<b>Total Tax Expense</b>	<b>1,920</b>

## 4.9 Group Companies Disclosure

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

CSWDC is operated as a Joint Venture Company by its major shareholders, Coventry City Council (CCC) and Solihull Metropolitan Borough Council (SMBC). The shareholding is held in a ratio of 66 Coventry shares and 33 Solihull shares. CCC hold 'A' class shares and SMBC hold 'B' class shares.

With the agreement of CCC and SMBC, CSWDC raised a new class of share (Class C). One class C share has been issued to each of Warwickshire County Council and Leicestershire County Council at nil value. This Class C share confers no dividend rights, no rights to appoint its own director to the shareholder panel and only limited voting rights at the shareholders panel on matters relating to the control of the Company.

CCC and SMBC will continue to hold the only primary (ordinary) shares in CSWDC and receive a dividend in accordance with this shareholding.

As at 31st March 2020 the Company had Capital Commitments of £498,000.

Despite the issue of the C Class share and changes to the Shareholders Agreement the fundamental status of CSWDC has not changed. CCC & SMBC will continue to work together to arrive at mutually agreed decisions which are voted on accordingly at the Shareholder Panel. As a result of this, the existing treatment of CSWDC in the group accounts of both Coventry and Solihull, is for the Company to be treated as a Joint Venture. This position implies that no shareholder has ultimate control.

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

The Council holds 100% of the shares (value £2.7m) in North Coventry Holdings Limited and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.

NCH's main activity is to hold 100% shares in Coventry North Regeneration (CNR)

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

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.

### **Coombe Abbey Park Limited (CAPL)**

Coventry City Council holds 100% of the shares (value £7.4m) in CAPL. CAPL 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.

### **Friargate JV Project Limited (FJVP)**

FJVP was incorporated on 17<sup>th</sup> December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited, established to develop new buildings within the Friargate district of the city. Each of, Coventry City Council and Friargate Holdings 2 Limited have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board.

### **Tom White Waste Limited (TWW)**

Coventry City Council holds 100% of the shares (value £14.6m) in TWW. TWW 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.

### **Related Party Transactions**

Details of related party transactions are provided in section 3.10.

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. It has been prepared in

accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified

by the revaluation of certain categories of tangible fixed assets.

### 5.2 Significant Assumptions made in estimating Assets and Liabilities

The Authority's Balance Sheet contains some estimated figures that are based on assumptions. Some of these assumptions have a significant risk of resulting in material adjustments within the next financial year. The outbreak of COVID-19, declared by the World Health Organisation as a global pandemic on 11 March 2020 has increased the range and impact of this risk. This provides a new context for some of the assumptions made and this is explained below where it is most relevant. The items in the Authority's Balance Sheet for which there is a significant risk are:

**Pensions Liability** - This liability has increased to £573m at the end of the 2019/20 financial year. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. During 2019/20 the updating of data and assumptions by the Council's

actuaries has led to a net liability increase of £28m.

**Pensions Assets** - As a result of the impact of Covid-19 on the global financial markets, the valuation of the Pension Fund's investment properties is reported on the basis of material valuation uncertainty. The Council's/Authority's share of these assets is £79m.

**Property Asset Valuations** – Valuations are undertaken on the basis of a five-year rolling programme with investment properties being revalued on a more regular basis. This is supplemented by annual reviews to reflect significant changes in market values. The valuations are heavily assumption sensitive and are influenced by economic and financial circumstances which can change significantly from year to year. Valuation uncertainty has increased this year due to the COVID-19 pandemic and this has been recognised by the Royal Institute for Chartered Surveyors (RICS) which has issued "Valuation Practice Alert - COVID-19" and has set up the Material Valuation Uncertainty Forum. Any property valuations must be viewed

in the context of this set of circumstances. A change of 1% in the average valuation of assets would have the effect of altering the carrying value of these assets by approximately £10m with a corresponding increase in the level of unusable reserves. Should the valuation continue to reduce through 2020/21, the balance of Long Term Investments would be impacted meaning there may be a material reduction in the value on the Balance Sheet as at 31 March 2021.

#### **Fair Value of Assets and Liabilities -**

The Council has investments in a number of companies which are set out in the Long-Term Investments note. Where valuations have been undertaken based on established information sources overall valuations have reduced in the Balance Sheet as at 31st March, in part in line with the global conditions as a result of COVID-19. Some valuations have not been updated at this stage due to the relevant businesses being at an early stage of their development and the current lack of clarity over the extent to which prevailing economic conditions due to the pandemic will

impact upon the valuation of these investments. A change of 1% in the average valuation of assets would have the effect of altering the carrying value of these assets by approximately £1m with a corresponding increase in the level of unusable reserves.

### 5.3 Critical Judgements in Applying Accounting Policies

In applying the Authority's accounting policies, management has had to make some judgements other than those involving estimations. The judgements made in this Statement of Accounts that have the most significant effect on the amounts recognised in the financial statements are as follows:

#### **Treatment of Schools in the Council's Accounts**

The material assets and revenue transactions of community, foundation and voluntary controlled schools are reflected in these accounts. The revenue transactions of voluntary aided schools have also been included, however, the land and buildings used by these schools are not included on the balance sheet. This treatment is based on the fact that these land and buildings are not under the Council's ownership, the Council has no legal agreement with the relevant Dioceses in

respect of them, and there are no obligations to/from the Dioceses in respect of them. The Dioceses also have the right to terminate the Council's occupation of the relevant land and buildings. Neither the revenue transactions nor the assets of academy schools are reflected within the accounts.

#### **The Better Care Fund**

Coventry City Council and Coventry and Rugby Clinical Commissioning Group (CCG) drew up an agreement to operate a Better Care Fund (BCF) pooled budget from 1st April 2015, with the purpose of further integrating the health and social care services within Coventry. Note 3.11 details the respective contributions to the pooled budget during 2019/20 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were envisaged at the time, including management

and control of expenditure decisions. However, the details of the expenditure identified in note 3.11 have been determined by applying principles of 'substance over form' in which the level of expenditure allocated to each partner reflects the actual degree of control and influence over that spend during the year (the 'substance') rather than allocating it on the basis of the control and influence outlined in the BCF agreement (the 'form').

## 5.4 Accounting standards issued, but not yet adopted

The Council is required to disclose information relating to the impact of any accounting changes that will be required by new standards that have been issued but not yet adopted in the CIPFA Code of Practice. The following accounting standards are to be introduced in the 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures:
- Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Council will review these during 2020/21 and implement any necessary changes. The impact of these accounting changes is not yet known. The implementation for local authorities of IFRS 16 Leases has been deferred to 1 April 2021 by CIPFA/LASAAC. The impact of this implementation is not yet known.

## 5.5 Changes in Accounting Policies

There have been no changes in accounting policy during 2019/20.

## 5.6 Accounting Policies – Categories

Section 5.7 provides details of the accounting policies that the Council has applied in reporting its financial position in these accounts. The policies are separated into the following categories:

- Accruals of Income and Expenditure
- Provisions
- Reserves
- Property, Plant & Equipment, Investment Property and Assets Held for Sale
- Revenue Expenditure Funded from Capital Under Statute
- Government Grants and Contributions
- Value Added Tax (VAT)
- Investments
- Financial Instruments
- Leases
- Employee Benefits
- Professional and Other Support Services
- Private Finance Initiative
- Group Accounts
- Cash and Cash Equivalents
- Contingent Liabilities
- Contingent Assets
- Tax Income
- Joint Operations
- Events after the Balance Sheet Date
- Prior Period Adjustments, Changes in Accounting Policies & Estimates & Errors

## 5.7 Accounting Policies

### **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 at the date the Council provides the relevant goods or satisfies the relevant service obligations.
- 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 inventory on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as assets under construction 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 the 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.
- Income relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions.

The Council has a de-minimis threshold of £5,000 for revenue accruals of income and expenditure that are not system generated. This threshold is applied for 10 working days following the end of the financial year, after which a draft outturn position is circulated to managers. To avoid small fluctuations in this outturn position the threshold is lifted to £50k (working days 11-20) and £500k thereafter.

### **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 that can be reliably measured, 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 as an expense 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.

An assessment is made as to whether the liabilities incurred through insurance contracts (including pension guarantees) are adequately recognised in the accounts.

## **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service category within the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

## **Property, Plant & Equipment, Investment Property and Assets Held for Sale**

**Property, Plant & Equipment** - Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Investment Property** - Assets held solely to earn rentals and/or for capital appreciation purposes.

**Assets Held for Sale** - This is a classification for property assets that are being actively marketed for sale, likely to be completed within 12 months of classification.

**Recognition** - Expenditure on the acquisition, creation or enhancement of Non-Current 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 an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. The de minimis policy for capital expenditure is £20,000 for construction/acquisitions and nil for enhancement expenditure and vehicles.

Donated assets transferred to the Council are recognised immediately at fair value together with income in the Consolidated Income and Expenditure Statement, to the extent that any associated conditions of the transfer have been met. Where conditions have yet to be met the Donated Assets account is credited with deferred income, which is then transferred to the Consolidated Income and Expenditure Statement once the conditions have been satisfied.

**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. After recognition, assets are then carried in the balance sheet using the following measurement bases:

Asset Type	Measurement Type
Other Land and Buildings	Current Value (Existing Use)
Surplus Properties	Fair Value
Vehicles, Plant & Equipment	Depreciated Historical Cost
Infrastructure	Depreciated Historical Cost
Community Assets	Historical Cost
Heritage Assets	Historical Cost/Valuation
Assets under Construction	Historical Cost
Investment Property	Fair Value
Assets Held for Sale	Fair Value

Property valuations have been performed by RICS (Royal Institute of Chartered Surveyors) qualified internal valuers in accordance with RICS valuation standards. The methods and significant assumptions applied in estimating the value of assets included in the balance sheet at fair value are:

- The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms' length transaction (with reference to observable prices in an active market or recent market transactions on arms' length terms);
- Fair value equates to market value;
- Land and Buildings other than surplus properties are valued using the Existing Use Value method;
- Specialised assets with no market-based evidence of fair value were valued using the depreciated replacement cost (DRC) method;
- For non-property assets that have short useful lives and/or low values, the depreciated historical cost has been used as a proxy for fair value;
- Investment property assets are measured initially at cost, i.e. purchase price and transaction costs, and then subsequently at fair value at the end of the reporting period, assessing their value at highest and best use. This value is derived from the capitalisation of an income stream at a yield derived from market evidence.

All fair value measurements are classified at level 2 in the Fair Value Hierarchy.

PPE assets are subsequently valued at current value on the basis recommended by the Code of Practice on LA accounting and in accordance with RICS standards.

Assets included in the balance sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years, except Assets Held for Sale which are valued annually and Investment Properties, of which the 50 with the highest values are valued annually and the remainder at least every 3 years. With the exception of Investment Property, where changes to fair value are taken to Surplus or Deficit on the Provision of Services, valuation increases to other fair value assets are recognised in the Revaluation Reserve except when the increase is reversing a previous decrease charged to Surplus or Deficit on the Provision of Services on the same asset. Similarly, for all fair value assets except Investment Property and Assets Held for Sale, revaluation decreases are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter in Surplus or Deficit on the Provision of Services. For Investment Property and Assets Held for Sale, valuation decreases are recognised in Surplus or Deficit on the Provision of Services.

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.

**Componentisation** - Property, Plant and Equipment assets (above a materiality threshold of £1.5m) are considered for componentisation when they are either acquired, enhanced or revalued. A component will only be considered and assessed separately if it has a different asset life from the rest of the asset, and if the current gross replacement cost of the component is greater than 25% of the current gross replacement cost of the asset.

**Heritage Assets** - Assets held principally for their contribution to knowledge and culture, and recognised where information on the cost or value is available. Where the cost or value is not available, and the cost of obtaining the information outweighs the benefits to readers of the financial statements, the assets have not been recognised but addressed in a separate disclosure. Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations.

**Schools Assets** - The following table details how the authority accounts for different types of non-current schools assets, determined on the basis of whether it holds or controls rights and obligations in relation to them.

School Type	Recognised in the accounts
Community	Yes
Voluntary Controlled	Yes*
Voluntary Aided	No
Foundation	Yes*
Academy	No

\* Voluntary Controlled and Foundation school fixed assets are recognised on the basis that overall control, and the associated economic benefits, can ultimately flow to the City Council.

**Disposals -**

When an asset is sold the value of the asset in the balance sheet is revalued to the sale value and, as a result, there is no associated gain or loss. The balance of sale 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).

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a derecognition. The loss on disposal that results from this derecognition is charged to Other Operating Expenditure in the Consolidated Income and Expenditure Statement.

When an asset is replaced as a result of a capital addition, as can happen during the course of highways infrastructure repair, this is accounted as derecognition and charged to the Net Cost of Services.

**Impairment** - Under the IFRS Code, all impairment losses are taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset. Any further losses (or if there is no balance on the revaluation reserve) are taken to the Comprehensive Income and Expenditure Statement.

**Depreciation** - Depreciation is provided for on all assets with a determinable finite life (except for land, community assets, heritage 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 basis:

<b>Asset Type</b>	<b>Period of Years</b>
Operational Buildings	50 years (less if there is evidence to the contrary)
Vehicles, Plant & Equipment	Estimated Useful Life
Infrastructure	40 years
Land	Depreciation not charged
Community Assets	Depreciation not charged
Heritage Assets	Depreciation not charged
Non-Operational Assets	Depreciation not charged

### **Intangible Assets**

Are those assets that do not have a physical substance and are identifiable and controlled by the council e.g. software licenses. The balance is amortised fully in the year of investment. Unless identified otherwise, assets have been acquired separately and the asset lives are finite. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading on the income statement.

### **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 as an asset on the Balance Sheet. Expenditure that falls into this category has been charged to Cost of Services in the Comprehensive Income and Expenditure Statement. 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 Adjustments between Accounting Basis and Funding Basis under Regulation so there is no impact on the level of Council Tax.

### **Government Grants and Contributions**

Government grants and contributions are recognised in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that the payment will be received and conditions will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as a liability, either within creditors or within the Capital Grants Receipts in Advance.

When conditions are satisfied (or none exist) the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or to 'Taxation and non-Specific Grant Income' (for non-ringfenced grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Capital grant (without conditions) that is yet to be used to finance capital expenditure is posted to the Capital Grants Unapplied Reserve. When capital grant is applied to finance capital expenditure it is posted to the Capital Adjustment Account.

## **Value Added Tax (VAT)**

VAT payable is included as an expense within the accounts only to the extent that elements are irrecoverable from Her Majesty's Revenue and Customs and therefore charged to service expenditure. VAT receivable is excluded from income.

## **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 Long Term Investments and valued at fair value.

## **Financial Instruments**

### **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. 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 Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, 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, subject to a 10 year limit set in the case of a discount, as required by capital finance regulations. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement 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 Adjustments between Accounting Basis and Funding Basis under Regulation.

Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period of more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost, where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows;

- fair value through other comprehensive income (FVOCI), where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category;
- fair value through profit or loss (FVPL), all other financial assets.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where loans to organisations are made at less than market rates these are classified as soft loans, in which case a loss is recorded in the CIES (debited to the appropriate service) 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 to the Financing and Investment Income and Expenditure line in the CIES 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 CIES 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 Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Where reasonable and supportable information that is not available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis, losses are assessed on a collective basis.

#### **Financial Assets Measured at Fair Value**

Financial assets that are measured at Fair Value through Profit of Loss (FVPL) are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where equity instruments are expected to be held for the long-term, the Council may make an irrevocable election upon initial recognition to present changes in their fair value in Other Comprehensive Income.

Fair value gains and losses on such instruments are held in the Financial Instruments Revaluation Reserve and transferred to the General Fund when the instrument is derecognised through sale or write off. Dividend income from these instruments is recognised in the Surplus or Deficit on the Provision of Services when the Council's right to receive payment is established and its value can be measured reliably. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services and within unusable reserves in the Pooled Investment Funds Adjustment Account.

The fair value measurements of the financial assets 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.

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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses.

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

Financial instruments are categorised by their level in the fair value hierarchy.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the Property, Plant or Equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Authority as Lessee - Finance Leases** - Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from the revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by the way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**The Authority as Lessee – Operating Leases** - Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**The Authority as Lessor - Finance Leases** - Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income & Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt, subject to the requirements of the capital finance regulations. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**The Authority as Lessor - Operating Leases** - Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Employee Benefits - Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries and paid annual leave and are recognised as an expense for services in the year in which employees render the service to the Authority. An accrual is made for the cost of holiday or leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the relevant service line in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Employee Benefits - Post-Employment Benefits – Pensions**

**Teaching Staff** - Teachers may be members of the Teachers Pension Scheme, which is administered by the Department of Education. 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 costs charged to the accounts are the employer's contributions payable to the Teachers' Pension Scheme.

**Former NHS Staff** - Staff who transferred to the City Council on 1st April 2013 may be members of the NHS Pension Scheme, which is administered by the NHS Business Services Authority. 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 costs charged to the accounts are the employer's contributions payable to the NHS Pension Scheme.

**Other Staff** - Non-teaching staff may be members of the defined benefit Local Government Pension Scheme (LGPS). Coventry contributes to the West Midlands Pension Fund, which is administered by Wolverhampton City Council.

Liabilities are discounted to their value at current prices, using a discount rate based on current market yields on high quality corporate bonds.

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 the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement 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 Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest on pension liabilities – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

- Interest on pension 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 Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – settlements which relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees and curtailments which increase the liabilities in respect of past service – included within the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Re-measurements – 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 – included within Other Comprehensive Income and Expenditure, and transferred to the Pension Reserve.
- Employer contributions paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- Administration Expenses - debited to the Cost of Services in the Comprehensive Income and Expenditure Statement.

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 Adjustments between Accounting Basis and Funding Basis under Regulation 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 Employee 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.

#### **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

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

Under IFRIC 12, the PFI arrangements have been classified and accounted for as 'service concessions', recognising the finance leases under IAS 17 'Leases'. PFI and similar 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).

### **Group Accounts**

The Council has interests in companies and other entities. Where these interests are material, and satisfy one of the criteria tests: that the Council has control, either individually or jointly with another party; or has significant influence over the entity, then group accounts will be prepared in accordance with the IFRS based Code of Practice. In the Council's own single entity accounts, the interests in companies and other entities are classified as Long Term Investments (available-for-sale assets) and valued at fair value.

### **Cash and Cash Equivalents**

The Council identifies 'cash and cash equivalents' as the total of cash in hand, bank current account balances and investments repayable on call.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Council Tax and Non-Domestic Rates**

Coventry City Council is a billing authority that acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors and central government, and as a principal collecting council tax and NDR for the Council itself. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Billing authorities, major preceptors and central government share proportionally the risks and rewards that these amounts could be less or more than predicted. The difference between the income from Council Tax and Non Domestic Rates that is included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

**Joint Operations**

Joint Operations are arrangements where parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In relation to its interest in a joint operation, the Authority recognises its share of assets, liabilities, income and expenses.

**Schools**

In accordance with the Code of Practice the balance of control for local authority maintained schools lies with the local authority. Therefore, schools' transactions and balances are recognised in each of the single entity financial statements of the authority as if they were those of the authority.

**Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

**Adjusting Events**

Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

**Non-adjusting Events**

Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 6 Glossary of Terms

### Accruals

An accounting principle that recognises income and expenditure as they are earned or incurred, not as money is received or paid.

### 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.

### Impairment allowance for doubtful debts

Doubtful debts are amounts owed to the Council which it does not believe will ever be paid back to them. The Council makes an impairment allowance to provide for the amount of bad debt it expects to occur.

### Business Rates

Business rates is a tax that is paid by the occupiers of all business properties. The income raised helps to pay for local services.

### 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 (less than 12 months), for example cash in the bank, stocks and debtors.

#### Debtors

Economic benefits, either money, goods or services, 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 during a financial year, for example due to wear and tear.

#### Donated Assets

Assets transferred at nil value or acquired at less than fair value.

#### Earmarked Reserves

Money set aside for a specific purpose.

#### Fair Value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

#### 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).

#### Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial Year

Runs from 1st April through to the following 31st March.

#### Fixed Assets

Tangible assets that give benefit to the City Council and the services it provides for more than one year.

#### Heritage assets

Are held by the authority principally for their contribution to knowledge and culture.

#### IFRS

International Financial Reporting Standards.

#### Impairment

An asset has been impaired when it is judged to have lost value.

#### Intangible Assets

An item which does not have physical substance (e.g. software license) but can be identified and used by the Council over a number of years.

#### Inventories

Goods owned by the Council which have not been used by the end of the financial year.

#### Investment Properties

Interest in land and/or buildings which are held for their investment potential rather than for operational purposes.

#### LASAAC

This is the Local Authority (Scotland) Accounts Advisory Committee which shares responsibility with CIPFA for determining the accounting Code of Practice.

#### 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.

#### Levy

A charge levied on the Council by another local organisation acting with powers granted by statute, for example: the local transport levy; and the Environment Agency levy.

#### Market Value of Assets

This is the price that an asset can currently be bought or sold at.

#### Materiality

An item is material if its inclusion in the accounts has the ability to influence the decision or change the judgement of a reasonable person.

#### Movement in Reserves Statement (MIRS)

A core statement showing the movement in the year on different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'.

#### Net asset value

The value of the Council's assets less its liabilities.

#### Net Book Value (NBV)

The value of an asset after depreciation has been deducted.

#### 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.

Provisions

Money set aside for a debt that will arise in the future e.g. a known insurance claim.

Revaluation Reserve

The account that reflects the amount by which the value of the City Council's assets has been revised following revaluation or impairment.

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.

SOLACE

This is the Society of Local Authority Chief Executives and Senior Managers. It is a representative body for senior strategic managers working in the public sector.

Specific Revenue Grants

Grants received from Central Government in respect of specific services.

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 'Assets Under Construction'.

# 7 Audit Certificate

*The audit certificate to be added on completion of the audit.*

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