



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 25th July, 2016

Place

Committee Rooms - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 5 - 8)
To agree the minutes of the meeting held on 13th June 2016
4. **Exclusion of Press and Public**
To consider whether to exclude the press and public for the item(s) of business for the reasons shown in the report.
5. **Work Programme 2016/17** (Pages 9 - 10)
Report of the Executive Director of Resources
6. **Audit and Procurement Committee Annual Report 2015/16** (Pages 11 - 18)
Report of the Executive Director of Resources.

NOTE: Councillor Skipper, Chair of the Committee during 2015/16 has been invited to attend the meeting for the consideration of this item.
7. **Information Management Strategy Update** (Pages 19 - 82)
Report of the Executive Director of Resources
8. **Internal Audit Annual Report 2015/16** (Pages 83 - 98)
Report of the Executive Director of Resources
9. **Audit Findings Report 2015/16**
Report of the External Auditor (Grant Thornton) – to follow

10. **Audited 2015/16 Statement of Accounts** (Pages 99 - 204)

Report of the Executive Director of Resources

NOTE: Councillor J Mutton, Cabinet Member for Strategic Finance and Resources, has been invited to attend the meeting for the consideration of this item.

11. **Revenue and Capital Outturn 2015/16** (Pages 205 - 234)

Report of the Executive Director of Resources

12. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Private business

13. **Procurement and Commissioning Progress Report** (Pages 235 - 242)

Report of the Executive Director of Resources

(Listing Officer: M Burn, tel: 024 7683 3757)

14. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Chris West, Executive Director, Resources, Council House Coventry

Friday, 15 July 2016

Note: The person to contact about the agenda and documents for this meeting is Lara Knight tel: 024 7683 3237, email: lara.knight@coventry.gov.uk

Membership: Councillors S Bains (Chair), R Brown, J Clifford (Deputy Chair), J Lepoidevin, T Sawdon and H Sweet

By invitation : Councillors J Mutton, T Skipper

Please note: a hearing loop is available in the committee rooms

If you require a British Sign Language interpreter for this meeting OR if you would like this information in another format or language please contact us.

Lara Knight

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Public Document Pack Agenda Item 3

Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 13 June 2016

Present:

Members: Councillor S Bains (Chair)
Councillor R Brown
Councillor J Clifford
Councillor T Sawdon
Councillor H Sweet

Employees (by Directorate):

Resources P Baggott, P Jennings, L Knight

Apologies: Councillor J Lepoidevin

Public Business

1. **Declarations of Interest**

There were no declarations of disclosable pecuniary interests.

2. **Minutes of Previous Meeting**

The minutes of the meeting held on 11th April 2016 were agreed and signed as a true record.

There were no matters arising.

3. **Draft Work Programme 2016-17**

The Committee considered a report of the Executive Director of Resources, which set out the work programme for the Committee for the coming year.

As the proposed agenda for the meeting scheduled for 25th July 2016 was considered to be substantial, and it had been further proposed to defer the consideration of the Internal Audit Annual Report 2015/16 to that meeting, the Committee requested that officers liaise with the Chair outside the meeting to establish whether any items could be rescheduled to later meetings.

RESOLVED that the work programme be approved and that officer liaise with the Chair about possible rescheduling of items currently earmarked for the meeting on 25th July 2016.

4. **Unaudited 2015/16 Statement of Accounts**

The Committee considered a report of the Executive Director of Resources, which set out the unaudited statement of accounts for 2015/16.

In addition to the report, the Committee received a presentation setting out the key elements of the statement of accounts and issues to be aware of. These included:

- End of Year Financial Reporting
- Narrative Statement
- Comprehensive Income and Expenditure Statement
- CIES vs Outturn
- Reserves Trend
- The Balance Sheet
- Collection Fund
- Fall in Fixed Asset Value
- Arena Coventry Limited
- Long Term Investments
- Pensions
- Pensions Liability
- Officers Remuneration
- Pooled Budget
- Other Items Within the Accounts
- Highways Assets Accounting

Having considered the report and presentation, the Committee expressed concern regarding the way that reserves for Schools was reported given that they were unable to be used by the Council. The Committee requested that officers investigate whether, within the prescribed format for the Statement of Accounts, there was any alternative way to report this particular reserve.

In addition, the Committee requested that the Cabinet Member for Strategic Finance and Resources be invited to attend the meeting of the Committee on 25th July 2016, when the Audited Statement of Accounts were to be considered.

RESOLVED that the Committee:

- 1. Note the Unaudited Statement of Accounts.**
- 2. Request that officers investigate whether there are alternative ways in which they can report schools reserves, whilst complying with the prescribed reporting procedures for the Statement of Accounts.**
- 3. Invite the Cabinet Member for Strategic Finance and Resources to attend the meeting of Committee on 25th July 2016 for the consideration of the Audited Statement of Accounts.**

5. Annual Governance Statement 2015-16

The Committee considered a report of the Executive Director of Resources, which sought approval of the Annual Governance Statement, which formed part of the Statement of Accounts for 2015-16.

Coventry City Council had responsibility for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the City Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

To demonstrate such arrangements, the City Council had approved and adopted a Code of Corporate Governance, which was consistent with the principles of effective governance as reflected in the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The Annual Governance Statement ('AGS') explained how Coventry City Council had complied with the Code and in doing so, reflected the requirements of the Accounts and Audit Regulations 2015, which required all relevant bodies to prepare an Annual Governance Statement. The AGS also detailed key governance / control issues identified through the assessment that the Council faced in the coming year.

The Annual Governance Statement, attached as Appendix 1 to the report, highlighted those areas that the Council considered required internal control / governance improvements. The Committee noted that the assessment had been co-ordinated by the Acting Chief Internal Auditor, but also incorporated the views and opinions of senior officers.

Key disclosures come from a review of progress against disclosures highlighted in the Annual Governance Statement 2014/15 and new disclosures identified as part of the assessment process. A review of the seven disclosures highlighted in the Annual Governance Statement 2014-15 found that the disclosures fell into two categories, namely 'carry forward to the 2015/16 Statement' and 'closed from 2014/15 Statement'. The report detailed the specific matters in each of the categories and provided an update on the current position. Two new disclosures were identified for the 2015/16 Statement. The first related to actions identified following the Information Commissioner's audit and the implementation of the Council's wider Information Management Strategy. This issue was identified as part of the review undertaken to support the production of the Annual Governance Statement. The second action to undertake a review of a number of the key procedures that underpinned the governance framework, namely the Risk Management Strategy, the Code of Corporate Governance, the Whistleblowing Strategy and the Fraud and Corruption Strategy, arose in light of considerations such as new professional guidance being issued.

Having considered the report submitted, the Committee were concerned that the planned review of the Code of Corporate Governance had been postponed during 2015/16 and was now planned for 2016/17. They requested a briefing note to explain the reason for the postponement and assurance that this matter would be reviewed during 2016/17.

In addition, the Committee expressed further concern regarding the robustness of the CareDirector system and the moderate assurance given, particularly in light of the significant finances involved. The Committee requested that this matter be included in the Internal Audit Plan for 2016/17.

With regard to Council Tax discounts and exemptions, the report indicated that an audit review of procedures in March 2016 highlighted areas for improvement in respect of the consistent application of processes in relation to the award of exemptions and discount, including management oversight. Although the report further indicated that actions had been agreed with management to address this, the Committee stated their concern that this issue be monitored and requested that a further report be submitted in respect of this matter. The Committee also requested that the Half Year Fraud report for 2015/16 which had been considered in December 2015 be re-circulated for information, insofar as it related to Council Tax.

RESOLVED that the Committee :-

- 1. Approve the Annual Governance Statement attached as Appendix One to the report submitted, which accompanies the 2015/16 Statement of Accounts.**
 - 2. Request a briefing notes on the reasons for postponing the review of the Council's Code of Corporate Governance during 2015/16 and assurance that this would be carried out during 2016/17.**
 - 3. Request that CareDirector be retained on the Internal Audit Plan for 2016/17.**
 - 4. Request a further report on the areas of improvement highlighted in respect of the consistent application of processes in relation to the award of exemptions and discounts for Council Tax, including management oversight, to ensure that this matter is monitored and assurance received that the recommendations are implemented.**
- 6. Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of public business.

(Meeting closed at 5.00 pm)

Audit and Procurement Committee

Work Programme 2016-17

13th June 2016

Revenue and Capital Out-turn 2015-16
Draft Statement of Accounts 2015-16
Annual Governance Statement 2015-16

25th July 2016

Internal Audit Annual Report 2015-16
Audit Findings Report 2015-16 (Grant Thornton)
Statement of Accounts 2015-16
Revenue and Capital Outturn 2015/16
Review of the Effectiveness of the System of Internal Audit
Audit Committee Annual Report 2015-16
Information Management Strategy Update
Procurement Progress Report (Private)

26th September 2016

Treasury Management Update
Quarter One Revenue and Corporate Capital Monitoring Report 2016-17
Internal Audit Plan 2016-17
Annual Audit Letter 2015-16 (Grant Thornton)
Half Year Internal Audit Progress Report 2016-17
Corporate Risk Register Update
Fraud Annual Report 2015-16
Procurement Progress Report (Private)

19th December 2016

Quarter Two Revenue and Corporate Capital Monitoring Report 2016-17
Treasury Management Update
Internal Audit Recommendation Tracking Report
Half Yearly Fraud Update 2016-17
FOI / DPA Annual Report 2015-16
Ombudsman Complaints Annual Report 2015-16
Procurement Progress Report (Private)

20th February 2017

Grant Certification Report (Grant Thornton)
Annual Audit Plan (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2016-17
Quarter Three Internal Audit Progress Report 2016-17
RIPA (Regulation of Investigatory Powers Act) Annual Report 2015-16
Contract Management Review
Procurement Progress Report (Private)

3rd April 2017

Internal Audit Plan 2017-18
Procurement Progress Report (Private)

Dates to be confirmed



Audit and Procurement Committee Annual Report to Council 2015-16

To be considered at the City Council meeting
on the 6th September 2016

Audit and Procurement Committee Annual Report 2015-16

Foreword by Chair of Audit and Procurement Committee 2015-16



**Councillor Tony Skipper
Chair, Audit and Procurement
Committee 2015-16**

I am pleased to present this report, which outlines the Committee's work over the municipal year 2015-16.

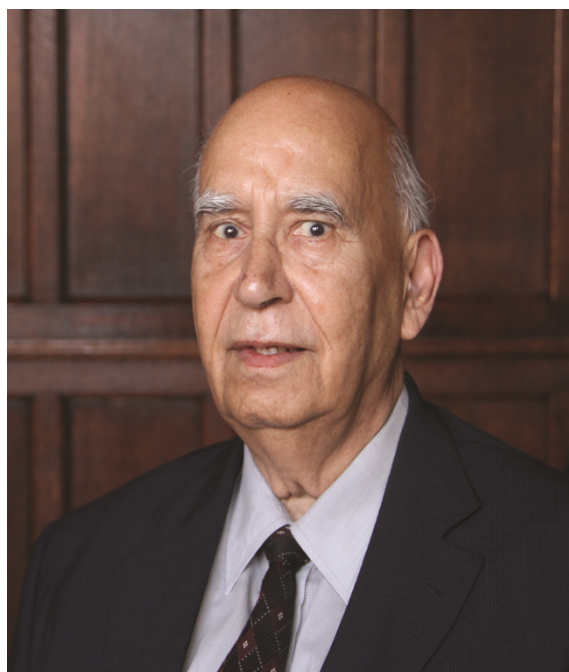
Over the last year, the Committee has discharged its key responsibility effectively, whilst at the same time, been able to consider other matters to support the Council including providing scrutiny and challenge over procurement activity and the Council's Corporate Risk Register.

I hope that this Annual Report helps to demonstrate to Coventry residents and the Council's other stakeholders the vital role that is carried out by the Audit and Procurement Committee and the contribution that it makes to the Council's overall governance arrangements.

Introduction by Chair of Audit and Procurement Committee 2016-17

In May 2016, the Council appointed me as the new Chair of the Audit and Procurement Committee. I am looking forward building on the good work done in 2015-16 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of initial priorities for 2016-17 these include ensuring that:

- Action is taken in response to disclosures made in the Annual Governance Statement.
- Any issues raised by the external auditors in the audit of the Council accounts are addressed on a timely basis.
- Members of the Audit and Procurement Committee are appropriately supported through training and development.



**Councillor Sucha Bains
Chair, Audit and Procurement
Committee 2016-17**

1 Activity of the Council's Audit and Procurement Committee

During 2015-16, the Council's Audit and Procurement Committee met on six occasions. Meetings were held in June, August, October and December 2015 as well as in February and April 2016.

The Committee receives a range of:

- Routine reports based on the clearly defined expectations of services / functions that report to the Audit and Procurement Committee, e.g. internal / external audit and financial management.
- Ad-hoc reports which focus on either a specific concern or developments that impact directly on the Committee.

The details of the reports considered in 2015-16 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2014-15, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in June 2015 and then in August 2015, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. The statement highlighted the following significant governance issues which required the Council's focus in 2015-16; achievement of improvement in Children's Services, meeting the financial challenges faced by the Council, delivering the Kickstart Transformation Programme and continued implementation of the Education Improvement Strategy. The Statement also highlighted internal control issues for improvements in relation to the Council's processes for dealing with council tax discounts and exemptions, the administration of adult social care payments through the CareDirector system and review of the Council's Code of Corporate Governance.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts (including revenue and capital outturn) was considered by the Committee in June 2015 and then in August 2015, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. Additionally, the following reports were received in year:

- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2015-16 were considered in December 2015 and February 2016.
- Treasury Management activity updates were considered in August 2015 and December 2015. The report highlighted investment activity carried out by the Council and provided assurance that the Council was managing investments in accordance with its Investment Strategy.
- European Funding – A briefing note was considered in October 2015 and provided an update on the European funding the Council had received since 2010 and how it was managed.

1.3 **External Audit** - The following reports were received from the Council's external auditors, Grant Thornton in 2015-16:

- The Audit Findings for Coventry City Council - This report was considered in August 2015, and its purpose was to highlight the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2015. The report conclusions were that, pending satisfactory clearance of outstanding matters:
 - An unqualified audit opinion would be provided on the Council's financial statements.
 - Whilst a final decision would be reached on the value for money conclusion once there had been further opportunity to evaluate evidence in relation to improvements in Children's Services, all other aspects of the Council's arrangements for securing value for money were satisfactory.

The report did identify issues which the external auditors thought required focus by the Council in the next year including ensuring that accruals and credit notes are raised on a timely basis, continuing to assess the adequacy of reserves and taking actions to maintain a sound financial position, and reporting on actual savings delivered against planned savings.

- Annual Audit and Inspection Letter - This was considered at the October 2015 meeting. The main focus being to summarise the findings from the 2014-15 audit and to formally document their conclusions in respect of the audit of the accounts and the Council's arrangements for securing value for money. The conclusions reached for both these areas were consistent with those indicated in the Audit Findings for Coventry City Council report considered in August 2015 and confirmed that an unqualified value for money conclusion had been issued.
- Certification of Claims and Returns Annual Report - This was considered in February 2016 and summarised the findings from the certification of 2014-15 claims and returns that were subject to review by the external auditors. The report highlighted that only the Housing Benefits subsidy claim was subject to external audit approval, which had been qualified due to errors identified, although the impact of this was estimated not to be significant. The external auditors' conclusion was that the Council has appropriate arrangements to compile complete, accurate, and timely claims / returns for audit certification.
- 2015-16 Audit Plan - This was also considered in February 2016 and set out the work that Grant Thornton would undertake in respect of the audit of the Council's financial statements for the year ended 31 March 2016. It also documented the expected outputs that the Committee would receive from the external auditors.

1.4 **Internal Audit** - During the year, the Audit and Procurement Committee received the following reports at the June, August and October 2015 meetings:

- Internal Audit Annual Report - This report had two main purposes:
 - To summarise the Council's Internal Audit activity for the period April 2014 to March 2015, against the agreed Internal Audit Plan for the same period.
 - To provide the Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment. Based on the work of Internal Audit in 2014-15, the Chief Internal Auditor concluded that 'moderate' assurance could be provided that there was generally a sound system of internal control in place to help the organisation meet its objectives.
- Annual Review of the Effectiveness of the System of Internal Audit - This review led by the Council's Chief Internal Auditor discharges a requirement of the Accounts and Audit Regulations that the Council "*at least once a year, conduct a review of the effectiveness of the system of Internal Audit*". Whilst the review is primarily focused on assessing the Council's Internal Audit Service against recommended practice and professional standards, it also considers how the Council's Audit Committee arrangements compare against recommended practice. This identified a number of areas for development to enhance current arrangements including Internal Audit Service staff development, reviewing how stakeholder feedback is obtained, and carrying out an assurance mapping exercise. Specifically in relation to the Audit and Procurement Committee, it was identified that there was a need to review / update the Committee's terms of reference and provide training for Members on the core areas that the Committee deals with.
- Internal Audit Plan for 2015-16 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit Service, the opportunity to comment on scope and coverage outlined in the plan.

Other Internal Audit reports considered during the year include:

- Progress reports on Internal Audit work - Monitoring reports were received in October 2015 and February 2016. These reports provided updates on the performance of the Service, along with a summary of the key audits from a sample of high profile audit reviews carried out in the relevant periods. In considering these reports, the Committee agreed with the focus of improvements identified and the timescales agreed for implementation.
- Recommendation Tracking Report - In December 2015, a report on action taken by Council officers in implementing agreed audit recommendations was presented. This highlighted high levels of compliance with the implementation of agreed actions.
- Cyber Security - In response to specific concerns raised by the Committee, a briefing note was considered in February 2016 regarding

the Council's approach to cyber security and how risks are being managed, which includes a number of mitigation measures against attacks. The effectiveness of these arrangements are validated as part of the on-going ICT Audit Programme.

- Capital Receipts and Property Transactions – a briefing note was received in December 2015 which outlined the Council's approach to disposal of property including the approval process to ensure that capital receipts are maximised.

1.5 **Fraud** - The following fraud reports were considered in 2015-16:

- Annual Fraud Report - This report was considered by the Committee in August 2015 and summarised the Council's response to fraud activity for the financial year 2014-15, focusing on the work of both the Corporate Fraud and Benefit Fraud Teams. The report also provided an update on arrangements following the transfer of the Benefit Fraud Team to the Department of Work and Pensions in March 2015, with a Team of two officers established to respond to the risk of fraud and error in Council Tax.
- Half Yearly Fraud Update - A report was received in December 2015, focusing on the outcome of work by both the Corporate Fraud and Council Tax Fraud and Error Teams during 2015-16. It was highlighted that 90 exemptions had been removed from customer's Council Tax accounts since April 2015, which had resulted in revised bills being issued amounting to around £113k.

1.6 **Procurement** – The following reports were considered in 2015-16:

- Procurement was a standard agenda item at every meeting of the Committee during 2015-16 with the exception of June 2015. This area is considered under the private part of the agenda and is a progress report summarising procurement activity considered by the Procurement Board and Panels in the relevant period, as well as providing an update on progress made in delivering agreed procurement saving targets. The Committee in considering these reports noted the content of reports and sought assurance around specific activity highlighted.
- In October 2015, a report was considered on the Sub-Regional Procurement Strategy which detailed the proposals for the shared procurement service between Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council for 2015 to 2020. Progress against the strategy will be reported to Audit and Procurement Committee on an annual basis.

1.7 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas and in 2015-16, this included the following:

- **2014-15 Annual Freedom of Information / Data Protection Act Report** - This report considered the Council's performance for responding to information requests through the different mechanisms as well as highlighting the outcome of internal reviews carried out by the Council and complaints considered by the Information Commissioners Office. The Council completed 79% of FOI requests on time and 69% of DPA requests. 8 Information Commissioner's Office complaints were received during the course of the year, none of which were upheld.
- **Regulation of Investigatory Powers Act 2000 Annual Report** – This report focused on providing oversight of the Council's compliance with this Act. 6 directed surveillance applications were granted and 7 authorisations to acquire communications data. There were no reported instances of the Council having misused its powers under the Act.
- **Ombudsman Complaint Annual Report** - This report provided information regarding the number and outcome of Local Government Ombudsman complaints received and investigated during 2014-15, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 110 complaints, only 27 were pursued and 9 upheld. The Ombudsman did not issue formal reports of maladministration for any of the complaints upheld.
- **Corporate Risk Register** – This report set out the current Corporate Risk Register with an overview of the Council's corporate risk profile and the controls in place to address these risks. The Committee noted the Risk Register having satisfied themselves that the corporate risks are being identified and managed.

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Public report

Audit & Procurement Committee
Cabinet Member for Policy & Leadership

Audit & Procurement Committee
Cabinet Member for Policy & Leadership

25 July 2016
28 July 2016

Name of Cabinet Member:

Cabinet Member for Policy & Leadership – Councillor Duggins

Director Approving Submission of the report:

Executive Director of Resources.

Ward(s) affected:

All

Title: Information Management Strategy Update

Is this a key decision?

No

Executive Summary:

The Council's Information Management Strategy was approved by Cabinet in March 2016. Information Management is becoming increasingly critical to the way the public sector does business as we integrate services, seek to gain better outcomes with fewer resources and digitalise the way services are delivered. Information is one of our greatest assets and its usage is a major responsibility. We are ambitious to be a Council that is trusted by its citizens and customers to manage and protect their information. The Information Management Strategy will ensure that we exploit information as a strategic asset, using recognised best practice, legislation and technology to minimise requests for information and maximise the opportunities of information intelligence to share future services and evaluate the effectiveness of existing ones.

One of the work streams within the strategy relates to information governance and data protection. In order to understand the level of maturity/assurance in relation to information governance across the organisation, the Council arranged for the Information Commissioner's Office (ICO) to conduct a data protection audit. Information Management specialists were also engaged to conduct a Council wide maturity assessment. These exercises have helped formulate action plans for the Council to improve its information management arrangements. This report sets out the findings of the audit and maturity assessment, the actions identified and progress against those actions to date.

Recommendations:

Audit and Procurement Committee is recommended to:

- (1) Note the outcome of the ICO Audit and In-form Consult Maturity Assessment;
- (2) Note the progress to date on the ICO Audit and Maturity Assessment Action Plans
- (3) Request that Officers bring a further report to the Committee on the outcome of the follow up audit by the Information Commissioner;
- (4) Make any other recommendations to the Cabinet Member that the Committee considers appropriate.

Cabinet Member for Policy & Leadership is recommended to:

- (1) Consider any recommendations from the Audit and Procurement Committee.
- (2) Note the outcome of the ICO Audit and In-form Consult Maturity Assessment;
- (3) Note the progress to date on the ICO Audit and Maturity Assessment Action Plans
- (4) Request that Officers bring a further report to the Committee on the outcome of the follow up audit by the Information Commissioner;
- (5) Make any other recommendations that the Cabinet Member considers appropriate

List of Appendices included:

Appendix 1 – ICO Audit Executive Summary
Appendix 2 - ICO Audit Action Plan
Appendix 3 – Inform Consult Maturity Assessment & Road Map.

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

Yes

Audit & Procurement Committee - 25 July 2016
Cabinet Member for Policy & Leadership - 28 July 2016

Will this report go to Council?

No

1. Context (or background)

- 1.1 The Council's Information Management Strategy was approved by Cabinet in March 2016. One of the work streams within the strategy relates to information governance and data protection. Through the Don't Gamble with Data Campaign, the Council has worked hard to raise employee awareness of responsibilities of data protection and information governance. All staff must complete mandatory data protection training and use 'locked print.'
- 1.2 To assist with the development and delivery of the Council's Information Management Strategy (which was approved by Cabinet in March 2016), Officers thought it would be helpful to understand the state of information governance across the Council so that improvement actions could be identified.
- 1.3 In October 2015, the Information Commissioner conducted a data protection audit of Children's Social Care and Revenues and Benefits. The audit considered governance arrangements, training and awareness and data sharing arrangements. The Auditors met with the Senior Information Risk Owner (SIRO) the Acting Monitoring Officer, the Caldicott Guardian, the Assistant Director for ICT, Transformation and Customer Services as well as managers and officers within the two service areas. A copy of the ICO Audit Executive Summary is attached at appendix 1.
- 1.4 The ICO Audit concluded that the Council has "very limited assurance that processes and procedures are in place and deliver data protection compliance."It is important to note that the audit provides only "a snap shot" of assurance levels at the time of the audit. It took limited account of the Council's strategic aims and direction of travel, which are in place and in the process of being implemented. The audit did also identify the key policies in place, the development of a toolkit/handbook for employees and the communications campaign as areas of good practice.
- 1.5 The Council has considered the ICO's recommendations and included these within the action plan attached to this report as appendix 2. Out of 77 actions, 8 have been completed, 50 are in progress and 19 are still to be commenced. The majority of these are dependent on the completion of other actions.
- 1.6 The ICO will conduct a follow up audit towards the end of 2016/early 2017 to assess progress against the recommendations. The Council is well on track to have implemented the majority if not all of the actions in advance of this audit. By implementing these actions, the Council will significantly increase its assurance rating.
- 1.7 Since the scope of the ICO Audit was relatively limited and in order to refine the entire approach to how the Council manages and uses information effectively, the Council proactively engaged Information Management Specialists, In-Form Consult (IFC) to conduct a maturity assessment of information management arrangements across the Council.
- 1.8 IFC assessed the Council's maturity level as low-medium. Across the areas considered maturity was either at a formative (level 2) or developing stage (level 3) with level 1 being the lowest and 5 being the highest. IFC consider the maturity assessment to be a cause for optimism and not unlike similar local government organisations and no area scored a

lowest level of 1. This demonstrates that we already have a good basis to work from and gives confidence we will be able to progress quickly in transformation our approach to information.

- 1.9 IFC used the maturity assessment to create a roadmap/action plan identify key work streams and activities required to implement the Council's vision for information management. There is some overlap between the activities' identified by IFC and the ICO audit. A copy of the road map is attached at Appendix 3.

2. Options considered and recommended proposal

- 2.1 The Council will continue to deliver the Information Management Strategy as approved by Cabinet. The implementation of the actions identified by the ICO Audit and IFC maturity assessment form key elements of the strategy. Information is one of our greatest assets. We need to exploit information as a strategic asset to shape future services and evaluate the effectiveness of existing ones
- 2.2 The Strategic Management Board is committed to delivering the Information Strategy, which is at the heart of the Council's transformation plans. The Information Management Strategy Group oversees the way that information is managed across the Council and will oversee progress of the ICO and IFC action plans. The Group is chaired by the Executive Director of Resources who is also the Council's Senior Information Risk Owner and has senior representation from each directorate including the Chief Information Officer (Assistant Director ICT Transformation and Customer Services), ICT, Transformation, Insight Team and Legal Services. The Executive Director of People is the sponsor for the Information Management Strategy.
- 2.3 It is essential that systems and arrangements are in place to ensure compliance with all legislative requirements concerning the use of information. Implementation of the ICO and IFC actions will ensure that the Council improves its assurance levels in this regard.
- 2.4 It is not an option for the Council to do nothing. Failure to implement the actions identified will put the Council at increased risk of breaching its obligations under the Data Protection Act 1998. It would also inhibit the Council's ability to maximise its use of data to deliver value for money, customer focused services to the benefit of its customers.

3. Results of consultation undertaken

- 3.1 There is no requirement for the Council to consult on the implementation of the actions identified.

4. Timetable for implementing this decision

- 4.1 The actions are already being implemented. The Council aims to complete the actions identified as part of the ICO Audit prior to the follow up audit, which is anticipated at the end of 2016/early 2017. The IFC recommendations are also being implemented. These will be delivered over the next 12 – 15 months.

5. Comments from Executive Director of Resources

5.1 Financial implications

This programme of work is being delivered from existing resources. The implementation of the Information Strategy acts as a key enabler to a number of key Council projects and will be aligned with the savings programme and budget report which underpin much of the work already planned to deliver existing targets in the Medium Term Financial Strategy. Implementing the recommendations from the ICO reduces the risk that the Council will receive a monetary penalty in the event of a breach of the Data Protection Act 1998.

5.2 Legal implications

The adoption of an overarching Information Management Strategy represents good governance. The implementation of the actions identified promotes compliance with the Data Protection Act 1998 and will improve safeguards against data breaches.

6. Other implications

Any other specific implications

6.1 How will this contribute to achievement of the Council's Plan?

Improved use of data and information will contribute to the Council's overall aims and objectives in the Corporate Plan by underpinning key components of the Council's transformation and efficiency agenda.

6.2 How is risk being managed?

Risk will be managed through gaining a better understanding of the data assets the Council holds and their specific security and risk implications. The formation of an Information Asset Register will give greater visibility to those risks; identifying the owners and enabling better management of risk.

6.3 What is the impact on the organisation?

A more strategic approach to the management and use of information, will lead to improved decision making through benefits including:

- more effective safeguarding of children through improved data sharing with different public agencies
- Efficiency savings from having single data sets of information, less duplication and risk of error.

6.4 Equalities / EIA

The approach set out in the Information Management Strategy does not have any specific impact on the Public Sector Equality Duty. However, management of personal and equality data is included within the scope of the strategy. As a result, the improved management of data will lead to improved understanding of the equality impact of future decisions.

6.5 Implications for (or impact on) the environment

There are no specific implications or impact upon the environment.

6.6 Implications for partner organisations?

The Information Management Strategy applies to all data and information that the Council creates, owns, collects and holds in any format. The benefits derived from improved information management and the implementation of actions relating to data sharing will apply to partner organisations.

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Coventry City Council

Data protection audit report

Executive summary
March 2016

1. Background

The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (the DPA). Section 51 (7) of the DPA contains a provision giving the Information Commissioner power to assess any organisation's processing of personal data for the following of 'good practice', with the agreement of the data controller. This is done through a consensual audit.

The Information Commissioner's Office (ICO) sees auditing as a constructive process with real benefits for data controllers and so aims to establish a participative approach.

The ICO invited Coventry City Council to participate in a Data Protection Audit in January 2015.

In February 2015, Coventry City Council agreed to a consensual audit by the ICO of its processing of personal data.

An introductory meeting was held on 06 August 2015 with representatives of Coventry City Council to identify and discuss the scope of the audit.

Prior to the audit, the Council recognised opportunities to improve on the existing information governance framework. Via its Information Management Strategy Group attended by the SIRO and other senior managers it had developed a number of plans to improve practice to promote data protection compliance.

At the time of the audit, as part of the plans for improvement referred to above, the Council's Information Governance Team was undergoing a period of change with a number of roles within the team that were vacant following a restructure. Interviews were ongoing to recruit new staff to this team including a Senior Information Governance Officer.

2. Scope of the audit

Following pre-audit discussions with Coventry City Council, it was agreed that the audit would focus on the following areas:

Data protection governance – The extent to which data protection responsibility, policies and procedures, performance measurement controls, and reporting mechanisms to monitor DPA compliance are in place and in operation throughout the organisation.

Training and awareness – The provision and monitoring of staff data protection training and the awareness of data protection requirements relating to their roles and responsibilities.

Data sharing - The design and operation of controls to ensure the sharing of personal data complies with the principles of the Data Protection Act 1998 and the good practice recommendations set out in the Information Commissioner’s Data Sharing Code of Practice.

3. Audit opinion

Overall Conclusion	
Very Limited assurance	<p>There is a very limited level of assurance that processes and procedures are in place and are delivering data protection compliance. The audit has identified a substantial risk that the objective of data protection compliance will not be achieved. Immediate action is required to improve the control environment.</p> <p>We have made two very limited and one limited assurance assessments where controls could be enhanced to address the issues which are summarised below and presented fully in the 'detailed findings and action plan' section 7 of this report.</p>

4. Summary of audit findings

Areas of good practice

Key information governance related policies are in place including a Data Protection Policy, an Information Security Policy and a Records Management Policy which are available on the intranet for staff to access. In addition, a new suite of guidance has been produced which the Council has named the "Information Toolkit." Although these documents are yet to be finalised, a communications campaign is planned to launch the new toolkit to staff.

The induction checklist requires new staff to read the Data Protection Policy and they are required to sign to say that they have done so.

Areas for improvement

The Council is reported to be currently taking a different strategic direction in regards to information governance as a whole. At the time of the audit however, there was no operational lead (data protection officer) or supporting staff (other than one information governance officer) in place to monitor data protection compliance and promote improvement, although the Council is currently running a recruitment campaign.

Information Asset Owners (IAOs) have yet to be formally identified and the role and responsibilities of IAOs have not been formally documented e.g. within a role description. Also, the Council has not documented a consistent and cohesive approach to the management of information risk within a formal policy or created a stand-alone information risk register. Neither does the information asset register appear to be used to facilitate the assessment and management of relevant risks. As a result, information risk is not managed in a structured way to ensure that senior management is fully aware of the risks to personal data and can ensure they are assessed and mitigated appropriately.

Data protection related training has been mandatory for all staff within the Council since November 2014 but is still in the process of being rolled out across the organisation. Training completion statistics are not regularly reported to the Information Management Steering Group (IMSG) to ensure that training is being completed by new starters at the beginning of their employment, to monitor training completion across the organisation and to identify where improvement is needed. In addition, the Council does not provide specific training for specialised roles or

functions such as IAOs, Subject Access Request handlers and staff involved with data sharing.

There is insufficient clarity around who has corporate responsibility for ensuring that data sharing takes place appropriately. In addition, there are currently no published policies or guidance which clearly define systematic data sharing and one-off requests for disclosure, who has the authority to make decisions about them and when it is appropriate to do so.

The matters arising in this report are only those that came to our attention during the course of the audit and are not necessarily a comprehensive statement of all the areas requiring improvement.

The responsibility for ensuring that there are adequate risk management, governance and internal control arrangements in place rest with the management of Coventry City Council.

We take all reasonable care to ensure that our audit report is fair and accurate but cannot accept any liability to any person or organisation, including any third party, for any loss or damage suffered or costs incurred by it arising out of, or in connection with, the use of this report, however such loss or damage is caused. We cannot accept liability for loss occasioned to any person or organisation, including any third party, acting or refraining from acting as a result of any information contained in this report.

Action and completion status	Agreed Action	Owner:	Due by	progress
A02	The Data Protection Policy, Information Security Management Policy and Records Management policy reviewed on an annual basis. Any changes to be communicated via Beacon.	SIGO	Apr-16	Review of Polices Complete awaiting approval and communication to staff
A03	Ensure the induction checklist is completed within two weeks of employment for new staff (see also b12).	SIGO	Jan-16	Complete
A04	Amend the Service Area induction checklist to include the requirement to read the Records Management Policy and Information Security Policy.	Training Design & Delivery Manager	Mar-16	Not Complete - Waiting for policies to be approved
A05	Review guidance documentation promoting data protection compliance and review periodically thereafter.	SIGO	Dec-16	Staff IG Handbook completed addition guidance to be considered
A06	Finalise, publish & communicate the toolkit documents	SIGO & Internal Communication	Apr-16	Handbook/Toolkit document awaiting approval and communication to staff
A08	Appoint SIGO and second IGO	Legal services Manager	Jan-16	completed- SIGO - 29/03/16; Second IGO Nov 2015
A12	Set out duties and responsibilities of SIRO and formally reference in relevant policies.	SIGO	Apr-16	Draft completed waiting for approval. Incorporated in policies reviewed so far
A13	Identify IAOs, set out duty's and responsibilities of IAOs and communicate to IAOs, reference role/responsibly within relevant policies & procedures.	SIGO	Sep-16	Roles to be incorporated in risk management policy, staff hand book and IG Toolkit after completion of IAR
A14	Recruit Records Manager or the duties are assigned to an appropriate role/roles	Legal services Manager/ Programme Manager Transformation	Jul-16	To consider recruiting

Action and Completion Status	Agreed Action	Owner:	Due by	progress
A16	Draft Terms of reference for the IMSG for approval by the group.	Legal Services Manager	Jan-16	Completed but not approved by group
A17	Create action plan to ensure key deliverables with Information Management- Bringing it together document are achieved.	SIGO & Programme Manager Transformation	Apr-16	Completed
A18	Draft an Information Risk Policy	SIGO	Sep-16	After IAR has been completed
A19	Ensure that information asset register is up to date and that is regularly reviewed to identify residual risks which require escalations.	SIGO/ Transformation delivery programme Manager	Apr-16	Information asset register has been developed but risk management approach yet to be developed
A20	Create information risk register to capture, record & track information related to risks identified via the IAR, security incidents & PIAs.	SIGO/ Head of ICT Strategy	Sep-16	Not began - after completion of information risk policy
A21	Information Risk register to be considered by SMB.	SIRO	Sep-16	Not began - after completion of information risk policy and Information Risk Register
A22	IMSG to approve Information Risk Register and review on a quarterly basis.	SIRO	Sep-16	Not began - after completion of information risk policy and Information Risk Register
A25	To follow up on data protection audit in 2013/14. To include specific data protection audits within the audit plan 2015/16 & future audit plans.	Chief Internal Auditor	Feb-16	In the process of producing the Audit plan
A26	To include data protection/Information governance control issues within the Annual Governance Statement.	Chief Internal Auditor	Apr-16	Completed

Action and completion status	Agreed Action	Owner:	Due by	progress
A27	SIGO to conduct periodic spots checks to monitor compliance with information governance policies and results to be reported to ISMG.	SIGO	Apr-16	Not began - after completion of policies and procedures
A28	To include statistics in relation to information security incidents & training completion within annual report.	SIGO	Sep-16	Security incidents and training completion being monitored
A29	IMSG to monitor KPIs re completion statistics, training completion & information security incidents on quarterly basis.	Legal services Manager/ SIGO	Implemented November 2015	completed
A31	a) Communicate the requirement for staff to carry out mandatory PIAs for any new service or change in service which involves the processing of personal data to all senior Managers. b) Amend the responsibilities for Line Managers document within the toolkit to include the requirement for mandatory PIAs.	a) SIRO/ b) Legal services manager	Implementation date: a) January 2016. b) Implementation date: Document amended December 2015.	Completes but not yet approved and communicated re IG Staff Handbook
A33	Introduce PIA template based on ICO's Conducting Privacy Impact Assessments Code of Practice.	SIGO	Jun-16	Completed awaiting approval
A34	SIGO to be a signatory to all PIA's and register of PIA's to be maintained.	SIGO	Jun-16	Completed awaiting approval
B01	Include responsibility for ensuring that staff are adequately trained in relation to data protection to the roles & responsibilities of the SIRO.	SIGO	Apr-16	Completed. Awaiting for approval
B02	Oversight of data protection training to be included within the Terms of Reference for the IMSG.	Legal Services Manager	Jan-16	Waiting for IMSG approval

Action and Completion Status	Agreed Action	Owner:	Due by	progress
B03	IMSG to approve content of training and monitor training statistics to ensure that training is being completed.	SIGO	Jun-16	Training being monitored
B04	SIGO to report on training completion statistics to IMSG on a quarterly basis.	SIGO	Implemented November 2015	Monitoring reports from learning and development
B05	SIGO to conduct a training needs analysis for members of the Information Governance Team.	SIGO	Aug-16	In progress- to be completed with LSM
B08	Amend DP E-Learning to include a module on Subject Access requests.	SIGO/ Training Design & Delivery Manager	Jun-16	Training developed but not yet part of the E learning module
B09	Review & consolidate the e-learning and classroom based modules to ensure all key data protection learning elements are delivered to all relevant staff.	SIGO/ Training Design & Delivery Manager	Jun-16	Completed training included in training matrix. Additional training needs to be included
B12	<p>Recommendation partially accepted.</p> <p>1) Communication to all senior managers that DP E- Learning must be completed by all new employees within 2 weeks of commencing employment.</p> <p>2) Responsibilities for Line Managers document within toolkit to be amended to include requirement that new starters complete DP E-learning within 2 weeks of commencing employment.</p> <p>3) Induction Checklist to be amended to include the requirement to complete the DP E-learning within 2 weeks of commencing employment.</p>	<p>1) SIRO</p> <p>2) Legal Services Manager</p> <p>3) Training Design & Delivery Manager</p>	<p>1) January 2016</p> <p>2) Amendment made December 2015</p> <p>3) March 2016</p>	Toolkit/handbook requires completion and approval

Action and completion status	Agreed Action	Owner:	Due by	progress
B13	IMSG to consider conducting data protection refresher training on an annual basis following amendment to training as above.	IMSG		To be considered
B14	Include requirement to complete mandatory e-learning training & condensed mandatory training within Data Protection Policy.	SIGO	Aug-16	Data Protection Policy reviewed
B16	Develop specific training for IAO's, SARs, handlers and staff involved in data sharing - Also "Recording with care training"	SIGO/ Training Design & Delivery Manager	Aug-16	In progress- to be completed after relevant policies and procedures have been completed. Adhoc training underway
B17	As part of training needs analysis at recommendation B6 to arrange for IGOs to attain BCS Certificate in Data Protection.	SIGO	Apr-16	Training identified Sept to Oct 2016
B18	Information regarding staff who have not completed the DP training to be provided to SMB & cascaded to all managers on a quarterly basis.	SIGO/SIRO	Apr-16	Reports being created
B20	Training completion statistics to be reported quarterly to IMSG.	SIGO	Implemented November 2015	Being reported
B22	Refresh & re-launch Don't Gamble with Data Campaign to launch the 'toolkit.'	SIGO/ Internal Communications officer	Sep-16	After training has been developed
C01	SIGO to be a signatory on all Data Sharing Agreements and to maintain a register of all DSA's. All DSA's to be reviewed annually. SIGO to report IMSG on DSA Agreements and Reviews on a quarterly basis.	SIGO	Dec-16	Process included in the IG Staff handbook and procedure has been developed. DSAs yet to be reviewed but new ones being logged

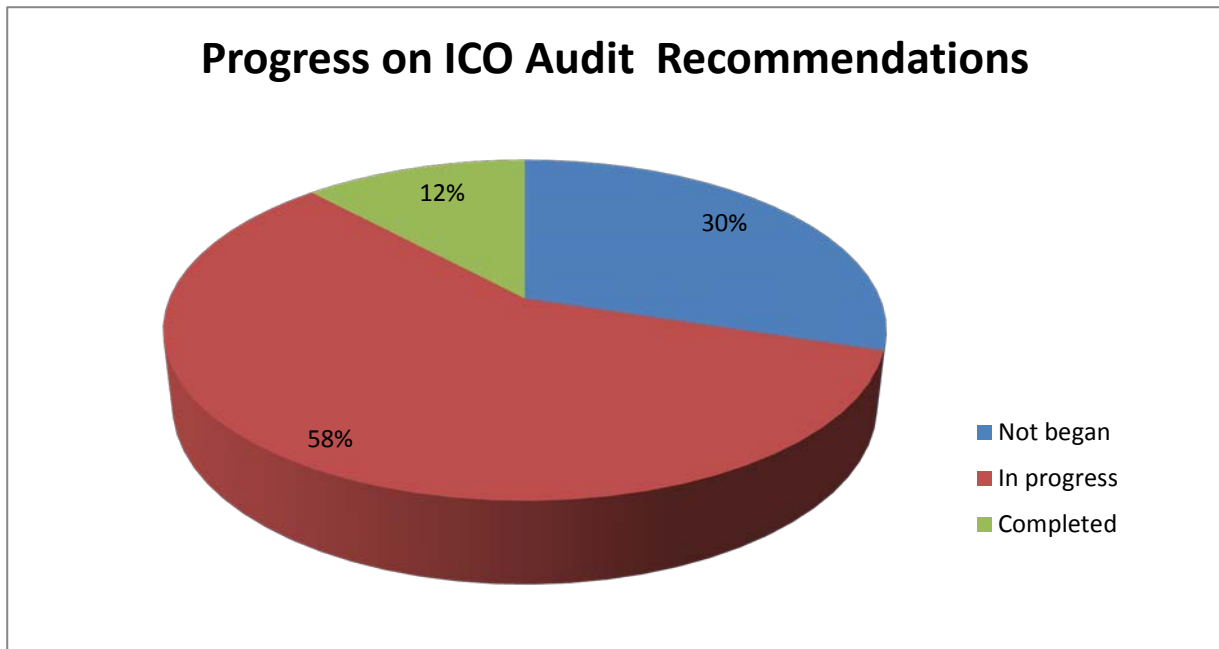
Action and Completion Status	Agreed Action	Owner:	Due by	progress
C02	SIGO to conduct periodic spot checks across the council to ensure that systematic data sharing decisions are being recorded on relevant case files.	SIGO	Aug-16	After completion of IAR/IRR and DSA register
C05	Amend the DP E-learning training to include basic guidance on data sharing.	SIGO	Jun-16	Content included in refresher training to be added to DP E-Learning training
C06	Develop specific training for those with Data Sharing responsibilities with a requirement that such training is completed every 2 years.	SIGO/ Training Design & Delivery Manager	Aug-16	Data Sharing content being developed
C07	1) Action: Amend Data Protection policy to include summary of key points in respect of data sharing & one- off disclosures. 2) Action: Draft data sharing policy and Guidance in accordance with ICO Data sharing code of practice.	1) SIGO 2) SIGO	1) April 2016 2) July 2016	In staff handbook awaiting approval and communication
C09	1) Draft corporate privacy notice to be published on website. 2) Review fair processing notices used throughout the council.	1) SIGO 2) SIGO	1) April 2016 2) December 2016	Partially complete
C10	Draft consolidated fair processing notice for website.	Legal Services Manager	Feb-16	Partially complete
C11	Undertake a review of all DSA's to ensure the incorporate fair processing, consent & exemptions where relevant.	SIGO	Sep-16	Complete waiting for approval
C12	Undertake a review of all DSA's to ensure they cite applicable conditions for fair processing or exemptions.	SIGO	Sep-16	Not began waiting for approval of DSA templates and procedure
C13	Review all DSAs to ensure that it is a requirement to record that consent has been obtained/overridden & why.	SIGO	Sep-16	Not began waiting for approval of DSA templates/policy and procedure

Action and completion status	Agreed Action	Owner:	Due by	progress
C15	Review all consent forms to ensure that they explain circumstances in which personal data may be shared without consent and that consent may be withdrawn.	SIGO	Sep-16	Yet to identify where consent forms have been completed
C17	Include within the Data Sharing Policy requirement that PIA completed in relation to all DSAs.	SIGO	Jul-16	Included in staff handbook
C18	Awareness of Corporate PIA template to be raised through Don't Gamble with Data Campaign & Data sharing policy.	SIGO	Jul-16	After approval of template
C19	Review CISP to ensure it remains fit for purpose & clarify whether data controllers who are not signatories to it but wish to enter into a DSA are required to become signatories to CISP or confirm adherence to it.	SIGO	Sep-16	No began
C20	Publish DSA template on intranet.	SIGO	Jul-16	Waiting for IMSG approval
C21	Review all DSAs to ensure compliance with ICO Data Sharing Code of Practice.	SIGO	Sep-16	Only current DSA reviewed older other to be reviewed once templates are approved
C23	Amend DSA template to incorporate statement of compliance and include in existing DSAs on review.	SIGO	Sep-16	Included in reviewed template. This will be used to review existing DSAs
C24	SIGO to be added as a signatory to all DSAs and to ensure that all signatory sections are completed prior to being logged on central list.	SIGO	Sep-16	Templates reviewed, waiting for approval
C25	DSAs to be reviewed on annual basis/ SIGO to keep record of review dates and dates completed.	SIGO	Sep-16	Review dates incorporated in DSA register

Action and Completion Status	Agreed Action	Owner:	Due by	progress
C26	SIGO to maintain a register of all DSAs to be reviewed bi-annually by IMSG.	SIGO	Sep-16	Developed new Information Sharing and PIA register for new ISA with annual review dates built in. Process yet to be refined.
C27	Include within Data Sharing Guidance, requirements of Government security classifications. Requirement to use classification to be incorporated into DSAs.	SIGO	Sep-16	Included in staff handbook
C28	Revise DSA template to provide clarity as to which sections need to be amended to provide specific details.	SIGO	Sep-16	Draft document in table format with white spaces to indicate areas where more information is required.
C30	As part of review of DSAs, ensure current methods of sharing information captured.	SIGO	Sep-16	in draft document
C31	As part of review of DSA, ensure they specify relevant job roles/teams at each organisation that will be responsible for sharing/processing data and include specific contact details that will be used for sharing information	SIGO	Sep-16	in draft document
C33	As part of review of DSAs, ensure that they should specify what steps should be taken to report, investigate and resolve incidents	SIGO	Sep-16	in draft document
C34	As part of review of DSAs, ensure the relevant job roles and contact details for incident management leads are included	SIGO	Sep-16	in draft document
C36	Ensure that all DSAs record whether data to be shared is factual/opinion and to distinguish between the two.	SIGO	Sep-16	in draft document
C37	Amend DSA template and all existing DSAs to ensure that parties inform each other when shared data has been amended or updated.	SIGO	Sep-16	in draft document

Action and completion status	Agreed Action	Owner:	Due by	progress
C38	Amend the DSA template and existing DSAs to ensure they contain specific provisions re ensuring the quality of the data shared	SIGO	Sep-16	in draft document
C39	Define and document retention periods within DSA and ensure relevant managers record on data controllers system	SIGO	Sep-16	in draft document
C40	Amend DSA template and all existing DSAs to include disposal dates for the shared data	SIGO	Sep-16	in draft document
C41	Amend DSA template and all existing DSAs to contain specific provisions re organisations providing assurance of disposal to each other	SIGO	Sep-16	in draft document
C42	Draft procedure for dealing with one-off requests for disclosure, to be promoted via Beacon, Don't Gamble with Data Campaign	SIGO	Dec-16	Not began
C43	Ensure that procedure for third party requests for information are received in writing	SIGO	Dec-16	Not began
C45	Within Procedure for dealing with third party requests for information, build in requirements for conforming identity of requesters	SIGO	Dec-16	Not began
C47	Create a single corporate log for all one-off requests for disclosure, identity of requestor, exemptions, tracking information	SIGO	Dec-15	Not began
C48	SIGO to report to IMSG on a quarterly basis the number of one-off requests for disclosure	SIGO	Dec-15	Not began
C49	SIGO to carry out "spot- checks" on the quality of one-off disclosures to ensure quality assurance.	SIGO	Dec-16	Not began

Recommendations/Actions	Number of Actions	Not begun	In progress	Completed
Policies and Procedures	24	8	11	5
DPA Training and Awareness	15	1	11	3
Information Sharing	38	11	17	0
Total	77	20	39	8





Enterprise Information Management Maturity Assessment & Strategic Roadmap

COVENTRY CITY COUNCIL



MARCH 2016

DOCUMENT CONTROL SHEET

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Author	Andrew Ladd
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1.0	Andrew Ladd	23/02/16	Final Draft
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1. Executive Summary

Coventry City Council initiated the development of this Enterprise Information Management (EIM) Assessment and Strategic Roadmap to support the identification of the key workstreams and activities that are required to implement their vision and desired future state for information management and sharing, both internally and externally with partners and the community. Council recognises that its EIM environment needs to be reviewed and improved, and that this will be a key enabler for improved service delivery.

This report is a result of Council stakeholders and In-Form Consult (IFC) working together to explore EIM challenges and opportunities. It describes the current practices and tools used and assesses the maturity of the Council EIM environment against an industry standard model. The results of the maturity assessment and the current state analysis were used to inform the development of a strategic roadmap for EIM. The report outlines a path towards a more effective EIM environment where compliance and productivity are increased, and information related risks and costs are reduced. It also provides a baseline on which the success of future EIM initiatives can be measured.

The recommendations and roadmap in this report will be analysed by Council and IFC to develop action and resource plans which define the responsibility and exact timeframes for the activities.

1.1 Key Findings

Council is well placed to build on a solid foundation of EIM practices and ongoing initiatives to harvest the benefits of some key activities in 2016 and beyond. A number of key themes are prominent in the report findings and these are outlined below along with critical recommendations provided to deliver the desired future state.

1.1.1 Information Accessibility, Quality and Ownership

Current State

Information ownership, accountability and quality were cited as key issues, especially for critical data entities such as customer and property, meaning there is a lack of consistency across systems and processes and multiple sources exist for the same data. Accurate and current information is often difficult to locate, hampering business operations, predictive analysis and innovation. The theme of improving information consistency, accountability and reducing silo-ed processes was the key theme across the stakeholder engagement.

Desired State

Council understands what information and data it holds and where, ownership and accountability for these strategic assets is implemented, improving information quality, outcomes and reducing duplication and data protection risks.

Key IFC Recommendations

Perform an Information Asset Audit and develop an Information Asset Register.

The undertaking of an information audit and the development of an information asset register will provide clarity around what information assets the Council holds. It will define who is accountable for quality and usage, significantly support improved information findability and enhance compliance levels with key legislation such as the Data Protection Act and the Freedom of Information Act. The register should be aligned to the Council retention and disposal schedule to facilitate effective retention and disposal. This activity will provide the foundation for achieving the goal of a single version of the truth and the integration of service activities.

Develop Information Asset Owners

Information and data custodians will need to be formally identified and take responsibility for managing, standardising and cleansing datasets – this will enhance the flow of information and data

between systems and services, improve quality and reduce duplication. A role description should be defined and activities included in performance reviews.

1.1.2 Value of Information Management

Current State

The Council information culture varies across services and business areas however it was reported that often insufficient time is devoted to information management tasks such as appropriate storage, naming, versioning and classification which is affecting information accessibility, quality, and collaboration. Initiatives have been launched regarding data protection obligations however there is a lack of awareness of the value of information quality and openness and the significant benefits this can provide. This has resulted in silo-ed EIM processes, multiple copies of the same information and difficulties sharing information between services.

Desired State

Employees understand the value of effective information management and this is embedded into day to day business activities. Information is recognised as a strategic asset that supports intelligent decisions, innovation and productivity gains. Information openness, sharing and collaboration is balanced with security and privacy that meets legislative requirements.

Key IFC Recommendations

Develop IM Education Program

Deployment of an IM Education Program, via eLearning or classroom delivery, through induction processes and the Council learning and development platform, will inform employees of best practice relating to information management and how effective information processes benefits Council. The Program should include EIM principles, examples of where EIM can and has provided benefit and reduced cost, guidelines for when to use Council EIM tools (SharePoint, OneDrive, Information@Work), processes such as for Freedom of Information, and key definitions.

Education of Council staff through this Program will provide the consistency that improves information quality, reduces silo-ed processes, and reduces costs related to duplication and unnecessary archiving. Information will be more accessible, promoting collaboration.

Develop IM Standard

Develop and implement an Information Management Standard – to include, but not limited to:

- Definition of key Council information management principles
- Key definitions e.g. of a record and a child record
- Guidance on when to use Line of Business (LOB) systems, Information@Work, shared drives and SharePoint
- Organisation-wide document naming conventions
- Council procedures e.g. when to retain physical copies, IL2 versus IL3 requirements
- Alignment to the Council EIM Policy framework

The key elements of the standard should be communicated via the IM Education Program, and performance against this standard audited by designated staff members (e.g. IM Champion, Change Agent). This standard will support effective information and data governance and promote consistency of information process and storage.

1.1.3 Additional Key Themes and Recommendations

Further critical and valuable recommendations have been made in this report, which are described in section 6:

EIM Dimension	Recommendations
Governance	<ul style="list-style-type: none"> • Review IM policy framework

	<ul style="list-style-type: none"> • Prepare for EU General Data Protection Regulation changes • Develop Records Manager
Master Data Management	<ul style="list-style-type: none"> • Develop Master Data Management plan • Perform analysis of in house MDM versus purchased MDM tool
Knowledge Management and Communications	<ul style="list-style-type: none"> • Review and improve EIM communications via intranet • Review handover processes for staff leaving Council • Develop EIM Communications plan • Review KM tools (Yammer, SharePoint newsfeeds)
Strategy	<ul style="list-style-type: none"> • Finalise EIM Strategy • Baselining and benefits realisation
Information Sharing & Open Data	<ul style="list-style-type: none"> • Review partner template agreements, clarify processes, optimise • Develop Open Data Strategy

1.2 Maturity Assessment

The maturity assessment highlighted that the Council has a low-medium maturity across all EIM dimensions, with the current maturity levels being either Formative (Level 2) or Developing (Level 3), using a scale of one to five where one is the lowest maturity and five the highest.

This is reflective of the growing understanding of the importance of information and data management at Council, coupled with key challenges of data ownership, silo-ed processes and difficulties accessing a single source of the truth as outlined in this report. This maturity level is cause for optimism as it is not unlike similar local government organisations and no dimension of EIM scored the lowest value of one, which many organisations that IFC has support have scored.

A business impact value has been assigned to each dimension which illustrates the impact the maturity level has on business operations. A traffic light system is used where:

- Green indicates good, little to no impact
- Amber indicates business operations are being impacted, action is required
- Red indicates critical issues, business operations are severely impacted

Maturity Dimension	Current Maturity Level	Future (target) Maturity Level	Business Impact
Governance	3	4	
Strategy	2	4	
Value	2	4	
Asset Management	3	4	
Access and Security	3	4	
People	2	4	
Processes	2	4	
Quality	2	4	
Architecture	2	4	
Platforms	3	4	

1.3 Quick Wins

Council has an opportunity to gain benefits from some quick win activities in the next three months. The following quick wins have been extracted from the roadmap.

Update Document Management processes to include naming conventions and usage audit

Current processes used in the SharePoint deployment do not include guidance on organisational, service or team naming conventions. Consistency of record naming will significantly enhance information findability, particularly as the most common search that will be run in SharePoint is using a document or record name. It is recommended that the Kickstart Project Officers incorporate the definition of naming conventions as part of the engagement process with business areas.

SharePoint usage audits by the Project Officers are recommended after a business area has gone live to ensure documents and records are being stored appropriately. These should be performed once a week for one to four weeks, depending on the uptake and capability of the business area staff. This will enhance user adoption as it ensures SharePoint is used to its full potential with documents and records stored in the correct location, with appropriate metadata applied.

Deliver SharePoint Learning workshop to project team and team librarians

It is recommended that the transformation project team and key stakeholders/team librarians from the early adopters attend an IM solution best practice in SharePoint workshop. A two day workshop in the best practice approach to developing and maintaining SharePoint and Office 365 solutions will support the optimised use of team sites, in particular the use of metadata, which will enhance user experience and user adoption.

Review paper child record processes

Children's Services open a paper file for every child case, and even if the file is immediately closed, the file is archived to Iron Mountain. It is recommended that this process is reviewed as it is inefficient and is creating unnecessary storage costs.

Review GIS data access controls

An information access and security risk exists for GIS data on the network drive as this is open in read/write format to all MapInfo users. This is presenting a risk of information being modified inappropriately or lost and Council being in breach of the Public Sector Mapping Agreement which allows Council to receive free ordnance survey data. It is recommended that a needs assessment is performed for read/write access to this data and access removed where required.

Investigate cost saving of scanning opportunities

Some Council business areas have significant volumes of paper assets that are required to be kept for long retention periods (Occupational Health and Safety have 45 year retention requirement for some of their medical records) and other areas e.g. Employment Services are employing temporary resources to support the cleansing and weeding of old personnel files before scanning onto Information@Work. It is recommended that a review is performed of the potential efficiency gains and cost savings of bulk scanning these records.

Review ERDF paper retention requirements

There is a perception at Council that all records of projects delivered with European Regional Development Fund (ERDF) grants, must be retained for 25 years in paper form, and this paper retention process has been followed for some time. Review of this requirement may provide immediate opportunities for storage cost savings and process efficiency gains.

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2. Introduction

2.1 Background

Coventry City Council (Council) is undertaking a significant programme of work aimed at improving the management and sharing of information across employees, partners and the community. The Kickstart programme is aligned to an estates consolidation and will fundamentally change the way Council operates internally and engages with partners and the citizens of Coventry. The move to different ways of working in new Council premises requires a significant reduction in the processing and storage of paper files, and a transition to more flexible and “digital by default” information environment.

Key to this transition is the development of an overarching vision and strategy for Information Management (IM). The Council has developed a draft high level strategy and is currently defining the workstreams and activities necessary to embed the principles of the strategy into business operations. Due to the wide ranging nature of the workstreams and activities involved – from information governance to data management to process modernisation and change management – Council is undertaking an EIM maturity assessment that will assess the current state across the dimensions of Enterprise Information Management and analyse this state against the vision to inform a strategic roadmap. This will provide a baseline state against which the success of future IM initiatives can be measured.

In the current climate of reduced funds available to public sector organisations, there is an increased need for prioritisation of projects and identification of efficiency gains and cost savings. In-Form Consult (IFC), a specialist information management consultancy, has been engaged to support Council develop the EIM roadmap and scope has been allocated within the engagement post the completion of this report to define responsibilities for actions and formulation of the resource plan for roadmap activities.

2.2 Document Scope

The scope of this document is to describe the current state for Enterprise Information Management at Council, the key risks associated with the EIM environment, the desired future state, and to provide recommendations that form a strategic roadmap. A maturity assessment will be performed against an industry standard IM Maturity Model.

2.3 Methodology and Approach

IFC engaged with nominated Council employees that provided representation from all Directorates through a variety of methods. The methods of engagement were:

- Group workshops
- Interviews
- Meetings
- Questionnaire

The discovery sessions were held on site between the 14th January and the 4th February 2016. A list of the stakeholders and the method of engagement used can be found in Appendix 1.

Research was conducted by IFC both pre and post site visits with the main focus being the documentation provided by Joe Sansom, Transformation Programme Delivery Manager, Helen Lynch, Legal Services Manager and Paul Ward, Head of ICT, Strategy and Systems . These reference documents are listed in Appendix 3.

2.4 What is Enterprise Information Management?

Information includes all forms of data, electronic and physical information that is captured, produced, stored and distributed. It is anything from application forms, reports, e-mails, to videos and commentary on social media sites. Information management, therefore, is how we organise,

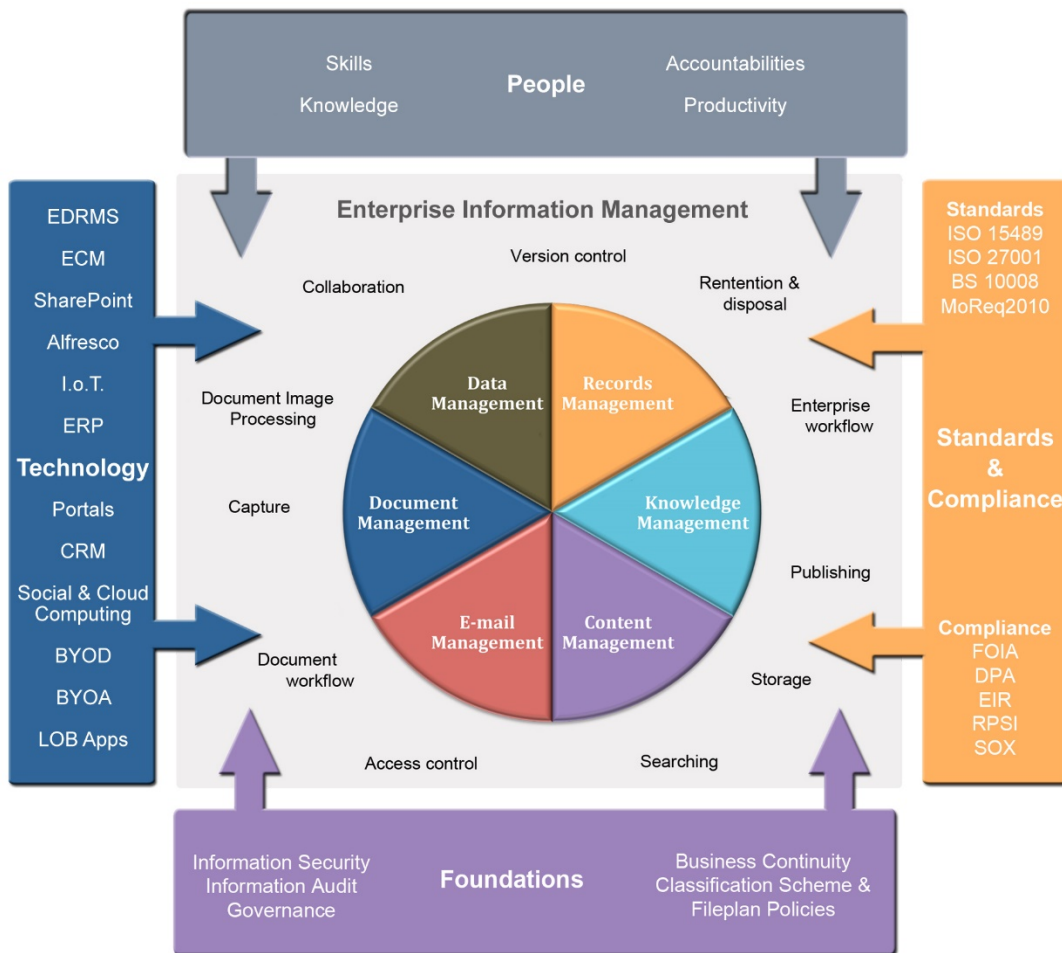
collect, store and use the wide range of information Council has in order to deliver services and achieve its priorities.

A record, which is one of the key forms of information is defined as:

"Information created, received and maintained as evidence and as an asset by an organisation or person, in pursuance of legal obligations or in the transaction of business". Source - ISO 30300:2011, BS10008:2014 and ISO/DIS 15489.

Information flows through an organisation and is used by all employees in every business decision, and so an organisational structure must be capable of managing this information throughout the information lifecycle regardless of source or format. The Association for Information and Image Management (AIIM) defines the focus of IM as “the ability of organisations to capture, manage, preserve, store and deliver the right information to the right people at the right time”.

The diagram below depicts the key elements of Enterprise Information Management, which highlights many of the dimensions that will be assessed in this report.



2.4.1 Knowledge Management

This report has also assessed the knowledge management landscape at Council. Knowledge Management (KM) is defined as “a business process that formalises the use of an organisation’s intellectual assets as distinct from its information assets” (Gartner, 2012). The goals of KM are distinct from EIM in that KM aims to:

- Increase the connections between people (who have knowledge) that would likely not occur without the help of a KM system (Terra and Angeloni, 2007)
- Provide context for and validate available information

Enterprise Information Management is generally limited in scope to information assets which have already been captured (or are explicit e.g. documented). Knowledge Management includes the explicit and tacit (uncaptured) knowledge of people. Tacit knowledge refers to intuitive and experience-based knowledge which is understood without openly being expressed; it includes skills, capabilities, expertise, and is only found in individuals. Explicit knowledge on the other hand refers to formalised and codified knowledge which is easy to identify, store and retrieve, and is found in documents, databases, notes and manuals.

2.5 Benefits of Effective Information Management

Information is woven through the fabric of every modern organisation, consequently employing effective methods to control this rich source of knowledge is fundamental to achieving greater productivity and competitiveness. Effective information, knowledge and data management provides four key benefits to organisations:

- Reducing risk
- Reducing cost
- Achieving compliance
- Productivity gains

Operational and productivity gains can be significant as increased confidence in company information empowers employees to make prompt, informed and intelligent decisions. In an environment of accessible, accurate information where employees are able to share and collaborate easily, time wasted looking for information is much reduced, significantly increasing organisational productivity.

Some of the key benefits of effective information management include:

- Increased efficiency of service delivery
- Delivery of savings associated with reduced manual processes and paper-based storage
- Improved disaster resistance
- Improved sharing and collaboration unlocks the corporate knowledge bases
- Reduced legal liability exposure
- Increased employee capability through integration and automation of processes
- Enhanced customer experience
- Increased ability to innovate

“We are drowning in information, while starving for wisdom. The world henceforth will be run by synthesizers, people able to put together the right information at the right time, think critically about it, and make important choices wisely.”

E.O Wilson (1999): *Consilience - The Unity of Knowledge*

3. Current State Findings

3.1 Strategy, Governance and Compliance

3.1.1 Strategy

Council has recently formed an Information Management Strategy Group whose purpose is to support and drive forward the information programme and its various workstreams, and to provide the Strategic Management Board with the assurance that effective information governance is in place at Council. The group is made up of key stakeholders across Council directorates and ICT, the Caldecott Guardian, the Senior Information Risk Owner, data controllers and representatives from the Customer Journey program.

Council has developed a draft framework for an information strategy programme, and a cabinet report is being finalised which seeks endorsement of IM principles and the IM programme of work. The ICT Strategy sets out principles and vision for Information and Data Assets, and the Document Management workstream (SharePoint/Information@Work deployment) also defines document management principles. No formal EIM strategy exists.

3.1.2 Governance

An information policy framework exists including, but not limited to, a Data Protection Policy, an Information Security Management Policy, Information Sharing Protocol and a Records Management Policy; these are available via the intranet. Stakeholders reported that these are not easy to find, that there are overlaps between policies and that the Information Governance intranet pages do not link well to current policies. Supporting guidance exists for policies and some of these need review in line with the Information Commissioners Office (ICO) code of practice. An IG toolkit is being developed that includes a data protection guideline for line managers.

An Information Governance corporate service exists covering the development, implementation, maintenance and review of information governance policies and processes. This team is currently in the process of recruiting a key governance role, a Senior Information Governance Officer, who is expected to commence employment in April 2016. Council does not have a Records Manager. The Information Governance team provides guidance to Council employees relating to their compliance obligations for key information legislation, such as the Data Protection Act 1998, the Freedom of Information Act 2000 and Environmental Information Regulations 2004. They also provide advice relating to information sharing, re-use of public sector information and corporate records management. The Information Governance team does not cover data governance relating to data management (see section 3.5).

3.1.3 Compliance

Council are PSN (Public Services Network) compliant which means that its infrastructure has been reviewed by the Cabinet Office and deemed sufficiently robust and secure to connect the PSN.

Council has recently undergone an ICO information governance audit, which focused on Children's, Social, Revenues and Benefits service areas. This was a result of a number of data breaches, which Council reported to the ICO and an audit was agreed. The ICO report was delivered in October 2015 and is not yet finalised as discussion is still taking place regarding Council's acceptance of the recommendations.

Stakeholders demonstrated some good awareness and compliance with the Data Protection Act (such as in the Revenues and Benefits area) however there are regular breaches, mostly related to accidental breaches or paper processes. Some business areas, such as Procurement, raised compliance challenges with the DPA and this was thought to be as it was not given sufficient priority and time to achieve appropriate compliance levels.

Compliance with the Freedom of Information Act is supported by a FOI SharePoint portal which stakeholders reported they either didn't know about or could not use efficiently due to a lack of training.

3.2 People, Processes, Knowledge and Change Management

3.2.1 People

Council employees work in silos and this is partly a legacy of the services having “grown up” separately. There are instances of good information management processes and culture, in areas such as Employment Services and Revenues and Benefits and when dealing with information relating to a child social case, however there are also many less structured and efficient information areas where employees do not see IM as a priority. This is compounded by the ongoing workforce restructures which means staff have less time to devote to what is seen as non-priority tasks such as managing information.

There is a growing awareness of EIM issues, particularly relating to the disparate systems and repositories for information and data, and the amount of time spent re-keying data and duplication. Some stakeholders reported a lack of trust due to low maturity in other service areas information management processes, which meant that copies of contracts for examples are being held locally.

3.2.2 Processes

Stakeholders reported that the current information processes at Council are resulting in duplication, version control issues and a difficulty locating a single source of truth for information. Different services and teams have different information structures; Special Education Needs areas for example are saving and storing duplicate information relating to 0-25 year olds, which could be useful (or even vital) to other services. Construction reported versioning issues relating to building documentation and cabinet report versioning was raised as a challenge due to not knowing who owns the report.

The move to digital by default access channels and processes is progressing and some service areas have business processes that have been automated by workflows, e.g. via Information@Work or Protocol for child cases, however there are still inefficient paper processes in operation. Children’s Services for example open a paper file for every child case, and even if the file is immediately closed, the file is archived to Iron Mountain.

No consistent naming conventions are being used, and stakeholders reported there are no corporate document templates available. A lot of time is spent moving documents to the correct places and re-keying of data due to lack of integration between systems and standardisation of information and data processes.

3.2.3 Change Management & Training

A Data Protection Act (DPA) eLearning module is available via the Council Learning Management System which articulates the key elements of the DPA and employee obligations around it. This is a part of employee inductions. Data Protection Data briefings and Information Governance training have also been rolled out. There is no training or learning around other information topics. There was a perception among some stakeholders that Council messages have focussed too much on the protection and security of information and what not to do, and this has not been balanced by outlining the benefits of openness and increased sharing and collaboration.

Communication campaigns have been run to increase organisational awareness of data responsibilities, such as the Don’t Gamble With Data campaign, and DPA communications, however no overarching communication plan exists for EIM initiatives.

Change Agents have been deployed throughout the business to support the Kickstart Program and the move to unified communications and user adoption of new technology such as SharePoint. There is no organisational change manager or team who manages the change agents, this function is spread across roles in the directorates.

Team Librarians, who may have been change agents, are identified in the SharePoint team site implementations who are responsible for approving new groups or metadata tags and provide guidance and support to colleagues. This role is primarily to be used during the transition but will

also be used on an ongoing basis; it has yet to be decided whether this role will become the IM Champion.

3.2.4 Knowledge Management

Knowledge sharing is a challenge for Council with no consistently used method for sharing best practice, lessons learnt or other valuable experiences that would enhance delivery of service. Some co-location techniques have been used (e.g. the Multi Agency Safeguarding Hub - where all statutory and non-statutory safeguarding partners are embedded together in an integrated workplace) and the KM tool Yammer has been deployed however stakeholders reported the deployment was not successful due to lack of guidance on how and when to use it.

With the Council in such a transformation stage and employees being offered voluntary redundancy, significant loss of corporate knowledge is taking place every time someone leaves Council. Handover activities are managed by line managers however it was reported that there is inconsistency in how this corporate memory, which employees know but have not built into processes, shared with others or documented, is being retained.

3.3 Information Access, Security and Lifecycle Management

3.3.1 Information Access

Stakeholders reported that searching for information can be extremely challenging, especially on the network drive folders, unless you know where to look or know someone who can direct you to the latest version of a document. This is hampering some stakeholder's ability to perform their role with the volume of data repositories and systems stated as a key challenge. Construction reported difficulties relating to versioning and cabinet report version control issues were

The shared drives use a classification based on team structures which don't exist anymore and there is often no clear owner for a folder. This lack of identified data owners means that in scenarios where the helpdesk receive a request for access to an internal audit network folder for example, it is difficult to validate and action this request. Data imports have started from Resource Link (HR system) to Active Directory that populate the line manager information to rectify this.

Systems where data is being searched, such as in Academy (Revenue and Benefits data), Anite (Information@Work) and Protocol, where identifiers including a property or child reference number can be used, were reported to be easily searched. Due to the volume of systems in the Council landscape however this data is held in multiple systems, in multiple formats, many of which are not referenced back to a master source, which for property or street information should be the LLPG (Local Land Property Gazetteer).

Information access concerns were raised over GIS data on the network drive which is open in read/write form to any internal user of MapInfo. This access should be view only except where required. Council are required to maintain and secure the Local Land and Property Gazetteer data as part of the Public Sector Mapping Agreement (or Data Corporation Agreement?) in order to receive free ordnance survey data. Council are assessed against this and if found to be in breach of the agreement they may be removed from the PSMA which means ordnance survey data would have to be paid for.

Access concerns were also raised relating to accounts being left open when an employee goes on long term leave or maternity leave, mainly because the business updates the helpdesk less than 10% of the time if an employee goes on this type of leave. The use of USBs was raised as a risk relating to access and re-use of information, such as GIS data which is third party data and Council does not own. USB policy controls exist relating to Removable Media, however no technical controls are in place.

3.3.2 Information Security & Privacy

Council has an Information Security Management System (ISMS) Framework which is a policy framework relating to information governance and security management, which aligns to best practice from the ISO 27001 standard. Information security is essentially focussed on being safe from danger or threat (as opposed to privacy which is concerned with control over personal information) and Council have a number of key elements of information security deployed including boundary firewalls, internet gateways and desktop security measures including malware protection. An annual penetration test is conducted by an external company to ensure adequate protections are in place.

Information is secured via Active Directory groups on the network drive and restricted sign-ons for access to data in line of business systems. Few network drive security breaches are raised however the structure of the shared folders means that sometimes access has to be given to entire service area folders when this access is not needed. Challenges are experienced also relating to a lack of identified data owners for network drive folders e.g. the helpdesk receives a request asking for access to an internal audit network folder and it is often not clear who owns the data and should be consulted about access to it. Data imports are ongoing from Resource Link that are populating line manager information in Active Directory which will assist identifying requestor's line managers in this scenario.

Council has undertaken a privacy impact assessment for the move to Office 365 and this covers their use of cloud services via Microsoft Azure. A privacy impact assessment is being undertaken with Adult Education regarding their transition to the use of cloud repositories.

Privacy breaches are fairly frequent with IT Security regularly reporting emails containing personal information being sent to personal accounts (e.g. Gmail) and there are a number of accidental breaches relating to either human error or paper records. Some areas are more vigilant with regard to disclosure of personal data such as Public Health who regularly anonymise patient identifiable data and push back on the provision of data from which individuals may be identified without their consent.

A Council privacy statement review is ongoing around consent for customer information being used and this is aimed at targeting some of the data sharing challenges that exist (discussed in section 3.6).

3.3.3 Information Lifecycle Management

The information lifecycle relates to the management of an information asset from creation through to when it can be deleted or disposed. Council has an enterprise retention and disposal schedule however much of the information and data held at Council does not go through a formal retention and disposal process; the information is retained permanently. Finance stated they retain most of their information and network drive information in the main does not have retention and disposal processes applied.

SharePoint is introducing expiry dates for team documents which has been set at 3 years from the date last modified. At this point the document will be flagged for deletion and a document library column is being used to indicate when a document will expire. Systems such as Information @ Work have good retention structures where periods are set against document types and Protocol has retention periods per case. Some business areas have robust disposal processes e.g. in Sensory and Physical Support Service in the People Directorate, where paper files are regularly reviewed, moved when a child leaves school then shredded after five years.

Council has no information asset register which defines what information assets it holds and this was stated by stakeholders as a priority task moving forward. Information is not recognised as an asset, which is contributing to information being stored permanently rather than deleted or destroyed at the appropriate time. It was stated that Council will incur excessive storage costs if this is replicated in the cloud where costs are higher. It was also thought a lot of archive boxes are being held at the

Iron Mountain archive unnecessarily and that insufficient weeding is taking place before a file is sent to physical archive.

3.4 Technology and Repositories

3.4.1 Technology

The Council technology landscape is evolving to meet the changing demands of the workforce and physical office environments – employees are working from home more and customers are demanding online access to services. The move to cloud technologies is a key theme in the Council’s ICT Strategy and where practical, cloud solutions are being implemented, such as the move to Microsoft Azure, O365 and SharePoint. SharePoint team sites are being progressively implemented where documents will be stored electronically by default, maximising opportunities for collaboration and minimising paper based storage and duplication. Local drives are being replaced by One Drive.

Council is mid-way through a systems consolidation which incorporates the transition to Agresso for critical systems such as HR, Payroll and Finance. The system landscape consists of 600 line of business systems, 150 core systems and 20 critical systems. Challenges have been experienced identifying master sources for the multiple data hierarchies for this transition and also locating appropriate vendor or solution partner contracts which sometimes don’t exist. Integration between systems is a challenge, such as with Protocol which stores child records and Care Director which stores the records when the child becomes an Adult, however there is no integration between the two systems.

Information@Work has been used since 2004; its compliance with IL3 mean it is a suitable repository for sensitive information such as for Social Care documents. It is used primarily for records relating to any form of case management and workflow functionality and the Document Management business analysts are currently working with the areas such as Children’s Services on their transition to Information@Work.

The intranet is used to publish Council plans, policies and procedures and stakeholders reported that it is very hard to use and to locate information; the intranet platform is transitioning to SharePoint.

3.4.2 Repositories

Currently a large proportion of information is stored on Council shared drives (I and P drive); these have been de-duplicated however there is still over 70TB of electronic information and data on these drives. Some of the key repositories are:

Repository	Information Types
Care Director (MS Dynamics)	Adult records
Protocol	Children’s records
Information @ Work	Revenue and Benefits, Council Tax, HR information
Academy	Revenues and Benefits data
Capita	Education, School Admissions, pupil records
Shared Network drives	Corporate records across Directorates
Personal drives	Personal and corporate information
Agresso	Capital, HR, Finance
Intend	Tender packs
Talent Link	Recruitment data

Resource Link	Employment and Payroll data
SharePoint	Team documents
Intranet	Policies and Procedures
Outlook	Functional, project mailboxes

Many of these systems are localised and integration is limited, and duplicate data is held in multiple locations. The Traffic and Transport business area reported they have major challenges due to volumes of systems they have to work with to provide their services.

Outlook is used as a repository with functional and project mailboxes in use and it is heavily used to share information via attachments which is contributing to the duplication issues.

3.5 Data Management and Business Intelligence

There is an increasing focus on data across Council and how it can be used to improve services and to make informed policy decisions. Initiatives have commenced to improve data management and the sharing of data between corporate systems, including the development of a Data Warehouse as part of the Information Assets and Data ICT Programme. Corporate Management information is being developed via the data warehouse which means that the published data has been validated and is accurate. Microsoft BizTalk, an enterprise middleware tool, is being used as an integration tool between key Council systems e.g. payment info for Agresso, to translate Fizcodes (from legacy systems) to new codes. A Customer Journey Program is ongoing which is focussing on channel shift and new data techniques to help inform new solutions, and progressing towards a single view of customers.

Data ownership, accountability, quality and duplication were cited as key issues, especially for critical data entities such as customer and property, which means there is a lack of consistency across tier one systems and a difficulty locating a single source of truth. Data processes are silo-ed across services and systems which means re-keying of data is common which increases human intervention and therefore the chance of error.

There is frustration around the amount of data cleansing and manipulation required to get accurate data and there is a lot of time is spent correcting data quality. Currently Council has no register of key datasets and who owns them. These challenges mean it is very difficult for Council to proactively engage with customers based on their feedback or behaviours. No centralised reporting function exists at Council, and stakeholders reported it is often not clear how to locate reports or raw data.

3.5.1 GIS Data

The Council uses two main types of GIS data – base ordnance survey data which is often purchased from third parties, and business created data e.g. by Highway Maintenance, Environmental teams. GIS data is managed and published primarily by the Insight team for Council users to view and create maps, such as of layers of Council owned land in Coventry. GIS data is stored on the network drive or in the application in which it is being used (MapInfo, AutoCAD).

Duplication, version control and naming convention challenges exist meaning it is often unclear if the correct version of a map has been located on the network drive. No metadata is used to support efficient search and retrieval of GIS maps.

Copyright issues were also raised as any internal MapInfo user could copy the GIS network drive folder and re-use the data or pass it to third parties. This is a risk as Council does not own the data. Scenarios have occurred where GIS users have left Council and their access (via their email address) is not de-activated for some time meaning the data could be being used or copied inappropriately.

3.5.2 Data Warehouse

The Data Warehouse, built in Microsoft SQL 2012, provides a centralised repository for data from disparate sources where it is being transformed and visualised into meaningful information for employees. Data is progressively being extracted from source systems, transformed and loaded into Council's suite of BI tools – to date Adult Social Care, Finance (from Agresso), Employee HR (from Resource Link) data has been extracted into the Warehouse. The ultimate aim of the Data Warehouse is to provide a single view of a person or household.

Data owners or stewards, where known, are being asked to provide data quality and validation support through click and fix reports which they receive via email. There is no defined role (with role description) for the data stewards, with the list of data stewards held in a table in SQL. The stewards often do not have the time to devote to this task and it is seen as a low priority activity.

3.5.3 Business Intelligence (BI)

A number of BI tools are in use at Council:

- Power Pivot - used via Microsoft Excel mostly by accountants or managers interested in line by line detail
- Microsoft Power BI, which is used for transactional real time reporting, which can be viewed in O365
- SQL Server Reporting Services – provides static reports with exact format e.g. for care workers who have no need for dynamic reports or statutory reports. These can be automated and sent to care workers
- Operational reports come from operational systems

3.5.4 Master Data Management (MDM)

Council is in the early stages of assessing Master Data Management requirements and technologies. MDM is the use of technology to merge and transform data from various sources into single consolidated “golden records” for central datasets; systems are integrated on the basis of a single version of the truth such as for people and property, the two key Council entities.

Currently Council has significant challenges linking data between systems e.g. the Council tax system (Academy) does not link to the Local Land Property Gazetteer (LLPG), the electoral system. MDM technology has been investigated however it is cost prohibitive and consideration is being given to performing MDM in-house through the leveraging of the Data Warehouse structure and processes (e.g. separate out the transfer stage from data warehousing into master data management). Stakeholders expressed concern about how MDM would be implemented relating to the prioritisation of changes to customer data in System A versus System B.

3.6 Open Data and Information Sharing

3.6.1 Open Data

There continues to be a strong push from central government via its <http://data.gov.uk/> initiative for data to be published and freely shared wherever possible. Council publishes key data via its website, with the aim of this high level Open Data to create transparency and accountability. Much of the data is what is required to be shared by law, with some service areas publishing more specific data. The Information Governance team manages what is published, along with the individual teams/service areas managing the other published information.

Open data is shared via the Insight team on Council Headline Statistics including performance, crime, social care, health, housing, local economy. Some data is purchased from third parties e.g. NHS data, customer segmentation data, address data, map data. The Insights team collate and publish high level open data and are focussed on corporate data analysis and activities that support the delivery of the Council Plan, and providing lower levels of detail to the currently published reports. Insights works closely with Local Enterprise Partnerships (LEPs), which are voluntary

partnerships between Council and businesses that support economic growth and job creation within Coventry.

No Open Data Strategy exists to define how open data will be used more in the future to generate revenue and how Council will leverage the Smart City model. Stakeholders reported there are a number of internal policies/procedures relating to Open Data but that they weren't very visible and the awareness of them is low.

It was reported that the benefits of open data are not sufficiently understood which means service areas do not devote a great deal of time to it.

3.6.2 Information Sharing

Information is shared well in some Council services, particularly in Children's Services where social workers understand how important it is to share information to safeguard children. The information sharing culture is good in Adult Services also however there are more barriers to sharing in this service (consent, Adults have more rights).

There was a perception amongst some stakeholders that the key Council messages were to protect information and not to share it, which they thought was re-iterated by the Data Protection Act training. Some service areas are reluctant to share data due to security and privacy concerns with the fear of being punished for publishing something that should not be published outweighing the benefits or desire to publish information.

Non sensitive document sharing is mostly via email attachments and the network drive which will be supplemented by SharePoint links in the future. Attachments are sometimes password protected if they do contain personal information e.g. Occupational Health and Safety medical reports.

Challenges are being experienced around the ability to share data internally such as housing benefit or social security data as the law dictates that it cannot be used for another function, even if the same member of staff is responsible for the different functions. Strict guidelines exist for the use of the Department of Work and Pensions data and there are significant benefits that could be unlocked if this data could be shared.

Customers have occasionally provided feedback to Council that they are not happy to accept the default of their details being shared with other functions as a result of their interaction with the Council service area. This update of details often does not filter through anyway as the chain (often of manual spreadsheets) is not sufficiently robust.

3.6.3 Partner/Inter-Agency Sharing

Information sharing to partners or with other Councils is via phone, letter, email or the UK Government Connect Secure Extranet (GCSX), which is a secure wide area network (WAN) that enables local public-sector organisations to share data privately, particularly with central government departments such as the National Health Service (NHS) and the Police. It was not known whether guidelines existed for when to use the GCSX, the expectation is that line managers will know. For information sharing in general, an Information Sharing Protocol exists and employees contact the Information Governance team for guidance. Employees are nervous about sharing information without the Information Governance team's approval.

Council collaborates often with the NHS, the police and commissioned services such as drug and alcohol recovery specialists, and with other Councils. There are many information sharing agreements in place e.g. for Health and Social Care in Coventry and Rugby or other Public Health and NHS organisations who have their own information standards. The Public Health 0-5 program has an Information Sharing Protocol, where parents are asked for their consent for information to be shared with the 0-5 network of GPs, midwives and health visitors.

Data sharing challenges exist relating to NHS data primarily because of the number of different NHS organisations that Council works with – the NHS, the trusts, Coventry and Warwickshire partnerships, Ambulance Services, Clinical Commissioning Groups, General Practitioners and NHS

England. These are all separate data sources. Commissioned services have on occasion sent emails to Council with identifiable personal information.

3.7 Online Services and Customer Self Service

A number of transformational activities are ongoing or have recently been delivered aimed at re-shaping the relationship between Council and the community it serves. A Customer Journey Program has been initiated which is focussed on the provision of a new building for customer self-service (which has now opened) and channel shift and data warehousing activities, working towards a single view of customers. The goal is simplified customer interaction with Council and a customer service environment where members of the community can easily view the status of their request (one of the most popular calls to the Coventry service desks).

Council have recently updated their Coventry.gov.uk website which is modern and mobile optimised. JADU, a leading local government website and content management system development agency, were engaged to develop the site.

Integral to the new website is an online customer account component (provided by the Firmstep platform), launched in 2015, which supports the channel shift drive by enhancing citizen interaction and service delivery online. Selecting a My Account link seamlessly directs users to the online account system at myaccount.coventry.gov.uk.

Key services currently offered online include Council Tax, Housing and Environmental services. Not all services are online, the most frequently used were targeted first. A roadmap of other services has been developed however the schedule has not been met as time has had to be taken to optimise some inefficient service delivery processes.

Challenges for the online services move include the Council Tax / Benefits links not linking to key Council systems e.g. changes requested via the Housing Benefit - Change of Address option are picked up by a back office team who manually enter in the Housing Benefit system (Academy). The Revenues and Benefits teams began their customer journey before the Firmstep platform was released and so this means they use a different system to manage enquiries and requests. Services all have different back end systems, and this obviously creates challenges providing accurate data via the CRM and website.

4. Current State Analysis

4.1 Key Current State Risks

#	Risk	Reason for Risk	Likelihood of occurrence	Impact of occurrence
1	Risk of accurate information not being available when required to make service delivery decisions	Difficulty accessing a single source of truth, multiple systems and locations for the same data. Information not named, versioned, classified consistently.	High	High – service delivery delays, inefficiency, reputational damage
2	Risk of corporate knowledge loss	No methodology for tacit to explicit knowledge transfer, particularly when employees leave Council	High	Medium – productivity and service delivery issues
3	Risk of data protection breaches	Breaches due to lack of awareness of DPA and value of effective information management, data duplication creates accuracy and currency issues	High	High – financial penalties from the Information Commissioner
4	Risk of information not being retained or destroyed in appropriate timeframes as stipulated by legislation	Little retention and disposal processes on network drive data, data being kept longer than is necessary	Medium	Medium – unnecessary storage costs
5	Risk of copyright infringement	GIS data not secured appropriately, USB restrictions not in place to prevent bulk copy of Council information	Medium	Medium – legal challenges, loss of free access to ordnance survey data

4.2 Maturity Assessment

To be effective, information and data management require a number of key building blocks to be in place including successful strategies, governance, practices and technology. An organisation's EIM maturity level can be measured against these elements where maturity reflects key components such as the completeness of the EIM lifecycle, the awareness of the strategic importance of accurate and accessible data, or the expansion of an IM system from department to enterprise level.

IFC has adapted one of the most commonly used global Maturity Models, ECM3, to evaluate and measure Council's maturity, the results of which provide valuable insights into roadmap activities and prioritisation moving forwards. The model provides a structured framework for building an information management roadmap, in the context of an overall EIM strategy. The model uses graded levels of capabilities, from rudimentary information collection and basic control to increasingly sophisticated levels of management and integration through to a mature state of information optimisation and continuous improvement.

The assessment provides a baseline perspective of enterprise information management against the industry standard model using a defined scoring mechanism. A future state maturity level has been assigned which is a realistic target state for Council that highlights the current capability gap.

There are ten Dimensions in which maturity is measured.

1. **Governance** – the provision of information rules, accountability, ownership and guidance
2. **Strategy** – the presence of an EIM strategy, alignment with strategic goals, programs of work
3. **Value** – awareness and understanding of EIM value proposition
4. **Asset Management** – lifecycle management of information including retention and disposal
5. **Access & Security** – access channels and accessibility of information, information security
6. **People** – behaviours, culture, capability
7. **Processes** – knowledge, consistency and effectiveness of information related processes
8. **Quality** – information accuracy and currency, staff aware of their role in information quality
9. **Architecture** – enterprise and information architecture
10. **Platforms** – technology, repositories and their usage

Each of these Dimensions is measured on a scale from one to five, with one as the lowest maturity and five as the highest.

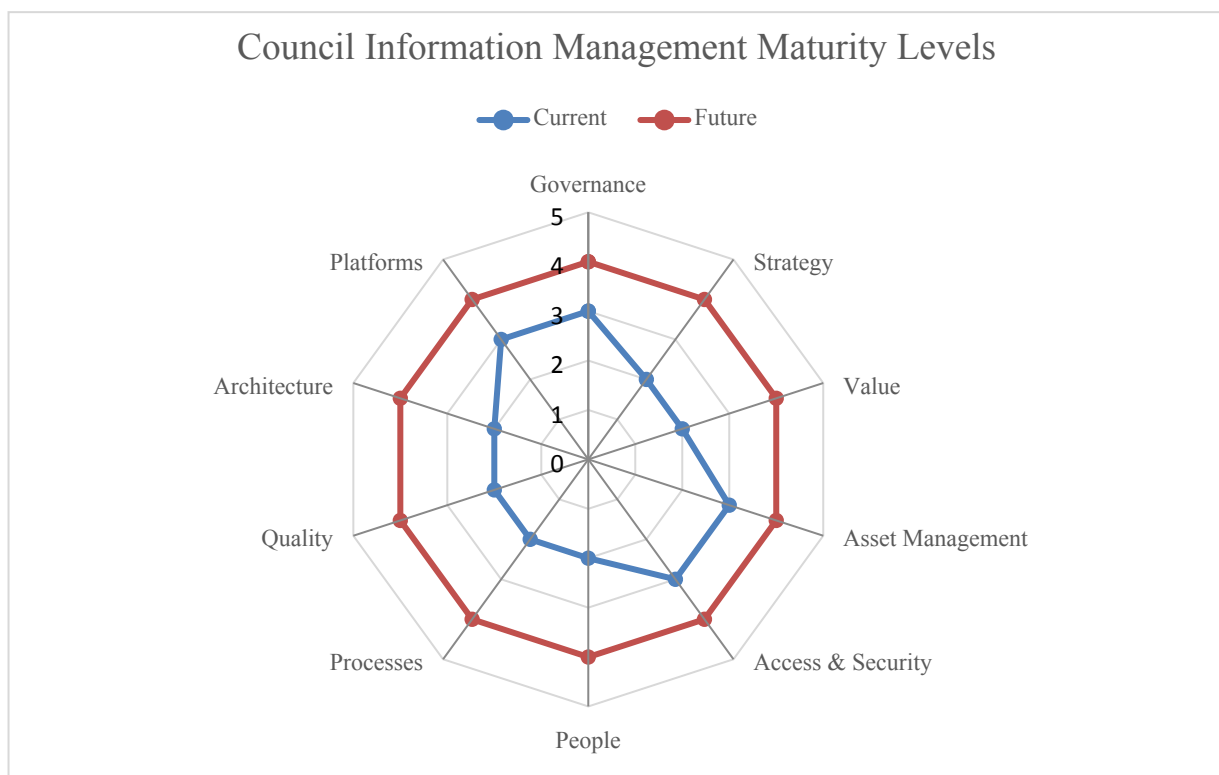
1. **Ad Hoc**
2. **Formative**
3. **Developing**
4. **Operational**
5. **Optimised**

These are explained in more detail in Appendix 3.

4.3 Maturity Assessment Results

The maturity assessment highlighted that the Council has a low-medium maturity across all dimensions, however no EIM dimension scores the lowest level of 1.

The current maturity levels are either Formative (Level 2) or Developing (Level 3) which is reflective of the growing understanding of the importance of information and data management at Council, coupled with key challenges of data ownership, silo-ed processes and difficulties accessing a single source of the truth as outlined in this report.



The table below describes the maturity assessment results and highlights the current capability gaps between current and future state. The target future state maturity level represents a realistic level that Council can achieve through the implementation of the recommendations in this report. If Council is successful in implementing the required changes to transform EIM across the dimensions, and with continued investment and executive support, optimised maturity levels (5) are achievable.

Maturity Dimension	Current Maturity Level	Detail	Future Maturity Level
Governance	3	Council has as governance function for information but this does not cover data. Ownership and accountability issues exist. Key roles are being recruited and an ICO governance audit is ongoing. A policy framework exists.	4
Strategy	2	Council does not have an IM strategy which covers enterprise wide IM disciplines and initiatives. Some IM related projects and reviews are in progress.	4
Value	2	There is some awareness of the value proposition and benefits of effective information management, however this is inconsistent across Council.	4
Asset Management	3	An enterprise retention and disposal schedule has been developed and SharePoint expiry dates are being introduced.	4
Access and Security	3	An ISMS is in place including an Access Control Policy. Staff have issues finding information and a single source of truth, particularly relating to historical events. No enterprise search functionality exists.	4
People	2	Council staff are aware of their DPA obligations and there is a growing awareness of EIM issues particularly around data. The information culture and varying capabilities are a challenge – EIM is often not seen as a priority.	4
Processes	2	Processes are silo-ed and not standardised across Council, and manual or paper processes exist. Many processes have not been analysed, documented and automated via workflows.	4
Quality	2	Council experiences issues in locating accurate, current and consistent data. Many employees do not prioritise producing quality information through consistent methods of saving, naming, classifying or versioning information. Multiple copies of the same data are held across Council.	4
Architecture	2	Council does not have a defined enterprise or information architecture, integration between systems is a major challenge and data is not standardised across data locations. Data Warehouse and Customer Journey initiatives are ongoing to	4

		improve data flow and usage.	
Platforms	3	Council has a large volume of data and information platforms, with little integration between them. A systems consolidation is ongoing and network drive processes are being transitioned to SharePoint. The network drives are poorly classified and the intranet is difficult to use. Platforms such as Yammer have been deployed without success.	4

5. Information Vision and Future State

The future state vision for information and data assets at Council, as defined in the draft Information Management Strategy, is:

We will exploit information as a strategic asset, using recognised best practice, legislation and technology to minimise requests for information, store only what we need to and increase our ability to deliver value for money, customer focused services to the benefit of Coventry, our customers and the council.

The Council ICT Strategy expands on this to state that the vision is to “provide accurate and consolidated records for our most important information. This will enable services to manage and control their own information in an accurate and efficient way. Where required and relevant, data will be shared across the organisation and externally to help design and underpin better public services. We will store information in a secure and robust location that will enable services to make best use of management information”.

The key characteristics of this improved enterprise information environment for the Council, its staff and partners are:

- **A single version of the truth**
 - ▶ Golden records for people and property data
 - ▶ Information is accurate and consolidated
 - ▶ Information is collected once and re-used across services
- **Accountability and Ownership**
 - ▶ Core information assets identified and owned
 - ▶ Information is managed appropriately, lawfully and supports compliance
- **Information is recognised as an asset**
 - ▶ Information recognised as a strategic asset and managed as such
 - ▶ Improved information quality = improved information outcomes and less risk
 - ▶ Accessible accurate information supports predictive analysis and innovation
- **Secure but Open**
 - ▶ Information is secure and private where needed
 - ▶ Balanced with information openness, sharing and collaboration
- **Agile and Automated**
 - ▶ Business processes are streamlined, modernised and automated
 - ▶ Services are integrated, customers can easily interact with Council
- **Effective IM embedded in workforce activities**
 - ▶ Employees understand the value of effective information management and their Data Protection Act obligations



6. Recommendations & Roadmap

Practical recommendations have been provided to assist the Council develop a roadmap of actions required to achieve the future state. For planning purposes the recommendations have been prioritised into the following categories:

Recommendation Category	Timeframe
QUICK WINS	Next 3 months
NOW - CRITICAL	Next 6 months
SOON - IMPORTANT	6 – 12 months
LATER - VALUABLE	12 months +
CONTINUE	n/a

The CONTINUE recommendation relates to activities that are currently ongoing that are a vital part of the EIM transformation as they relate to how Council uses the improved and more accessible data to understand demand and optimise service delivery through predictive analysis.

This section is followed by a roadmap illustrating the dependencies of the recommendations and a recommended sequence of activities.

The roadmap is not a composite project plan in itself; some of the components require plans and schedules to be developed as they are significant bodies of work. The time it will take to reach the future state is an estimate based on the current state analysis and IFC's industry experience and can be adjusted as required. Some parts of the roadmap have interdependencies and so if executed, the dependencies should be considered as pre-requisites to the subsequent activities.

Due to the amount of change required, the final EIM roadmap should be regularly reviewed and updated to ensure it remains aligned to organisational needs.

6.1 Recommendations Matrix & Roadmap

Current State Dimension	Related Risk, ICO Action	Recommendation	Priority	Outcome/Benefit	Effort	SME Support Recommended
Information Access, Security and Lifecycle Management Strategy, Governance & Compliance Data Management and Business Intelligence	1, 5 a19	Perform Information Asset Audit and Develop Information Asset Register Leverage work completed by service areas in the FAB process, existing disaster recovery data, and supplement with a survey to identify Council key information assets. Detail the assets, where they reside, how they are used, which service, function and/or application owns them. Assign value to assets and map the register to the retention and disposal schedule.	NOW	<ul style="list-style-type: none"> Information ownership, accountability and security Significantly enhanced information findability Essential business continuity artefact is developed Enhances compliance with the Freedom of Information Act (FOIA) and the Data Protection Act. 	50 days	Yes
Strategy, Governance & Compliance People, Processes, Knowledge and Change Management Data Management and Business Intelligence	1, 3, 5 a13, a19	Define Information Asset Owners (IAO) Formally define an Information Asset Owner role that delivers ownership and accountability for key Council datasets. Implement an IAO user group to progress cleansing and standardisation of datasets. Include IAO role responsibilities in performance reviews.	NOW	<ul style="list-style-type: none"> Information ownership and accountability Improved data quality Reduced silo-ed processes 	5 days	Optional
Information Access, Security and Lifecycle Management Strategy, Governance & Compliance	1, 5 C39	Simplify current Council retention and disposal schedules Simplify the current retention and disposal schedule v1.8 by categorising records into Minor, Normal, Major, Permanent, Exceptions (as per IFC recommendation May 2015). Align the schedules to filing methods	NOW	<ul style="list-style-type: none"> The retention and disposal schedule is significantly easier to implement Improved information security and findability Enhances compliance with the Freedom of Information Act 	5 days	Yes

		identified in the information asset register, adjust the schedules where appropriate to align to how information is filed.		(FOIA) and the Date Protection Act.		
People, Processes, Knowledge and Change Management	1, 2, 3, 4 b5, b6, b9, b14	Develop IM Education Program Align to current induction process either via classroom or eLearning, and educate existing employees, particularly information and data owners, and senior roles, via Refresher sessions. The purpose is to inform employees of their responsibilities relating to Council information, to maintaining its quality and accessibility, sharing and collaboration, and balancing this with Data Protection Act requirements. Communicate key elements of the Information Standard and guidance on processes such as the Freedom of Information SharePoint portal.	NOW	<ul style="list-style-type: none"> • Employees better understand the importance of effective information management • Delivers Information Principles 1 – 7 as stated in draft IM Strategy • Reduced silo-ed information processes and duplication 	8 days (Dependent of method of delivery)	Optional
Strategy, Governance & Compliance People, Processes, Knowledge and Change Management	1, 2, 3, 4	Develop IM Standard Formalise elements of IM Education Programme, publish via Council intranet, and align to Policy Framework review. Content to include: <ul style="list-style-type: none"> • Guidance on when to use Line of Business (LOB) systems, Information@Work, shared drives and SharePoint, relating to IL2 versus IL3 requirements • Definition of Council information management principles • Procedures e.g. when to retain physical copies and when to scan. 	NOW	<ul style="list-style-type: none"> • Improved information quality and findability, consistency and standardisation of storage • Supports effective information and data governance • Supports FAB processes with Children and Adult Social Care Services • Reduced silo-ed processes and duplication 	7 days	Optional

		<ul style="list-style-type: none"> • Key definitions e.g. of a child record • Definition of organisational naming conventions 				
Strategy, Governance & Compliance	1, 3, 4 a2, a5	<p>Review Council Information and Data Policy Framework</p> <p>Perform gap analysis of current information, records and data policies, and develop policy map. Update, create and merge policies as required. Define the process and artefacts required for implementation of policy framework e.g. updated procedures, work instructions, supporting guidance in line with ICO code of practice</p>	NOW	<ul style="list-style-type: none"> • Comprehensive policy framework provides a robust set of business rules for information, records and data management at Council • Foundation for delivery of all Information Principles 	Fixed effort of 5 days for gap analysis. Variable amount for policy update depending on requirement	Yes
People, Processes, Knowledge and Change Management	1	<p>Develop EIM Communication Plan</p> <p>Establish key messages, develop plan for communication of all project and information activities, align to organisational Learning and Development plans. Include practical examples of where EIM has successfully provided tangible benefit.</p>	NOW	<ul style="list-style-type: none"> • Practical examples provide evidence of EIM success • Clear, consistent and timely communications supports user adoption of new solutions and IM awareness 	10 days	Optional
People, Processes, Knowledge and Change Management	2	<p>Review handover and knowledge capture processes when staff leave Council</p> <p>Review the handover processes used by line managers, the standardisation of these processes, and implement opportunities to improve knowledge capture and transfer.</p>	NOW	<ul style="list-style-type: none"> • Reduced corporate knowledge loss • Increased service delivery efficiency through greater sharing of lessons learned and best practice 	5 days	Optional
Strategy, Governance & Compliance	1, 2, 3, 4	<p>Finalise Enterprise Information Management Strategy</p> <p>Leverage this report and the Information</p>	NOW	<ul style="list-style-type: none"> • Defines the strategic direction for all information related activities • Defines information principles 	5 days	Yes

		Management Strategy ppt to create an Enterprise Information Strategy that defines the current state, drivers, vision, principles and capabilities required to deliver the future state. Define a "Strategy on a Page" that can be presented to all audiences.		<ul style="list-style-type: none"> to be used in all EIM activities Alignment of information, knowledge, collaboration and records management initiatives 		
Strategy, Governance & Compliance	1, 2, 3, 4	<p>Benefit realisation and performance monitoring against strategic targets</p> <p>Using a 6 month review cycle, define performance monitoring and benefits realisation processes against enterprise information strategic targets. Leverage this report to baseline the current state, develop the metrics to be monitored, and future state outcomes. Expected benefits from individual initiatives should be identified, clearly defined and linked to the Council's priorities and objectives.</p>	NOW	<ul style="list-style-type: none"> Provides evidence of EIM's contribution to the delivery of Council's objectives Return on investment more easily identified Ensures timely information strategy implementation 	5 days	Yes
People, Processes, Knowledge and Change Management Strategy, Governance & Compliance	1, 4	<p>Update Document Management processes to include impact analysis</p> <p>Perform an impact analysis three months post a business area going live with SharePoint or Information@Work via workshop and/or survey. Identify success stories and challenges.</p>	NOW	<ul style="list-style-type: none"> Identifies areas that require additional focus or training Success stories increase user adoption 	3 days	Optional
Data Management and Business Intelligence	1, 2	<p>Develop Master Data Management plan</p> <p>Develop a plan for implementation of an enterprise architecture that facilitates master data transfer between key systems. Define the current state, establish the principles,</p>	SOON	<ul style="list-style-type: none"> Clearly defined plan for move to MDM and single view of customer and property Platform for development of single view of customer and property 	10 days	Optional

		required roles and responsibilities, define the required processes.				
Data Management and Business Intelligence	1, 2	Perform cost benefit analysis of MDM technology against in-house MDM Evaluate MDM technology offerings and cost, and compare this to effort/feasibility of in-house MDM process and tool development.	SOON	<ul style="list-style-type: none"> Definition of most cost effective method of MDM implementation 	10 days	Optional
Strategy, Governance & Compliance	1, 3, 4 a14	Implement Records Manager role Assign responsibility to an existing resource or procure a new role. Role to define audit strategy against Governance measures. This is a key role for Council to provide guidance, support and authority for recordkeeping activities, challenges and ownership for the Retention and Disposal Schedule.	SOON	<ul style="list-style-type: none"> Delivers guidance, support and authority for recordkeeping activities and challenges Ownership of retention and disposal schedule, and business classification schemes Oversight of Council information and records legislative requirements 	N/A IFC can provide a contract resource for this role	Optional
Strategy, Governance & Compliance, People, Processes, Knowledge and Change Management Technology and Repositories	1 a2, a5	Review and update Information Governance intranet pages Review the current Information Governance pages and links to current policies. Develop Information Management pages that communicate the IM Standard, link to the IM Education Program, the updated policy framework, DPA obligations. Align to intranet upgrade to SharePoint.	SOON	<ul style="list-style-type: none"> Information Management is more visible across Council Key EIM information and success stories enhance user adoption 	5 days	Optional
Technology and Repositories	1	Evaluate SharePoint - Outlook integration tool Evaluate integration tools that enable the saving of emails directly to SharePoint from	SOON	<ul style="list-style-type: none"> Pre-requisite for improved email management Enhanced user adoption of SharePoint 	8 days	Yes

		within Outlook. Develop use cases based on benefits sought or risks mitigated, develop scoring mechanism.				
People, Processes, Knowledge and Change Management Technology and Repositories	2	Review Yammer and SharePoint newsfeeds suitability as knowledge sharing tools Review the Yammer implementation, assess functionality and employee perception of tool. Assess against SharePoint newsfeed functionality.	SOON	<ul style="list-style-type: none"> Existing tool suitability defined for increased knowledge capture and sharing Reduced corporate memory loss 	5 days	Yes
Strategy, Governance & Compliance	3	Review and prepare for upcoming EU General Data Protection Regulation changes Review, monitor and prepare for proposed EU GDPR changes that will change Council's data protection obligations.	SOON	<ul style="list-style-type: none"> Council are prepared for the EU General Data Protection Regulation changes and required governance and process changes are planned 	10 days	Yes
Open Data and Information Sharing	1 c21, c23	Review Information Sharing Guidelines and Agreements for Partners Assess the current information sharing activities with partners and opportunities for improvement. Review existing template agreements, clarify processes, assess against central government recommendations.	SOON	<ul style="list-style-type: none"> Standardised information sharing approaches Clear processes for establishing new information sharing agreements with partners. Accurate and current partner information supports high quality Council service delivery 	10 days	Yes
Open Data & Information Sharing	n/a	Develop Open Data Strategy Definition of strategy for sharing Council datasets. Assessment of what to open fully or discretionary, when to open and why, privacy impact, cost benefit analysis of data releases. Identification of the benefits of open data and	LATER	<ul style="list-style-type: none"> Revenue generation Stimulated economic growth through entrepreneurial use of data Improved FOI compliance Social benefits of public access to data 	20 days	Yes

		alignment to models such as the Smart City model.		<ul style="list-style-type: none"> Complements inter-agency data sharing 		
Technology and Repositories	1	<p>Deploy SharePoint – Outlook integration tool</p> <p>Deploy the SharePoint – Outlook integration tool to SharePoint users.</p>	LATER	<ul style="list-style-type: none"> Email management greatly enhanced Key Council records stored in Outlook mailboxes more visible and accessible 	5 days	Optional
Data Management and Business Intelligence	1	<p>Continue Customer Journey Program activities</p> <p>Customer Journey Program and Voice of Customer (VoC) activities should be continued to implement new data techniques to more proactively manage customers. This includes channel shift initiatives, route cause analysis of complaints, improving quality assurance processes and predictive modelling.</p>	CONTINUE	<ul style="list-style-type: none"> Improved customer experience Improved service delivery through better understanding of demand Progression towards a single view of customers 	n/a	Optional
Technology and Repositories People, Processes, Knowledge and Change Management	1, 3, 4	<p>Deliver SharePoint Learning Workshop to project team and team librarians</p> <p>Deliver a two day SharePoint workshop to the transformation project team and key stakeholders/team librarians from the early adopters. Focus of workshop is best practice for designing IM solutions using SharePoint and how this can be embedding into Council IM deployment activities.</p>	QUICK WIN	<ul style="list-style-type: none"> Optimised use of metadata in SharePoint team sites Enhanced user experience and user adoption 	2 days	Yes
People, Processes, Knowledge and Change Management	1, 4	<p>Update Document Management processes to include naming conventions and usage audit</p>	QUICK WIN	<ul style="list-style-type: none"> Consistent and effective naming support information findability Audit enhances user capability, 	2 days	Optional

Strategy, Governance & Compliance		Update current processes used by the Document Management workstream in the SharePoint deployment to include the identification of naming conventions and an audit process to validate effective usage of the system post go-live		information quality and user adoption		
People, Processes, Knowledge and Change Management	1	Review paper child record processes Review process for a paper file being opened for every child; update process to only open paper files where required.	QUICK WIN	<ul style="list-style-type: none"> Reduction in paper processes and Iron Mountain storage costs 	1 day	Optional
Information Access, Security and Lifecycle Management	3, 5	Review GIS data access controls Review the access controls on the GIS network drive folders. Perform needs assessment and remove read/write access where required.	QUICK WIN	<ul style="list-style-type: none"> Reduced risk of information being modified or lost Reduced risk of financial penalty (free access to Ordnance Survey data via PSMA (Public Sector Mapping Agreement) being rescinded) 	2 days	Optional
Information Access, Security and Lifecycle Management	n/a	Investigate cost saving of scanning opportunities Liaise with a scanning provider to ascertain the cost of bulk scanning Occupational Health and Safety and Employment Services records.	QUICK WIN	<ul style="list-style-type: none"> Cost saving on physical storage and temporary resources 	1 day	Optional
Information Access, Security and Lifecycle Management	n/a	Review ERDF paper retention requirements Validate European Regional Development Fund (ERDF) grant requirements, adjust processes and scan records if cost effective.	QUICK WIN	<ul style="list-style-type: none"> Cost saving on physical storage Efficiency gains of electronic processes 	2 days	Optional



NOW
SOON
LATER
QUICK WIN
CONTINUE
● has dependencies

7. Conclusion

Coventry City Council, like all local government agencies, is under increasing pressure to deliver better services to the community and employees, meet compliance rules, boost efficiency all the while keeping a tight rein on costs. Improved enterprise information management is key to achieving these goals and this is recognised in the Council Plan, the vision for the next ten years, which refers to key themes of “new ways of working through culture change” and “making the most of assets”. Accessible, quality information and data play a critical role in the ability of staff to deliver high quality services to residents, partners and internal Council employees.

The EIM maturity assessment has found that whilst there is a lot of work to do, Council is well placed to continue the transformation of information processes and to build a more solid foundation of governance, capability and knowledge sharing to address the current state risks and to realise the significant benefits of improved enterprise information management.

This report supports the next steps towards addressing the key EIM issues and embedding the effective management of these key assets into the organisational culture. The roadmap articulates what activities need to be prioritised and these will be analysed further to identify the appropriate resources and exact timeframes for implementation.

With the assimilation and implementation of the recommendations in this report and strong leadership support, Council can transform operations and the ratepayer experience, and deliver innovative, agile services in the digital era.

Appendix 1 - Stakeholders

Stakeholder	Role/Business Area	Engagement method
Joe Sansom	Transformation Programme Delivery Manager, Major Projects and Transformation	Interview
Andrew Baker	Insight Manager (Intelligence)	Meeting
Clare Storey	Transformation Program Manager, Customer Journey Program	Meeting
Emily Burn	Insight Program Officer	Meeting
John Day	System and Data Integration Team Lead	Meeting
Helen Lynch	Legal Services Manager	Meeting
Martin Boyle	Systems Data Officer, Insight Team	Interview
Hayley Doolan	Programme Officer (Customer Insight), Insight Team	Interview
Paul Ward	Head of ICT, Strategy and Systems	Interview
Marc Greenwood	Head of Business Systems, Social Care Systems	Workshop
Alex Hood	Business Services Centre Manager for Safeguarding +	Workshop
Chris Horn	Team Manager, Referral and Assessment Service, Children's Social Care	Workshop
Isabel Merrifield	Caldecott Guardian	Workshop
Barrie Strain	Revenues Manager	Meeting
Glenda Cowley	Benefits Manager	Meeting
Joanne Lorimer	Senior HR Officer	Workshop
Yassir Mahmood	Learning & Development Manager	Workshop
Alison Hook	Website and Intranet	Workshop
Julie McSorley	HR Recruitment	Workshop
Angie White	Occupational Health, Safety and Wellbeing Manager	Workshop
Alison Court	Recruitment	Workshop
Joanne Moynihan	Communications Officer	Workshop
Paul Jackson	Technical Security Team Lead	Interview
Paul Jennings	Corporate Finance Manager	Workshop
Carolyn Prince	Lead Accountant (Annual Financial Cycle)	Workshop
Claire Maddocks	Finance Systems Accountant	Workshop
Mick Burn	Procurement Manager	Workshop
Phil Baggott	Lead Accountant, Corporate Finance	Workshop
Tracey Miller	Head of Planning and Regulation	Workshop
Chris Dowell	Planning Liaison and System support Officer	Workshop

Ruth Gaskell	Corporate Property Information Manager – Land and Building	Workshop
Karen Seager	Highways, Traffic and Transportation	Workshop
Sudha Panchal	Economy and Jobs	Workshop
Martin Vickery	Construction and Planning	Workshop
Sue Heawood	School Admissions Manager,	Workshop
Nicola Hallam	MIS Officer for Adult Education	Workshop
Becky Twite	Education Libraries and Adult Learning	Workshop
Jane Moore	Director of Public Health	Interview
Amanda Durrant	Payroll Manager	Meeting
Public Health SMT	Various	Meeting
Elaine Charley	Business Solutions Co-Ordinator	Meeting
John Batstone	Project Support Officer	Meeting
Joy McLanaghan	Project Support Officer	Meeting

Appendix 2 – Reference Documentation Provided

The following documentation was provided for reference or reviewed during the development of this report.

- Council Plan 2015
- Information Management Strategy (3)
- ICT Strategy Reboot DRAFT FINAL
- Info Management Group 210915 (2)
- ICT Strategy Theme Cards DRAFT
- Chief_Executive_s_Structure_Chart_2015
- People_Directorate_overall_structure_08_10_2015
- Public_Health_Structure_Chart
- Resources_Directorate_Structure_Chart_2015
- policy_v1_2_Feb_11_TE (Data Quality Policy)
- Records_Management_Policy_v3_0_Approved[1]
- Good_practice_guide_to_disposing_of_information
- Foster_Carers_Information_Security_Standards_for_Record_Keeping[1]
- Information Sharing Programme Board TOR V2.0 Final July 2015
- Information Management – bringing it together merged 16 Jun
- Coventry ICO Audit Report Action Plan
- S372 2a Risk_Management_Strategy[1]
- Coventry Information Sharing Protocol
- 12-372 1a IG Management Arrangements Table
- MASTER TEMPLATE_QTRLY REPORT
- PSNCustomerCertificate-CoventryCityCouncil
- JD & PS Information Governance Administrator
- JD & PS Information Governance Officer
- JD & PS Senior Information Governance Officer
- IG Team Structure
- Legal Team Structure
- Revised Audit and Risk Structure
- Place and Regulatory team structure
- 12-144 2b The roles of Information Governance March 2015
- 12-252 S2b Code_of_conduct[1]
- Authorisation for access to confidential info and form of undertaking
- 1.1.1 Policies, Values and Principles (Values)
- 12-252 2b Induction_checklist[1]
- Agency_Workers_Manager_s_checklist1
- Childrens Confidentiality Policy
- Childrens Recording Policy
- Confidentiality Agreement
- Confidential Adoption Information – Form of undertaking
- Risk Management Strategy
- Data Protection Responsibilities for Line Mgrs
- Data Protection Policy Statement
- Information Inc Mment Process Diagram v0.2
- Schedules 2 and 3 DPA
- Coventry report final 2 July 2015
- Activity Roadmap

Appendix 3 – Maturity Model Details

7.1 EIM Maturity Levels

EIM maturity is broken down into five levels that identify the readiness to realise EIM benefits.

Level	State	Characteristics
1	Ad Hoc	No formal management or governance of unstructured information. Disparate repositories including network drives used as document stores, resulting in high levels of re-work, inability to find information and end user frustration.
2	Formative	Functional or project driven approaches used to manage some information. Various technologies are deployed but are inconsistently used. Opportunities for improvement identified.
3	Developing	Notions of the information management lifecycle beginning to be incorporated. Processes have been analysed and EIM plans are in place however they are yet to be deployed.
4	Operational	Information is managed throughout the organisation albeit in diverse systems. Information architecture understood. Retention and disposal schedules applied to critical information. Collaboration and social information management in place.
5	Optimised	Information is managed as a strategically important asset. Solid understanding of core information management principles and business drivers enables organisational agility.

Adapted from ECM3 Maturity Model Version 2.0 – June 2010.

7.2 Information Maturity Dimensions

The information maturity dimensions in this assessment cover the key components of successful EIM. These dimensions apply across organisations regardless of industry, size, business objectives and are in no particular order.

Dimension	Description
Governance	Governance includes the presence of an overarching governance structure that ensures a cohesive approach to information management through appropriate authority, strategy, communication and the empowering of stakeholders to realise the benefits of EIM. It covers the extent of policies and procedures addressing information management and the meeting of compliance obligations.
Strategy	Strategy includes the presence of information management strategies, the alignment of business and IT strategies and overarching strategies that are aligned to organisational strategic goals. Information management strategy should cover all facets of EIM,

Dimension	Description
	ensuring programs of work are aligned rather than an environment of local or tactical solutions being deployed.
Value	Value includes the organisational awareness of the business value of information management and the role it plays in effective business operations. This covers awareness amongst key stakeholders such as Executives, IT and staff. Maturity is also dependent on whether an understanding of the value of information management is considered a core employee skill and included as part of education or communication programs and HR reviews.
Asset Management	Asset Management covers the completeness of lifecycle management for documents and records from creation to storage to disposal, how well the stages of information lifecycle are defined and how much information goes through a formal lifecycle. The use of enterprise or business classification schemes and retention and disposal schemes illustrate maturity in this area as these provide the structure, business rules and automation for asset management.
Access & Security	The accessibility or findability of information is a key component of successful EIM. Factors here include the amount of time spent looking for information, the presence of efficient search tools, the ability to locate a single source of truth and the efficiency of access channels. This dimension includes to what extent access to information is restricted through appropriate security models and measures.
People	The People dimension covers information behaviours and culture within an organisation and the capability of staff relating to information management principles and tools. Information sharing and effective collaboration are key outputs of maturity in this dimension.
Processes	Processes covers the extent to which core business and information orientated processes have been analysed, documented and automated via workflows. Low maturity in this dimension is evidenced by inconsistent manual or paper based processes, with higher maturity including automated processes that span departments and systems and the use of eForms and workflow/business process management solutions.
Quality	The Quality dimension is the accuracy, currency and consistency of information and the level of awareness amongst staff of their role in producing quality information. Quality is evidenced by the use of corporate taxonomies, consistent methods of saving, versioning and classifying information, and standards for metadata, file naming and numbering.
Architecture	Architecture covers the use of an Enterprise Architecture that provides consistent principles and practices to guide organisations through the business, information, process, and technology changes necessary to execute strategies. This dimension has a focus on information architecture, a component of enterprise architecture that identifies the information centric components of an IT environment, defines the sources and flows of information in business activities, the rules for classification, security, ownership and the relationships to Blue Care's objectives.
Platforms	Platforms covers what information management technology and information repositories exist and whether they are used in a consistent and effective manner. Systems may be department specific, disparate or enterprise wide. Platforms also covers whether staff know what technology or repository to use and when depending on the information related requirement.

7.3 Maturity Dimensions Matrix

For each maturity level, general characteristics can be defined for the ten information dimensions.

Maturity Level	Governance	Strategy	Value	Asset Management	Access & Security	People	Processes	Quality	Architecture	Platforms
5 Optimised	Proactive review and adaptation; staff feedback key to processes.	Strategic vision implemented, regular performance monitoring and optimisation of EIM environment	EIM value leveraged across the organisation through information management best practice	All information goes through lifecycle management.	Information access is rapid and reliable. Search, security and classification become central services.	All staff appropriately capable. EIM designated a core skill and part of HR reviews	Robust exception handling and experimentation within information framework	Information quality is high, monitored and new ways of automating quality assurance and control are continuously investigated.	Continuous improvement of architectural practices, External recognition of quality of the architectural maturity.	Proactive approach to platforms. Piloting and prototyping recent technologies looking for the next step forward.
4 Operational	Policies and procedures deployed enterprise wide. Governance function in place	EIM Strategic goals and framework components deployed.	Staff and Executives aware and understand value of EIM. EIM incorporated in staff education programs.	Implementation of electronic and paper based RM across the enterprise	Enterprise or federated search tools enable timely access to information. Security and access controls model deployed.	Executive sponsorship of EIM as a practice. Process and information analysis are core skills	Automated processes span systems and departments	Enterprise classification scheme and information conventions deployed for naming, numbering, versioning	Enterprise and information architecture deployed	Platforms are integrated and appropriate functionality is utilised.
3 Developing	Development of information governance function, policies and procedures	EIM Strategy and framework developed.	EIM value proposition understood by Executives and plans in place to educate staff.	Enterprise Retention and Disposal Schedule developed.	Enterprise Search capability explored. Security and Access Controls model developed.	Communication and education plans in place around EIM business value	Modelling of inter-departmental processes to prep for automation	Information naming, numbering, versioning and classification developing.	Enterprise and information architecture developing	There are several different technologies in place and it is left up to the business to decide how it wants to use them.
2 Formative	Some policies; few or no formal procedures for information. Diverse accountability for information.	No EIM strategy but some information related initiatives planned or in progress	Some awareness but limited understanding of EIM value proposition	Staff starting to understand importance of information lifecycle management. Centralised records / archival function formed.	Search indexed tuned and basic metadata applied. Security managed via individual systems	Growing awareness of EIM issues and lack of management services	Basic process analysis facilitates ad hoc workflows	Some information quality awareness and , and but no standardisation or consistency	Enterprise architecture developing	Some EIM platforms exist but are not utilised effectively or widely.
1 Adhoc	No policies or procedures. People are not aware of what their responsibilities are for the information they own.	No EIM strategy in place; no EIM related initiatives planned or in progress.	No awareness or understanding of EIM value proposition.	No or ad hoc management of information lifecycle.	Staff cannot access information easily and security either not present or too restrictive.	Information management is undertaken with a low level of capability.	Few or no standardised procedures around information	Low information quality. Staff not aware of their role or importance of information quality	No enterprise or information architecture	Primary information management undertaken using basic technologies (file shares).

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

25th July 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

Internal Audit Annual Report 2015-16

Is this a key decision?

No

Executive summary:

This report to the Audit and Procurement Committee has two purposes:

- To summarise the Council's Internal Audit activity for the period April 2015 to March 2016 against the agreed Audit Plan for 2015-16.
- To provide the Audit and Procurement Committee with the Acting Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2015-16 (as documented in section 2.3 of this report).

Recommendations:

Audit and Procurement Committee is recommended to note and consider:

1. The performance of Internal Audit against the Audit Plan for 2015-16.
2. The summary findings of key audit reviews (attached at appendix two) that have not already been reported to Audit and Procurement Committee during municipal year 2015-16 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.

3. The opinion of the Acting Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's internal control environment.

List of Appendices included:

Appendix One - Audits completed in 2015-16

Appendix Two - Summary findings from key audit reports

Background papers:

None

Other useful documents:

Half Year Internal Audit Progress Report 2015-16

<http://moderngov.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=10799&Ver=4>

Internal Audit Plan 2015-16 – Quarter Three Progress Report

<http://moderngov.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=10801&Ver=4>

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee.

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Internal Audit Annual Report 2015-16

1. Context (or background)

1.1 The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2015-16 at its meeting on the 26th October 2015. During the last financial year, the Committee has received progress reports summarising completed audit activity in October 2015 and February 2016.

1.2 This report details the performance of the Internal Audit Service against the Plan for 2015-16, which is presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference - *“To consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts”*.

1.3 The report is split into the following sections:

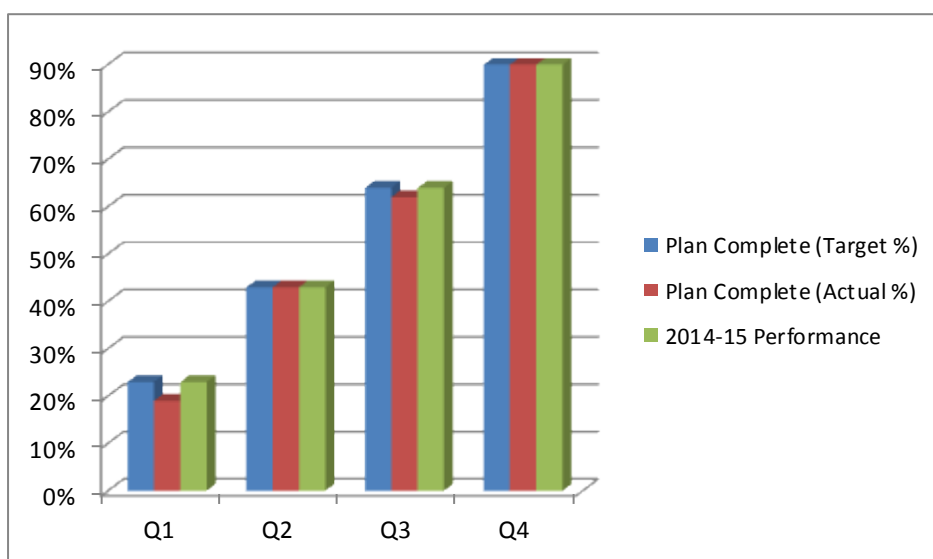
- Assessment of the performance of the Internal Audit Service against its key targets.
- A summary of the audit activity in 2015-16, and highlighting issues that have not been reported to the Audit and Procurement Committee previously, and are relevant to the overall opinion provided in section 2.3.
- The Acting Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.

2. Options considered and recommended proposal

2.1 Performance of the Internal Audit Service

2.1.1 The key target for the Internal Audit and Risk Service is to complete 90% of its agreed work plan by the 31st March 2016. The chart below shows that the Service met this target.

Chart One: Performance of Internal Audit 2015-16



2.1.2 It needs to be acknowledged that this performance is against a revised plan that stemmed from unplanned absences within the Internal Audit Service from December 2015 and the decision to manage the impact of this in the short term through amending the 2015-16 audit plan to take account of planned audits being postponed / delayed and where days allocated in the plan were not reflective of need. This decision was agreed by the Audit and Procurement Committee in February 2016.

2.1.3 In addition to the delivery of the Plan, the Service has a number of other key performance indicators (KPIs) which underpin its delivery. These KPIs are aimed at ensuring that the audit process is completed on a timely basis. The table below details the performance of Internal Audit for 2015-16, compared with performance in 2014-15.

Table One: KPIs for the Internal Audit Service

Performance Measure	Target	Performance 2015-16	Performance 2014-15
Planned Days Delivered (Revised)	100%	96%	100%
Productive Time of Team (% of work time spent on audit work)	90%	88%	89%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	74%	79%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	91%	88%
Audits Delivered within Budget Days	80%	68%	74%

Whilst in comparison with 2014-15, the overall performance across the range of indicators has slightly declined, this needs to be considered in the context of the impact of the on-going unplanned absences within the Internal Audit Service and the fact that, in the short term, priority was given to delivery of the agreed work plan for 2015-16, as the key target for the Service. Where the Service's performance is below expectations, targeted actions are on-going to deliver greater efficiency and take steps to improve performance over the longer term.

2.2 Audit Activity 2015-16

2.2.1 Appendix One details the audit reviews that have been carried out in the financial year 2015-16 along with the level of assurance provided. Table two below provides definitions to support the level of assurance applied to audit reviews carried out by the Service.

Table Two: Definitions of Assurance Levels

Assurance Opinion	What does this mean?
Significant	There is an appropriate level of control for managing all the significant inherent risks within the system. Testing shows that the controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically.
Moderate	There are generally appropriate levels of control for managing the majority of the significant inherent risks within the system. Some control failings have been identified from the systems evaluation and testing that need to be corrected. The control failings do not put at risk achievement of the system's objectives.
Limited	There are weaknesses in the level of control for managing the significant inherent risks within the system. A number of control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
No	There are major, fundamental weaknesses in the level of control for managing the significant inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

2.2.2 **Other** – A summary of the findings of key audits that have not already been reported to the Committee during municipal year 2015 are included at Appendix Two. In all cases, the relevant managers have agreed to address the issues raised in line with the timescale stated. These reviews will be followed up in due course and the outcome reported to the Audit and Procurement Committee.

2.2.3 **Follow up of Disclosures made in the Internal Audit Annual Report 2014-15** – In the previous annual report, the Chief Internal Auditor identified a number of areas where he believed significant control improvements were required. An update on each of these areas is provided below:

- **To ensure robust processes and procedures exist to minimise the risk of fraud and error in relation to the award of council tax discounts and exemptions** – Arrangements are now in place for an on-going programme of pro-active reviews, undertaken by the Fraud and Error Team. In 2015-16, this resulted in 103 exemptions being amended with new bills being issued amounting to £125k. However, an audit review in March 2016 of the procedures administered by Council Tax highlighted areas for improvement in relation to the award of exemptions and discounts and actions have

been agreed with management to address this. A summary of the key findings of this review are included at appendix two.

- **To address the concerns over the robustness of the payment process in respect of adult social care, which are administered through the CareDirector System** – This disclosure was based on the findings of the 2014-15 review of CareDirector. In 2015-16, follow up audit work has confirmed that action has been taken to address the key concerns highlighted and moderate assurance has now been given that the payment process is adequately controlled.
- **To undertake a review of the Council's Code of Corporate Governance** – The planned review of the Code during 2015-16 was postponed in light of the fact that it was identified that CIPFA are planning to issue new guidance on the Code. This action has now been carried forward to 2016-17.

As a consequence of the results of the follow-up, with the exception of the area of adult social care payments made through CareDirector, which is no longer viewed as requiring significant control improvements, the other disclosures made in the Internal Audit Annual Report 2014-15 have been considered in the preparation of the Annual Governance Statement for 2015-16.

2.3 **Annual Report - Opinion on the Overall Adequacy and Effectiveness of Coventry City Council's Internal Control Environment**

2.3.1 The Public Sector Internal Audit Standards (PSIAS) highlights that a key responsibility of Internal Audit is to provide an objective evaluation of, and assurance on, the effectiveness of the organisation's risk management, control and governance arrangements. It requires that the annual internal audit opinion provided by the Acting Chief Internal Auditor is a key element of the framework of assurance that informs the Annual Governance Statement.

2.3.2 Given the above, an Internal Audit Charter was approved in April 2013, requiring the Internal Audit Annual Report to include the following information:

- An opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.
- Disclosure of any qualifications to that opinion, together with the reason for the qualification.
- Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on the work of other assurance bodies.
- Draw to the attention of the Audit and Procurement Committee any issues particularly relevant to the preparation of the Annual Governance Statement.

2.3.3 **Audit Opinion / Disclosures** – In producing the opinion, it is appropriate that the Council's approach to internal control is explicitly set out. This has evolved over the last few years and is now based upon a more fluid, but risk based approach, which has moved from central oversight and places emphasis on management ensuring that activity within services and directorates they are responsible for, complies with Council policies and procedures.

This approach is viewed as reasonable by the Acting Chief Internal Auditor on the basis that:

- Central enforcement of control is only necessary where officers consistently fail to follow agreed procedures. The experience of the Acting Chief Internal Auditor is that whilst non-compliance occurs across the Council, this is at relatively minor levels.
- The increased use of ICT systems across the Council to enforce key controls, which previously relied upon manual processes, for example, ensuring authorisation limits for approving expenditure are complied with.
- The new approach to control was developed in conjunction with senior management, who considered and accepted the risks associated with this change in the approach to internal control within the Council.

In adopting this approach, it is acknowledged that a greater inherent risk exists in terms of the control environment. This risk has continued to increase in recent times due to the fact that the financial challenges faced over the last few years have resulted in significant management layering across the Council. As a result, there is less management resource available to provide oversight of activity in directorates. For these reasons, the level of assurance that the Acting Chief Internal Auditor can provide remains somewhat restricted.

In considering the outcome of audit activity for 2015-16, we have initially looked at the number of 'limited' or 'no' assurance audits (as these require immediate improvements) and compared the results with the previous two years.

Table Three: Comparison of Audit Assurance Levels

Financial Year	Number of Audits	Number of Audits With 'limited' or 'no' Assurance	Percentage of Audits with 'limited' or 'no' Assurance
2015-16	55	3	5%
2014-15	85	6	7%
2013-14	92	8	9%

Whilst table three above indicates a pattern where the number of audits that require immediate improvements are reducing, this does not necessarily mean that the Council's internal control environment has improved in the last year. Other factors we have considered include:

- The impact that the weaknesses identified have on the overall Council control environment - When considering the three reviews, they fall into one of the following categories:
 - Reviews that are focused on working practices in specific departments / functions.
 - Reviews where issues have a corporate impact either in terms of finance, reputation and / or service delivery.

- Whether there is any specific change in audit focus / approach that may have impacted on the number of 'limited' or 'no' assurance audits – there are two aspects to this, namely:
 - A number of fact finding reviews have been undertaken by Internal Audit in 2015-16, as given the limitation in audit resources, this approach is viewed as a more efficient way of responding to concerns raised. In comparison to a traditional audit review, the scope is limited to a specific concern rather than considering all key activities undertaken by a service area / department. Whilst some of these reviews identify concerns that require immediate improvements, an assurance level is not provided given the limited scope of such reviews is limited.
 - The overall number of audits is lower than previous years which reflects the fact that, in order to ensure that available resources are directed to the key elements of the Council's internal control environment, there has been a shift in audit focus from routine school audits (which individually require fewer budget days) to those areas which have a corporate impact.

In considering all the factors highlighted, it is the Acting Chief Internal Auditor's view that the Council's internal control environment has not significantly changed over the last year. As a result, the Acting Chief Internal Auditor has concluded that **moderate assurance** can be provided that there is generally a sound system of internal control designed to meet the Council's objectives.

2.3.4 Issues relevant to the preparation of the Annual Governance Statement – In undertaking the assessment of the Council's internal control environment, the Acting Chief Internal Auditor has identified a number of areas that, in her opinion, need to be considered when the Council produces its Annual Governance Statement for 2015-16.

From a general point of view, whilst any audit where 'limited' or 'no' assurance was provided requires attention, an assessment is also made as to whether the review has a corporate impact and consequently needs to be considered in the producing the Annual Governance Statement, or whether the review is limited to specific working practices in service areas which do not have a wider bearing on the Council's control environment.

In terms of key issues identified, the following are highlighted:

1. **To ensure that, alongside the programme of proactive reviews undertaken in relation to council tax exemptions / discounts, procedures to underpin the award of exemptions and discounts are consistently complied with.** This reflects the findings of this audit which are summarised at appendix two.
2. **To undertake a review of a number of the key procedures that underpin the governance framework, namely the Risk Management Strategy, the Code of Corporate Governance, the Whistleblowing procedure and the Fraud and Corruption Strategy.** This issue is not specifically linked to Internal Audit work but reflects the follow up of disclosures made in 2014-15 and other issues identified by the Service as part of its work co-ordinating the production of the Annual Governance Statement.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

- 4.1 There is no implementation timetable associated with this report, although the opinion of the Acting Chief Internal Auditor on the adequacy of the Council's internal control environment is a key source in the preparation of the Annual Governance Statement.

5. Comments from the Executive Director Resources

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

5.2 Legal implications

There are no legal implications associated with this report.

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis, and reflected in the annual Internal Audit Plan.

6.2 How is risk being managed?

In terms of risk management, there are two focuses:

- Internal Audit Service perspective - The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e. planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee.
- Wider Council perspective - The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit and Procurement Committee. Where progress has not been made, further action is agreed and overseen by the Audit and Procurement Committee to ensure action is taken.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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Names of approvers: (officers and members)				
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This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix One – Internal Audit Reviews Completed in 2015-16

Audit Area	Audit Title	Level of Assurance
Corporate Risk	IT – Protocol Application Review	Moderate
	IT – Change	Moderate
	Adult Social Care – Electronic Call Monitoring*	Moderate
	Adult Social Care – FACE*	Moderate
	IT – Disaster Recovery**	
	IT – Office 365/Cloud**	
	IT – Major Incident Reviews*	Limited
Key / Audit Priorities	Procurement Health check*	Moderate
	Sickness absence (return to work)*	N/A – compliance focused
	Procurement – alarms contract	N/A fact finding
	Capital – Disabled Facilities Grant	Moderate
	Paper rationalisation	N/A Support and advice
Finance Systems	Accounts Payable	Significant
	Accounts Receivable	Moderate
	Income Manager	Moderate
	Payroll	Significant
	Council Tax*	Limited
	Business Rates	Moderate
	Housing Benefits	Moderate
	Discretionary Payments	Significant
	CNR	Significant
	Purchasing cards	Significant
	Payment Audit	N/A – payment error review
Regularity	Troubled families programme	Verification
	Section 256 (Health)	Verification
	Super Connect Coventry	Verification
	Disabled Facilities Grant	Verification
	Teachers Pensions Scheme	Verification
	School Direct	Verification
	Cycle Coventry	Verification
	NHS Information Governance Toolkit	Verification
	Annual Governance Statement	N/A – annual review
	Declaration of Interest	N/A – annual review
	Annual review of the system of Internal Audit	N/A – annual review
Schools	Keresley Grange Primary School*	Limited
	Castlewood Special School	N/A – fact finding
	Longford Park Primary School	Moderate
	Christ the King Primary School	Significant
	Whoberly Hall Primary School	Significant
	Mount Nod Primary School	Significant
	Stanton Bridge Primary School**	
Southfields Primary School	Significant	
Contingency	Job Shop	N/A fact finding
	Schools Finance Manual review	N/A Support and advice
	Expenses	Moderate
	Redundancy payment	N/A – fact finding
	Parking Enforcement	N/A - fact finding

Audit Area	Audit Title	Level of Assurance
	Long Service Award	N/A – fact finding
Follow up	Procurement – Highways Minor Civil Engineering Contract*	Moderate
	Performing Arts Service	Moderate
	Pertemps Master Vendor*	Moderate
	CareDirector Expenditure*	Moderate
	Stoke Heath Primary School*	Significant
	Section 17 Payments	Moderate
	Procurement – Statutory Services (Place Directorate)	Moderate

(*) Audit findings reported to Audit and Procurement Committee during municipal year 2015-16

(**) Audits not finalised at the time of this report

Note - A further six audit reviews were completed within 2015-16 but were included within the 2014-15 annual report.

Appendix Two – Summary Findings from Key Audit Reports

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Keresley Grange Primary School</p> <p>April 2016</p> <p>Head Teacher</p>	<p>Overall Objective: To ensure that robust systems and controls exist to support the effective management of the school's resources.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>The level of assurance reflects the fact that whilst a new Office Manager has only been in post at the school since December 2015, collectively the issues identified do expose the school to the risk that finances are mis-managed. This suggests that the school have not fully taken on board the lessons learnt from previous concerns raised / work undertaken by Internal Audit. In saying this, the appointment of the Office Manager does provide the opportunity to ensure that robust working practices are now embedded at the school.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • To ensure that there is adequate separation of duties within the purchase order process and that orders are raised on a timely basis. • To ensure that the final cheque run listing is approved by the Head Teacher. • To put in place arrangements to provide robust control over the bank reconciliation process. • To ensure that all debtors are correctly stated on the SIMS accounting system.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Council Tax – Discounts and Exemptions</p> <p>May 2016</p> <p>Acting Head of Revenues</p>	<p>Overall Objective: To ensure that the Council has effective processes in place to administer council tax discounts and exemptions. The review focused on the award / review of council tax exemptions, although any findings apply equally to discounts.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>The review identified the following area of good practice:</p> <ul style="list-style-type: none"> • Systems are in place to undertake reviews of discounts and exemptions that have been awarded and remove them where they are no longer valid, utilising resources both within the Council and by third party agencies. <p>The level of assurance reflects the fact that testing highlighted that established procedures to underpin the award of exemptions and discounts are not consistently complied with across the Council Tax Team and there is a lack of management oversight over this area of work which in our view, is critical, given the need to ensure that the public purse is protected.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Raising awareness across the Council Tax Team of the processes that should be followed in relation to awarding discounts and exemptions. • Undertaking routine quality checks across a sample of discounts and exemptions awarded to gain assurance that procedures have been complied with. • To consider whether application procedures can be enhanced to minimise the risk of fraud and error.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>Highways Minor Civil Engineering Contract - Follow up Review</p> <p>May 2016</p> <p>Head of Highways</p>	<p>Overall Objective: To provide assurance that agreed actions have been implemented to ensure that the Council now has effective systems in place to manage the key risks associated with the allocation of work under the Minor Civil Engineering Contract.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>A total of ten actions were identified and agreed in the original audit. A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="600 587 1715 692"> <thead> <tr> <th data-bbox="607 587 864 655">Number of Actions</th> <th data-bbox="864 587 1167 655">Implemented</th> <th data-bbox="1167 587 1413 655">No Progress</th> <th data-bbox="1413 587 1715 655">On-going</th> </tr> </thead> <tbody> <tr> <td data-bbox="607 655 864 692">10</td> <td data-bbox="864 655 1167 692">9</td> <td data-bbox="1167 655 1413 692">0</td> <td data-bbox="1413 655 1715 692">1</td> </tr> </tbody> </table> <p>Actions that have been implemented since the last review include:</p> <ul data-bbox="562 799 2051 1007" style="list-style-type: none"> • Responsibility for contract management is now clearly understood and a defined process has been put in place for allocating work under the contract. • Clarity has been sought with Procurement Services on standards and agreement reached when mini-competitions can be used for works covered in the contract. • Ensuring that the allocation of Lot one and Lot two work is in accordance with the contract / procurement rules. • Processes are in place to ensure that all contractors are considered for Lot three work. <p>For the remaining agreed action, progress has been made although the action taken to date has not yet fully addressed the audit concerns, namely:</p> <ul data-bbox="562 1145 2051 1246" style="list-style-type: none"> • Whilst processes for allocating Lot three work have been put in place which are consistent with procurement rules and are complied with, testing highlighted that opportunities still exist to improve the transparency of decision making and ensure that value for money is maximised for the Council. 	Number of Actions	Implemented	No Progress	On-going	10	9	0	1
Number of Actions	Implemented	No Progress	On-going						
10	9	0	1						

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Public report Audit & Procurement Committee

Audit and Procurement Committee

25th July 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Executive Director Resources

Ward(s) affected:

All

Title:

Audited 2015/16 Statement of Accounts

Is this a key decision?

No

Executive Summary:

The purpose of this report is to gain Audit & Procurement Committee's approval for the audited 2015/16 Statement of Accounts and Annual Governance Statement. The Audit & Procurement Committee is approving these accounts on the Council's behalf.

Recommendations:

Audit & Procurement Committee is recommended to approve the final 2015/16 Statement of Accounts and the Annual Governance Statement.

List of Appendices included:

The final Statement of Accounts incorporating the agreed changes will be available prior to or at the meeting.

This report is presented alongside the External Auditor's Audit Findings Report which details the key changes to the draft Statement of Accounts considered by the Audit and Procurement Committee in June. The changes have been agreed between Grant Thornton and the Executive Director of Resources.

Other useful background papers:

None.

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No. The Audit & Procurement Committee is approving the City Council's Statement of Accounts and Annual Governance Statement on the Council's behalf.

Report title:

Audited 2015/16 Statement of Accounts

1. Context (or background)

The Accounts and Audit Regulations 2011 require the Council to have its audited statements approved by 30th September. The Council has previously approved the delegation of responsibility for approving the statements to the Audit & Procurement Committee, which has become the key body in respect of understanding, analysing and discussing the content of these statements.

The Audit & Procurement Committee reviewed and commented upon the draft 2015/16 Statement of Accounts and Annual Governance Statement at its meeting on 13th June 2016. This report now seeks approval of the final audited statements.

It is worth noting that an update to the current regulations means that the 2017/18 and subsequent accounts will need to be prepared to an earlier timescale requiring publication of the draft accounts by 31st May and approval of the final accounts by 31st July. Coventry has already brought forward its processes and governance timetable such that the 2015/16 already comply with these revised provisions.

2. Options considered and recommended proposal

- 2.1 This report is presented alongside the Audit Findings Report of the Council's external auditors Grant Thornton which details all the significant changes to the draft accounts and Annual Governance Statement which the Audit & Procurement Committee considered in June. These changes have been agreed between the Grant Thornton and the Executive Director of Resources. The revised Statement of Accounts and Annual Governance Statement will be made available prior to or at the meeting and the key changes to them are explained clearly within the Grant Thornton Audit Findings report elsewhere on today's agenda.

Report author(s):

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Directorate: Resources Directorate

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This report is published on the council's website:

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Coventry City Council

Statement of Accounts
2015/16

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1 Overview

1.1 Narrative Report

Welcome to Coventry City Council's 2015/16 Statement of Accounts which presents the Council's financial performance for the year ending 31st March 2016. The purpose of the overview, in section 1.2 below, is to explain the key financial events and outcomes of the year and link them to the accounting statements and notes in this document. This is important because the Statement is set out in line with formal accounting standards which require us to present information in a specific way that is very different to how local councils manage their day to day finances.

1.2 An Overview of the Council's Performance in 2015/16

Operational Performance

Key information about the city and measures of the Council's overall performance is provided separately in the 2015/16 End of Year Performance Report. This sets out the Council's two overall aims of promoting the growth of a sustainable Coventry economy and improving the quality of life for Coventry people. Overall performance includes 64 headline indicators of which 39 (61%) have improved in the year whilst the city's resident population has grown by 2.3% – mostly as a result of high birth rates and the number of international students. Some of the other important indicators are considered below.

The city has continued to make good progress in attracting nearly 900 new business enterprises in the year, an increase of 11% which was higher than the regional and national growth rates. There has been an increase in city centre footfall of 1.3% compared with a national fall in footfall of 1%. The night-time footfall increased by 17% which is attributable to a large degree to the developing restaurant quarter at Cathedral Lanes which the Council has helped to bring about. The overall unemployment rate in the city fell from 7.5% to 6.3% in the year to December 2015 whilst the proportion of 16-18 year olds Not in Education Employment and Training (NEETs) fell from 6.8 to 4.7%.

In Coventry schools 91% of primary pupils and 67% of secondary pupils attended a good or outstanding school whilst primary education performance continued to improve with the proportion of Key Stage 2 Level 4+ results increasing from 76% to 78%. In Secondary schools, GCSE results fell slightly in 2015 with the proportion of 5+ GCSEs A* to C falling from 52.3% to 51.0%.

In line with national trends, contacts made to children's services have increased although the number of looked after children (LAC) remained broadly static and stood at 582 in March 2016. There is a particular concern around the high and rising rate of re-referrals which ran at 29% in the year. Adult safeguarding concerns have nearly doubled to 2009 cases although this is viewed as a positive consequence of better awareness. Overall demand for adult social care has increased, with more people receiving long-term ongoing support.

The Council's new Broadgate customer service centre opened consolidating 14 reception points across the city and closing other Council buildings to save money. The Council is continuing to make savings through developing solutions for people to access services differently, such as through online channels and reductions in the overall workforce. 1 in 5 (20%) of our transactions are now digital – up from less than 1% just two years ago.

Financial Performance - Revenue

In February 2015, the Council set an overall budget for its revenue expenditure of £718.7m. The following table shows how it was planned that this expenditure would be funded. The general and specific Government grants actually received are set out in note 3.31 Analysis of Revenue Grants.

Funding Type	Budget £m
Council Tax	(102.2)
Local Business Rates	(58.0)
General Government Grant	(78.2)
Specific Government Grants	(400.3)
Fees and Charges	(80.0)
Total Funding	(718.7)

Through the year, the Council measures the management of its day to day revenue expenditure based on the total amount it spends less the amount it receives for specific grants and fees and charges. Using this measure the Council over-spent its budget for 2015/16 by £1.3m as set out in the table below and set out more fully in note 3.4 Amounts Reported for Resource Allocation Decisions.

	People Directorate	Place Directorate	Resources Directorate*	Central	Total
	£m	£m	£m	£m	£m
Total Income	(290.1)	(99.3)	(178.0)	(29.0)	(596.4)
Total Expenditure	458.0	128.9	188.3	60.9	836.1
Net Expenditure	167.9	29.6	10.3	31.9	239.7
Annual Budget	162.5	29.5	11.8	34.6	238.4
(Surplus)/Deficit	5.4	0.1	(1.5)	(2.7)	1.3

*Including the Chief Executive's Directorate

Most of the £5.4m over-spend in the People Directorate occurred as a result of higher numbers receiving social care services for adults and older people, and the increasing cost of care packages. This has been experienced across the country and the Government has recently allowed councils to increase Council Tax by an additional 2% for 2016/17 above the previous limit to pay specifically for social care services. Coventry City Council agreed to this additional social care "precept" and together with other changes has provided additional budget of nearly £7m for social care services for 2016/17.

Central budgets recorded a net £2.7m under-spend. This includes an under-spend of £5.6m relating to costs such as the interest on and repayment of our outstanding debt resulting from capital scheme delays. A £3.4m over-spend was incurred on early retirement and redundancy costs for which total costs in the year were £5.8m. This amount is analysed within the exit packages section of note 3.22 Officers' Remuneration (including exit packages).

Within the year, the Coventry and Solihull councils' remaining preference shares in the Coventry and Solihull Waste Disposal Company were redeemed by the company. The councils retain 100% control through their ordinary shareholding. The value of the Council's redeemed shares was £2.95m. This income was included as part of the Council's budget. Birmingham International Airport made a special dividend payment to its shareholders in 2015/16 which amounted to £4.4m for the Council and which has been set aside in the Council's reserves. Further information relating to the companies is available in notes 3.12 Long Term Investments, 3.33 Associated Company Interests & Holdings and 4.7 Group Tax Expense.

The purpose of the Council's key financial statements is explained in section 2.1. This includes the Comprehensive Income and Expenditure Statement (CIES) shown at 2.2 which shows the cost of providing services in a different way to the position described above. The CIES reflects non-cash movements such as changes in the Council's pension liability and asset valuations, both of which are discussed below. On this basis the Council has made a surplus of £30.1m in the year. Accounting convention means that the value of this movement is reflected also in the

Council's Balance Sheet and Movement in Reserves Statement, both of which have increased in value by £30.1m in the year.

Financial Performance - Capital

The Council had set a Capital Programme budget of £117.8m for the year. Final expenditure was £104.1m and the schemes that have made slower progress than expected in 2015/16 are now expecting to spend the relevant sums in 2016/17. The way in which this expenditure has been funded is set out in note 3.27 Capital Expenditure and Capital Financing, with 70% being sourced from Government Grants and Other Contributions. The most significant schemes undertaken in the year include the administrative office building and its surroundings within the forthcoming Friargate Business District, investment to progress the Nuckle scheme improving the railway links between Nuneaton and Coventry and continued significant investment into the City's Highways and Public Realm infrastructure. These schemes are changing some areas of the city centre dramatically and are seen as vital to regenerating the city and its local economy.

As part of its overall financial plans, the Council had set itself targets for the achievement of capital receipts from the sale of assets. This, and the repayment of the loan to ACL Ltd described below, has resulted in the generation of £30m which has been applied to part-fund 2015/16 capital expenditure and £6.7m which has been carried forward to fund future capital expenditure.

The Council has continued to receive grant income ahead of the need to spend it. In addition to the £73m used to fund 2015/16 capital spend, a further £5.7m will be carried forward to fund the 2016/17 programme.

The Council's 2015/16 Capital Programme was planned to be part funded by £43m of Prudential Borrowing. The outturn position has meant that no borrowing has been used in the year. This is due to the combination described above of less expenditure being made than planned, grant income being received ahead of the need to spend and additional capital receipts being received and applied to the Capital Programme. This is a key reason why the Council's long-term borrowing reflected in the Balance Sheet has remained largely unchanged in the year. The borrowing approvals not used in 2015/16 will be available to fund future years' expenditure.

Reserve Balances

The Council's total level of reserves that can be used to support its activities has gone up by £10.8m in 2015/16 and now stands at £95.4m. However, within this there has been an increase of £12.0m in capital resources for one-off capital schemes. The underlying level of revenue reserves has reduced by £1.2m and reflects a review undertaken by the Council's Finance and Corporate Services Scrutiny Board in the year to gain assurance that reserves were held at appropriate levels and for justifiable purposes.

The latest information available nationally demonstrates that three quarters of councils have larger reserve balances than Coventry relative to the size of their budgets and the Council's auditors have even expressed concern previously at the low level of our General Fund reserve.

In Coventry, £25.8m of reserve balances either belong to or have been set aside to support the city's schools, an increase of £1.3m in the year. These are not available for the Council to use for other purposes. The remaining reserves are held for one of several reasons; £12.5m is held to help the Council to restructure its workforce so that it can balance future budgets, £11.8m is set aside to deliver the Council's long-term Private Finance Initiative specific projects, £5.1m is set aside to manage specific risks relating to insurance claims and Business Rates appeals and £4.4m relates to the Birmingham International Airport dividend.

Given the financial challenges facing the Council and its position compared with the rest of local government, the evidence is that the Council does not hold excessive reserves. Those that it does maintain have been set aside for specific purposes and further detail is set out in note 3.6 Usable and Unusable Reserves.

Other Issues within the Accounts

This section considers the two most material areas of the Council's accounts by value, asset valuations and pensions accounting. It 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.

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 below and analysed in full in section 2.4. The Council's property assets represent £673m or 63% of the Long Term Assets figure. Its pension liabilities are 59% of its Long-Term Liabilities.

Balance Sheet Category	2014/15 £m	2015/16 £m
Long Term Assets	1,092	1,070
Net-Current Assets (Current Assets less Current Liabilities)	70	87
Long-Term Liabilities	(971)	(936)
Net Assets	191	221
Represented by Useable Reserves	(85)	(95)
Represented by Non-Useable Reserves	(106)	(126)

Note 3.1 Significant Assumptions made in estimating Assets and Liabilities captures any areas within the accounts that have a significant risk of material adjustment within the next financial year. The sections below give an indication of the complexity and volatility of both pensions and asset accounting and demonstrate why the Council has included these as the two areas within this categorisation.

Pensions Accounting

The Council's pension deficit represents the most striking single factor within these accounts as it does for many other local authorities. The balance sheet shows a shortfall of £554m 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. Although this is £33m lower than the deficit recorded in the 2014/15 accounts, when compared with the total value of everything the Council owns (£1,233m) the overall pension deficit is a significant matter for consideration.

There are a number of contributory reasons for recent increases in local government pension deficits but the two key factors are that people are living longer and that changes in financial conditions have led to reductions in investment returns. 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 and these will be looked at again as part of the current three yearly review of the pension scheme. 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.

The detailed effects of pensions' accounting for the local government and teachers' unfunded pension schemes are shown in notes 3.18 Pension Costs (Other Long Term Liabilities) and 3.19 Retirement Benefits.

Assets and Asset Valuations

The Council's assets (its land, property, vehicles and heritage assets) are assessed on a regular basis to ensure that their value is reflected accurately in the accounts. The land and property valuations in particular are always subject to the external economic climate and in some previous years wider financial uncertainty has caused some downward pressure on these values. However, more stable economic conditions in recent years have meant significantly less volatility in revaluations and this is true again for 2015/16, with the overall reduction in Property Plant and Equipment value being £23m. Nevertheless, it is appropriate for this to be included as a significant assumption made in estimating assets and liabilities.

A total of twelve schools transferred to academy status in 2015/16. The day to day costs and funding of the schools are included up to the day on which they transferred. Their budget shares of c£24m will not be included in the Council's accounts in future. Eight of these were voluntary aided schools whose assets were already excluded from the Council's balance sheet. However, £20m of asset value for the remaining four academy converters has been removed from the Council's accounts in the year which forms the great majority of the £1m impairment figure shown in the Capital Adjustment Account and Revaluation Reserve movement table within note 3.6 Usable and Unusable Reserves.

Going Concern

In compiling these accounts, the Council needs to be satisfied that it remains as a going concern. This means that it will be able to continue operating for a period of time that is sufficient to carry out its commitments and objectives. This assessment has become more relevant for local government in recent years 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. In the opinion of the Executive Director of Resources, Coventry City Council remains in a sound financial position taking into account its medium term financial plans, the statutory position held by local authorities and the relative strength of its sources of revenue. On this basis the Council remains a going concern.

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 £32m in this area as part of an overall pooled budget of £52m. 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 note 3.38.

Walsgrave Hospital Business Rates Appeal

The Council received a request in February 2016 for mandatory Business Rates relief for Walsgrave Hospital, 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 large, this has led the Council to recognise this as a contingent liability in note 3.25.

Arena Coventry Limited

Last year's accounts reported the sale in 2014/15 of the Council 50% interest in Arena Coventry Limited (ACL), the operating company of the Ricoh Arena, to London Wasps Holdings Limited. The proceeds from the sale continue to be held in the accounts of North Coventry Holdings (NCH) Ltd as reflected in note 4.8 to the Group Accounts. As at 31st March 2015, the Council still held an outstanding loan to ACL of £13.1m. This loan was repaid to the Council on 13th May 2015 and this is reflected in note 3.13 Long Term Debtors. A Judicial Review into the original decision by the Council to make the loan to ACL found in the Council's favour in June 2014. The Court of Appeal gave permission in July 2015 for the original ruling to be appealed and this took place in February 2016. On 13th May 2016, appeal court judges announced their decision, rejecting the appeal and ordering the complainants to pay the Council's legal costs around the hearing. The Council's view is that it has acted lawfully in all respects and it will continue to strongly defend any further claim. A contingent liability has been recorded separately in note 3.25.

Significant Changes in Accounting Policies

Changes to accounting policies affecting the 2015/16 accounts are covered in section 5.1 although these are relatively minor. More significant is a change that will affect 2016/17 which is outlined in the same note. This will see a change in the way the Council's highways are valued which will substantially increase the net worth of the City Council's assets by around £1.6 billion

(or £1,600 million). Given that the value of the Council's Balance Sheet net worth is £220.9m this represents a massive accounting change. The reality is however that this change will not have any impact on the Council's underlying financial position or day to day budgetary situation.

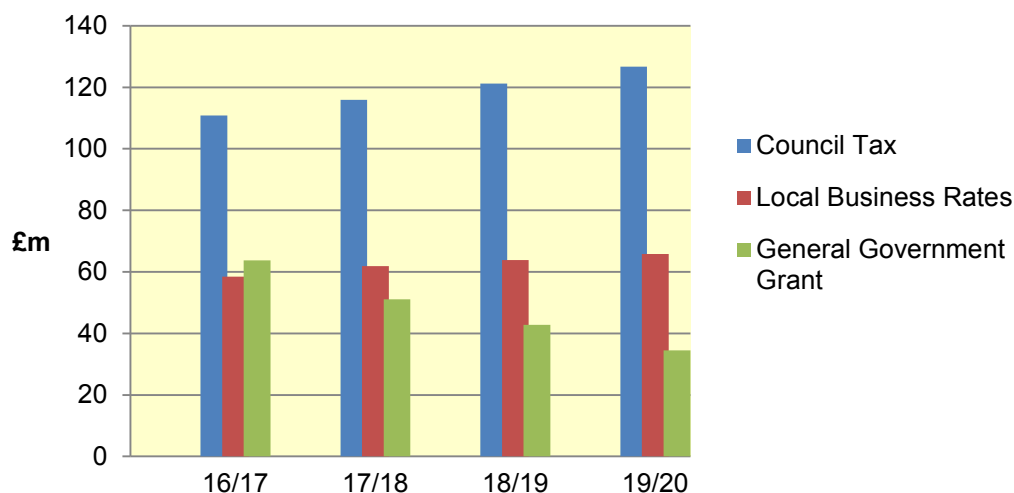
Future Plans

The Council's expressed aim of becoming a Top Ten City incorporates 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 has been progressing its plans to regenerate the city for several years including the planned Friargate business district next to Coventry railway station. A significant sign of this has appeared on the city skyline in 2015/16 with the initial construction phase of the Council's new administrative centre building which will be completed over the next 18 months. When the scheme is complete this will represent additional asset value in the region of £44m on the Council's Balance Sheet. It has always been the Council's intention that this will kickstart wider development of the area, whilst nearby work will also begin soon on the construction phase of the city's new swimming and leisure facility. These are two tangible signs of the action that the Council is taking to improve the attractiveness of Coventry as a destination for people to live, work and do business.

Within 2015/16 the Council resolved that it should join the proposed West Midlands Combined Authority (WMCA) alongside the other six West Midlands councils. The purpose of the WMCA is to draw together strategic work across transport, economic development, employment and skills, improving outcomes for the region. The WMCA is due to be established in the early part of 2016/17 and as part of the preparations a statement of intent has been agreed to establish a Devolution Deal which if approved could represent a funding package totalling £8bn to deliver major projects across the West Midlands. Such changes would affect some of the financial arrangements of the member authorities in future although many of the details of how this will work have yet to be agreed. These accounts have not been affected significantly by the proposed Combined Authority implementation and they only reflect spending in preparation for the authority of £0.4m in 2015/16.

Jaguar Land Rover is planning to increase significantly its presence in the city with an expansion of its Whitley site supported by a bid for grant funding for infrastructure works by the Coventry and Warwickshire Enterprise Partnership. These plans are a demonstration that the city, through the joint co-operation of a range of partners, has the ability to generate economic growth and greater prosperity within Coventry.

General government grant resources continue to reduce each year, reflecting the downward trend since 2010. The Council's medium term financial plans include projections based on this trend, together with the Council's estimates of Business Rates and Council Tax resources over the same period. The trends in these resources are displayed in the graph below.

Council Revenue Resources to 2019/20

The downward trajectory of revenue resources has meant that the achievement of savings programmes and the identification of ways in which the Council can balance future budgets remains a key focus in the future. The fundamental way in which the Council has been able to balance its budget in recent years has been through a reduction in its workforce. The Council's non-schools workforce now stands at less than 6000 individuals, a reduction of around 2,000 from the equivalent figure in 2010. This reduction has been required by the financial position facing the Council over this period and it is fully expected that this trend will continue for the next few years as the Council seeks to manage with lower levels of resources.

As indicated above, the Council's pension arrangements are being assessed currently as part of the latest regular three yearly review. Given recent trends there is a significant possibility that the Council will need to increase the pension contributions that it is obliged to make from 2017/18 onwards. The Council is working with the other West Midlands councils, the West Midlands Pension Fund and the Fund's new pension actuary Barnett Waddingham to ensure that the overall costs strike an appropriate balance between prudence and affordability. This is likely to be a significantly challenging area in the coming year.

Recent budgetary trends including the 2015/16 outturn position have confirmed expectations that adult social care is likely to be one of the big issues influencing local authority finances in the next few years. This makes it essential that the Council works closely with the health sector to deliver services through the Better Care Fund, referred to above, in the future.

The Government has announced its intention to further change the arrangements around Business Rates from 2020. Local authorities currently retain 50% of the Business Rates that they collect. In the future, this is planned to increase to 100%. At the same time, the Government plans to phase out local government general and specific grants and fund services such as Public Health from locally retained Business Rates. These changes promise to deliver greater autonomy to local government but they also represent significant risks. It will be important that a degree of resource equalisation is maintained to protect services in more deprived areas of the country and care will also need to be taken to ensure that transfers of responsibility for funding services can be managed within the new resources made available. Until the details of these developments are worked through it is impossible to have any clarity on the impact although it is unlikely that the financial position of local government will benefit from them.

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

The Executive Director of Resources' Responsibilities

The Executive Director of Resources 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 Executive Director of Resources 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 Executive Director of Resources 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 2016 and its income and expenditure for the year ended 31st March 2016, and that the accounts are authorised for issue.



Chris West, CPFA

Executive Director of Resources

25th July 2016

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council on 25th July 2016.

Cllr Susha Bains

Chair of Audit and Procurement Committee

25th July 2016

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 approved and adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available on our website at http://www.coventry.gov.uk/downloads/download/1181/code_of_corporate_governance 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.

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 31st March 2016 and up to the date of approval of the Statement of Accounts.

The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements are documented in the City Council's Code of Corporate Governance and 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 "Coventry open for business" was adopted in January 2014. It was subsequently revised and updated in July 2015 and is now called "Coventry: A Top Ten City". The plan sets out the Council's long term vision and priorities for the city for the next ten years. To deliver the 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 citizens and strong and involved communities. The Council Plan is part of the Council's performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way.

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.

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 Council facilitates policy and decision-making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee.

Coventry City Council has developed a comprehensive set of policies and procedures, including those relating to the standards expected of Members and 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's Risk Management Strategy defines processes for identifying, assessing, managing and monitoring financial and operational risks. Risk registers at directorate and corporate level 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 an annual self-assessment to measure its effectiveness, based on recommended CIPFA practice.

For the financial year 2015-16, the Executive Director, Resources, was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. In assessing this role against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), 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 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 31st March 2016:

- Coventry and Solihull Waste Disposal Company is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between Coventry and Solihull. The Company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2015, did not highlight any significant concerns. In the year CSWDC redeemed £3.3m of preference shares held by Coventry City and Solihull Metropolitan Borough Councils.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. The Directors of the Company are also senior officers of Coventry City Council. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2015. The company's purpose is to hold shares in Coventry North Regeneration Limited.
- 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. 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 31st March 2015.

Review of Effectiveness

Coventry City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. 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 Acting 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.

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

- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members, against targets and objectives set out in the Council's Plan.
- Ongoing 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 Council's strategies and procedures to ensure they continue to reflect the needs of the Council.

The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls/governance arrangements by each Director.
- The work of the Internal Audit Service during 2015-16. 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 Acting Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
- A review of the effectiveness of the Council's system of Internal Audit.

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, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. To support this, the following key challenges exist:

- Continued focus on securing sustainable improvement in children's services.
- Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy. This is underpinned by the delivery of significant financial savings from new strategies set out in the 2015/16 Budget Report. Successful implementation of this next stage of transformation will be fundamental to enabling the Council to achieve its immediate financial targets, and establish a basis for addressing future reported budget gaps which rise to £36 million by 2018/19.

- The delivery of the Kickstart programme – the Council’s plan for making savings, supporting city centre regeneration including business rate growth and rationalising its’ office estate. This includes the delivery of a new Customer Service Centre which opened in November 2015, a Democratic Centre within the Council House and a new purpose built office at Friargate supported by a radically transformed approach to the way the Council works and engages with its customers. The Kickstart programme is creating the enabling environment for new ways of working and culture change within the Council, leading to a more agile, digitally enabled, modern organisation which is able to deal more effectively with demand changes and service transformation. Kickstart and customer journey savings targets are contributing towards the Council’s medium term financial strategy.
- To raise standards through evaluation and continuation of the Primary School Improvement Strategy and in partnership with the Local Authority and secondary schools a new system-led model of secondary school improvement.
- To address the actions identified following the Information Commissioner’s audit and implement the Council’s wider Information Management Strategy. The Information Management Strategy Group will ensure oversight of this work and the way that information is managed across the Council and ensure that all legislative requirements concerning the use of information are complied with.

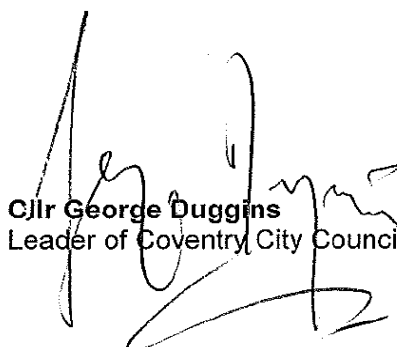
The review of internal control has also highlighted a number of areas for improvement. In each case, work is planned to address the issues identified and, where appropriate, audit reviews are planned to assess progress made. These are:

- To ensure that, alongside the programme of proactive reviews undertaken in relation to council tax exemptions/discounts, procedures to underpin the award of exemptions and discounts are consistently complied with.
- In the light of considerations such as new professional guidance being issued, to undertake a review of a number of the key procedures that underpin the governance framework, namely the Risk Management Strategy, the Code of Corporate Governance, the Whistleblowing procedure and the Fraud and Corruption Strategy.

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



Martin Reeves
Chief Executive of Coventry City Council



Cllr George Duggins
Leader of Coventry City Council

2 Main Financial Statements

2.1 Overview of the Main Financial Statements

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

Comprehensive Income & Expenditure Statement CIES (section 2.2)

The CIES 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Movement in Reserves Statement (section 2.3)

This statement shows the movement in the year 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 reserves with a specific identified purpose (Unusable Reserves). The '(Surplus) or Deficit on the Provision of Services line' shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amount required to be charged to the General Fund Balance for Council Tax setting. The 'Net (Increase)/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet (section 2.4)

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.

- 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.
- Unusable Reserves. The Authority is not able to use these reserves to provide services. These include 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 in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement (section 2.5)

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 recipients 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.

The Collection Fund (section 2.6)

This account shows how much Council Tax and National Non-Domestic Rates (Business Rates) are collected within the City. It shows how much has been transferred to the Income and Expenditure Account to pay for Council Services and how much has been paid to 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.

Presentation of figures within the Statement of Accounts

Wherever appropriate, the figures within the tables in the main statements and the supporting notes have been rounded to the nearest thousand pounds. There are a small number of figures where a different rounding is appropriate or the figures refer to percentages.

Financial amounts included in the supporting text are presented as rounded to the nearest thousand pounds (e.g. £1,234,567 is presented as £1,235k) or to the nearest 0.1 of a million pounds (i.e. £1.2m).

2.2 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2014/15			2015/16			
Gross Expenditure	Gross Income	Net Expenditure	SERVICE ANALYSIS	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
100,737	(28,584)	72,153	Adult Social Care	107,078	(33,220)	73,858
25,342	(7,350)	17,992	Central Services to the Public *	203	(7,355)	(7,152)
364,423	(253,147)	111,276	Children's & Education Services	329,202	(237,243)	91,959
28,293	(2,694)	25,599	Cultural & Related Services	21,176	(2,222)	18,954
26,352	(5,425)	20,927	Environmental & Regulatory Services	28,504	(5,619)	22,885
22,888	(5,696)	17,192	Planning Services	27,352	(5,173)	22,179
59,977	(13,796)	46,181	Highways and Transport Services	69,454	(14,277)	55,177
142,567	(135,060)	7,507	Housing services	129,763	(130,104)	(341)
23,558	(19,977)	3,581	Public Health	22,796	(20,293)	2,503
15,565	(2,043)	13,522	Corporate and democratic core	13,457	(3,159)	10,298
10,436	(479)	9,957	Non-distributed costs	5,031	(11,440)	(6,409)
820,138	(474,251)	345,887	Cost of Services	754,016	(470,105)	283,911
		0	(Profit) / Loss on Disposal of Fixed Assets **			20,510
		16,311	Levy Payments to Other Bodies			15,656
		2	Contribution of Housing Capital Receipts to Gov. Pool			4
		6	Precepts of Local Precepting Authorities			5
		16,319	Other Operating Expenditure			36,175
		21,815	Interest Payable and Similar Charges			21,018
		(2,392)	External Investment Income			(2,288)
		19,518	Net interest on the net defined benefit liability (section 3.19)			17,963
		(11,770)	Net (Surplus)/Deficit from Trading Operations (section 3.5)			(10,078)
		(1,941)	Dividends and Interest Receivable			(6,779)
		25,230	Finance and Investment Income and Expenditure			19,836
		(101,387)	Council Tax			(106,832)
		(58,535)	Retained Business Rates			(58,247)
		(15,489)	Business Rates Top-up			(16,311)
		(87,241)	Revenue Support Grant			(61,851)
		(8,480)	General Government Grants			(10,623)
		(80,126)	Capital Grants (section 3.30)			(78,656)
		(351,258)	Taxations and Non-Specific Grant Income			(332,520)
		36,178	(Surplus)/Deficit on the Provision of Services			7,402
		(23,799)	(Surplus)/Deficit on revaluation of non current assets			2,294
		(2,845)	(Surplus)/Deficit on revaluation of available for sale financial assets			(832)
		103,420	Remeasurement of the net defined benefit liability (section 3.19)			(38,928)
		76,776	Sub-total of other comprehensive income & Expenditure			(37,466)
		112,954	Total Comprehensive Income & Expenditure			(30,064)

* The reduction in the gross expenditure on Central Services to the Public is due to the effect of changes in the values of property rather than a reduction in these services.

** Material items included within the I&E are identified below

Gross Expenditure	Gross Income	Net Expenditure	MATERIAL ITEMS	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
			Included within (Profit) / Loss on Disposal of Fixed Assets			
			Derecognition as a result of schools transferring to academy status	20,287	0	20,287

2.3 MOVEMENT IN RESERVES STATEMENT

USABLE RESERVES AND OVERALL POSITION 2015/16

	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £001
31st March 2015	(5,160)	(79,055)	(384)	0	(84,599)	(106,203)	(190,802)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	7,402	0	0	0	7,402	0	7,402
Other Comprehensive Income and Expenditure	0	0	0	0	0	(37,466)	(37,466)
Total Comprehensive Income and Expenditure	7,402	0	0	0	7,402	(37,466)	(30,064)
Adjustments between Accounting Basis and Funding Basis under Regulations	(6,172)	0	(5,352)	(6,660)	(18,184)	18,184	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	1,230	0	(5,352)	(6,660)	(10,782)	(19,282)	(30,064)
Net (Increase) / Decrease in Earmarked Reserves	107	(107)					
(Increase) / Decrease in Year	1,337	(107)	(5,352)	(6,660)	(10,782)	(19,282)	(30,064)
31st March 2016	(3,823)	(79,162)	(5,736)	(6,660)	(95,381)	(125,485)	(220,866)

UNUSABLE RESERVES 2015/16

	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Total Unusable Reserves £000
31st March 2015	(445,966)	(189,455)	0	1,984	(3,336)	586,089	5,296	(60,815)	(106,203)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	0	2,294	0	0	0	(38,928)	0	(832)	(37,466)
Total Comprehensive Income and Expenditure	0	2,294	0	0	0	(38,928)	0	(832)	(37,466)
Adjustments between Accounting Basis and Funding Basis under Regulations	12,781	9,810	(5,871)	(104)	(2,902)	6,391	(1,921)	0	18,184
Net (Increase) / Decrease	12,781	12,104	(5,871)	(104)	(2,902)	(32,537)	(1,921)	(832)	(19,282)
31st March 2016	(433,185)	(177,351)	(5,871)	1,880	(6,238)	553,552	3,375	(61,647)	(125,485)

Note 3.6 presents further details of the movements in usable and unusable reserves.

USABLE RESERVES AND OVERALL POSITION 2014/15 COMPARATIVES

	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
31st March 2014	(7,328)	(72,910)	(756)	0	(80,994)	(222,762)	(303,756)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	36,178	0	0	0	36,178	0	36,178
Other Comprehensive Income and Expenditure	0	0	0	0	0	76,776	76,776
Total Comprehensive Income and Expenditure	36,178	0	0	0	36,178	76,776	112,954
Adjustments between Accounting Basis and Funding Basis under Regulations	(40,155)	0	372	0	(39,783)	39,783	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(3,977)	0	372	0	(3,605)	116,559	112,954
Net (Increase) / Decrease in Earmarked Reserves	6,145	(6,145)					
(Increase) / Decrease in Year	2,168	(6,145)	372	0	(3,605)	116,559	112,954
31st March 2015	(5,160)	(79,055)	(384)	0	(84,599)	(106,203)	(190,802)

UNUSABLE RESERVES 2014/15 COMPARATIVES

	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Total Unusable Reserves £000
31st March 2014	(463,030)	(172,031)	0	2,088	(2,024)	465,909	4,296	(57,970)	(222,762)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	0	(23,799)	0	0	0	103,420	0	(2,845)	76,776
Total Comprehensive Income and Expenditure	0	(23,799)	0	0	0	103,420	0	(2,845)	76,776
Adjustments between Accounting Basis and Funding Basis under Regulations	17,064	6,375	0	(104)	(1,312)	16,760	1,000	0	39,783
Net (Increase) / Decrease	17,064	(17,424)	0	(104)	(1,312)	120,180	1,000	(2,845)	116,559
31st March 2015	(445,966)	(189,455)	0	1,984	(3,336)	586,089	5,296	(60,815)	(106,203)

2.4 BALANCE SHEET

31st March 2015	Balance Sheet	31st March 2016	Section Ref.
£000		£000	
806,547	Property, Plant and Equipment	783,468	3.8
25,893	Heritage Assets	25,893	3.9
154,350	Investment Property	161,771	3.10
75,233	Long Term Investments	78,514	3.12
29,514	Long Term Debtors	20,199	3.13
1,091,537	Long Term Assets	1,069,845	
102,297	Short Term Investments	79,123	3.17
364	Inventories	480	
48,090	Short Term Debtors	63,330	3.14
10,220	Cash and Cash Equivalents	17,650	2.5
4,996	Assets held for Sale	2,458	3.10
165,967	Current Assets	163,041	
(24,063)	Short Term Borrowing	(6,797)	3.17
(70,179)	Short Term Creditors	(67,588)	3.15
(1,555)	Short Term Provisions	(2,066)	3.16
(95,797)	Current Liabilities	(76,451)	
(9,157)	Long Term Provisions	(8,882)	3.16
(366,723)	Long Term Borrowing	(369,586)	3.17
(586,089)	Other Long Term Liabilities	(553,552)	3.19
(8,936)	Capital Grants Receipts in Advance	(3,549)	3.30
(970,905)	Long Term Liabilities	(935,569)	
190,802	Net Assets	220,866	
(84,599)	Usable Reserves	(95,381)	2.3
(106,203)	Unusable Reserves	(125,485)	2.3
(190,802)	Total Reserves	(220,866)	

The unaudited accounts were authorised for issue on 27th May 2016 and the audited accounts were authorised for issue on 25th July 2016.

2.5 CASH FLOW STATEMENT

2014/15			2015/16	
		Cash Flow Statement		
£000's	£000's		£000's	£000's
36,178		Net (Surplus) or Deficit on the Provision of Services	7,402	
(128,604)		Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(53,282)	
53,930		Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	51,299	
	(38,496)	Net Cash Flows from Operating Activities		5,419
	8,258	Investing Activities		(10,143)
	59,411	Financing Activities		(2,706)
	29,173	Net (Increase) or Decrease in Cash and Cash Equivalents		(7,430)
	(39,393)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(10,220)
	(10,220)	Cash and Cash Equivalents at the End of the Reporting Period		(17,650)

Section 3.20 presents an analysis of the amounts included in the provision of services for non-cash movements and items included in investing and financing activities.

2.6 COLLECTION FUND

Business Rates £000	2014/15 Council Tax £000	Total £000	Collection Fund	Business Rates £000	2015/16 Council Tax £000	Total £000
INCOME						
0	(114,564)	(114,564)	Council Tax Receivable	0	(120,241)	(120,241)
(118,867)	0	(118,867)	Business Rates Receivable	(121,807)	0	(121,807)
784	1	785	Transitional Relief	138	0	138
(118,083)	(114,563)	(232,646)	Total Income	(121,669)	(120,241)	(241,910)
EXPENDITURE						
Precepts, Demands & Shares						
57,589	0	57,589	Central Government	58,770	0	58,770
56,437	98,788	155,225	Coventry City Council	57,595	102,171	159,766
0	7,647	7,647	West Midlands Police	0	7,916	7,916
1,152	3,943	5,095	West Midlands Fire	1,175	4,082	5,257
115,178	110,378	225,556	Total: Precepts, Demands & Shares:	117,540	114,169	231,709
Distribution of previous years' surplus / deficit						
108	0	108	Central Government	1,664	0	1,664
105	3,279	3,384	Coventry City Council	1,630	781	2,411
0	254	254	West Midlands Police	0	60	60
2	131	133	West Midlands Fire	33	31	64
215	3,664	3,879	Total: Distribution of previous years Surplus / (Deficit)	3,327	872	4,199
115,393	114,042	229,435	TOTAL EXPENDITURE	120,867	115,041	235,908
Charges to Collection Fund						
477	1,015	1,492	Less: Write offs uncollectable amounts	1,930	1,496	3,426
5	266	271	Less: Increase/ (Decrease) in Bad Debt Provision	(183)	(632)	(815)
(2,238)	0	(2,238)	Less: Increase/ (Decrease) in Appeals Provision	671	0	671
380	0	380	Less: Costs of Collection	381	0	381
(1,376)	1,281	(95)	Total Charges to Collection Fund	2,799	864	3,663
(4,066)	760	(3,306)	(Surplus)/Deficit Arising During Year	1,997	(4,336)	(2,339)
4,011	(4,457)	(446)	(Surplus)/Deficit b/fwd	(55)	(3,697)	(3,752)
(55)	(3,697)	(3,752)	(Surplus)/Deficit c/fwd	1,942	(8,033)	(6,091)
Commitments						
3,327	872	4,199	Surplus/(Deficit) committed in future year's budget setting	(725)	4,988	4,263
3,272	(2,825)	447	Excess (Surplus)/Deficit c/fwd to following year's tax setting.	1,217	(3,045)	(1,828)

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 level of in-year recovery of the Business Rates billed in 2015/16 was 97.8%. The Government

determines the level of rates payable, which was 49.3p per £ of rateable value (48.2p in 2014/15). The Valuation Office Agency sets the rateable value of each property and the total was £300,002,421 at 31st March 2016 (£299,165,370 at 31st March 2015). 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 a bad debt provision, 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 98.5%. The total number of dwellings on the valuation list is 137,465 of which 5,735 are exempt. Details of the Tax Base calculation are shown in the table below:

Valuation Band	Number of Dwellings subject to tax	Band D Equivalent
Band A entitled to disabled relief	120	48.8
A	53,502	24,446.7
B	39,510	22,053.6
C	21,833	14,167.6
D	8,700	6,419.4
E	4,381	4,014.0
F	2,247	2,444.2
G	1,341	1,695.7
H	96	137.6
Total	131,730	75,427.6
Estimated eventual collection rate		98.5%
Total Council Tax Base Band D 2015/16		74,296.2
Total Council Tax Base Band D 2014/15		73,201.0

Provisions and Write Offs

Level of Provisions & Write Offs	Business Rates Bad Debt Provision	Council Tax Bad Debt Provision	Business Rates Appeals Provision *
	£000	£000	£000
Provision brought forward	(3,227)	(6,158)	(7,951)
Written off in year	1,930	1,496	1,864
(Increase) / decrease in provision	(1,747)	(864)	(2,533)
Provision carried forward	(3,044)	(5,526)	(8,620)

* The provision figures provided in section 3.16 include 49% 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 £000	Council Tax £000
Gross Debtors brought forward	8,222	12,806
Gross Debtors carried forward	5,917	12,448

Precepts and Demands on the Collection Fund

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

Council Tax

2014/15		2015/16	
Total	Precept / Demand	Share of surplus / (deficit)	Total
£000	£000	£000	£000
101,387	102,171	4,661	106,832
4,047	7,916	363	8,279
7,848	4,082	184	4,266
113,282	114,169	5,208	119,377

Business Rates

2014/15		2015/16			
Total	Precept	Share of surplus / (deficit)	Top Up	Total	
£000	£000	£000	£000	£000	£000
59,730	58,770	665	0	59,435	
74,024	57,595	652	16,311	74,558	
1,195	1,175	13	0	1,188	
134,949	117,540	1,330	16,311	135,181	

3 Notes to the Main Financial Statements

3.1 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 items in the Authority's Balance Sheet for which there is a significant risk are:

Pensions Liability

This liability stands at £553.6m, at the end of the 2015/16 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 2015/16, the updating of data and assumptions by the Council's actuaries has led to an decrease in the net pension liability of £32.5m.

Asset Valuations

Valuations are undertaken on the basis of a five year rolling programme, which 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. An increase of 1% in the average valuation of assets would have the effect of increasing the carrying value of these assets by approximately £10m with a corresponding increase in the level of unusable reserves.

3.2 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 27th May 2016. The financial statements and notes have not been adjusted for the following event which took place after 31st March 2016 as it provides information that is relevant to the understanding of the Authority's financial position but does not relate to conditions at that date.

Council Loan to Arena Coventry Limited

A Judicial Review into a Council decision to make a loan to ACL found in the Council's favour in June 2014. The Court of Appeal gave permission in July 2015 for the original ruling to be appealed and this took place in February 2016. On 13th May 2016, appeal court judges announced their decision, rejecting the appeal and ordering the complainants to pay the Council's legal costs around the hearing. It is not yet clear whether there will be any further appeals. The Council's view is that it has acted lawfully in all respects and it will continue to strongly defend any further claim.

Decision to Leave the European Union

On 23rd June 2016 the United Kingdom voted to leave the European Union and the period that has followed this decision has been marked by some volatility in the financial markets. Many commentators have suggested that there will be a weakening of the UK economy in the short to medium term although the severity of this and the degree of any long term economic effects remain uncertain. There may be an impact on the valuation of the Council's property assets, long-term investments and pensions' deficit in due course but the current uncertainty means that it is too early to gain a reliable estimate of this. The Council is clear that any such impact will not affect its going concern status.

3.3 Significant Judgements Made Regarding 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:

Going Concern Status

There is a high degree of uncertainty about future levels of funding for Local Government and the impact of existing services moving outside of Local Authority control. However, despite this uncertainty, there have been no suggestions that the local authority sector will not continue to be a major provider of Local Government services into the foreseeable future and, as such, the City Council has made the judgement that its going concern status should be maintained. These accounts have been produced on that basis.

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 not any obligations to/from the Dioceses in respect of them. The Dioceses also have the right to terminate the Council's occupation of these 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 3.38 details the respective contributions to the pooled budget during 2015/16 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 3.38 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').

3.4 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to directorates.

Amounts Reported for Resource Allocation Decisions 2015/16

Directorate Income & Expenditure 2015/16	People £000	Place £000	Resources £000	Chief Executive's £000	Central £000	Total £000
General Income	(24,029)	(38,423)	(6,435)	(97)	(35,911)	(104,895)
Re-charges	(5,614)	(49,220)	(38,144)	(1,331)	(56)	(94,365)
Government Grants	(259,870)	(10,305)	(130,026)	(6)	(15,630)	(415,837)
Reserves	(577)	(1,393)	(1,918)	0	22,553	18,665
Total Income	(290,090)	(99,341)	(176,523)	(1,434)	(29,044)	(596,432)
Employee Expenses	220,799	38,850	35,943	1,255	4,800	301,647
Running Expenses	237,212	89,262	149,054	1,759	56,049	533,336
Capital Expenditure funded from the Revenue Account	0	806	303	0	34	1,143
Total Expenditure	458,011	128,918	185,300	3,014	60,883	836,126
Net Expenditure	167,921	29,577	8,777	1,580	31,839	239,694
Annual Budget	162,480	29,494	10,137	1,639	34,607	238,357
Deficit / (Surplus)	5,441	83	(1,360)	(59)	(2,768)	1,337

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis	Service Analysis	Not Reported to Mgmt.	Not Included in Net COS	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
2015/16	£000	£000	£000		£000	£000	£000
Fees, charges & other service income	(184,879)	(3,235)	25,779	94,365	(67,970)	(10,078)	(78,048)
Interest & Investment Income	(9,067)	0	9,067	0	0	(9,067)	(9,067)
Council Tax	(4,661)	0	4,661	0	0	(106,832)	(106,832)
Business Rates including Top-up	(653)	0	653	0	0	(74,558)	(74,558)
Government grants and contributions	(415,837)	(78,656)	89,279	0	(405,214)	(151,130)	(556,344)
Reserves contributions to/(from)	18,665	0	(15,586)	0	3,079	0	3,079
Total Income	(596,432)	(81,891)	113,853	94,365	(470,105)	(351,665)	(821,770)
Employee Expenses	301,647	4,470	(17,963)	0	288,154	17,963	306,117
Other Service Expenses	403,435	6,581	(16,461)	0	393,555	20,510	414,065
Recharges	94,365	0	0	(94,365)	0	0	0
Depreciation, Amortisation & Impairment	0	72,307	0	0	72,307	0	72,307
Interest Payments	21,018	0	(21,018)	0	0	21,018	21,018
Precepts & Levies	15,661	0	(15,661)	0	0	15,661	15,661
Payments to Housing Capital Receipts Pool	0	4	(4)	0	0	4	4
Total Expenditure	836,126	83,362	(71,107)	(94,365)	754,016	75,156	829,172
(Surplus) or Deficit	239,694	1,471	42,746	0	283,911	(276,509)	7,402

3.5 Trading Account Summary

A number of services that trade with external organisations are classified as Trading Accounts and are therefore shown within the net surplus/deficit from trading operations in the Comprehensive Income & expenditure statement.

2014/15	Trading Accounts	Expenditure	2015/16	(Surplus)/Deficit
(Surplus)/Deficit		£000	Income	(Surplus)/Deficit
£000			£000	£000
(10,760)	Commercial Property	5,731	(16,596)	(10,865)
(518)	Highways Maintenance	12,300	(12,868)	(568)
(103)	Construction & Property Services	4,635	(4,080)	555
548	Building Cleaning	3,235	(2,682)	553
(1,035)	Fleet & Workshop	9,691	(10,255)	(564)
295	Catering Services	2,152	(1,333)	819
739	Monitoring Response Unit	1,456	(691)	765
(791)	Commercial Waste Services	5,607	(6,363)	(756)
(73)	School Finance Services	390	(371)	19
(72)	Advertising	29	(65)	(36)
(11,770)	(Surplus)/Deficit from Trading Operations	45,226	(55,304)	(10,078)

3.6 Usable and Unusable Reserves

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

Usable Reserves

Usable Reserves	Balance at 31st March 2015	Contributions from reserves 2015/16	Contributions to reserves 2015/16	Balance at 31st March 2016
	£000	£000	£000	£000
General Fund Balance	(5,160)	1,337	0	(3,823)
Earmarked Reserves:				
Private Finance Initiatives	(11,061)	188	(898)	(11,771)
Potential Loss of Business Rates Income	(7,100)	4,430	0	(2,670)
Early Retirement and Voluntary Redundancy	(5,109)	2,379	(9,770)	(12,500)
Achievement of Future Savings	(3,424)	2,532	0	(892)
Birmingham Airport Dividend	0	0	(4,400)	(4,400)
Children's Social Care	(3,000)	2,000	(1,000)	(2,000)
Leisure Development	(1,459)	1,096	(513)	(876)
Public Health	(1,402)	521	(156)	(1,037)
Health and Social Care Schemes	(1,417)	1,137	0	(280)
Vehicle Purchase Programme	(1,547)	3,094	(1,547)	0
Troubled Families	(710)	15	(6)	(701)
Schools (specific to individual schools)	(18,050)	0	(1,933)	(19,983)
Schools (for centrally retained expenditure)	(6,471)	2,119	(1,489)	(5,841)
Insurance Fund	(2,912)	4,473	(3,963)	(2,402)
Management of Capital	(2,112)	5,443	(5,668)	(2,337)
Other Corporate	(2,369)	2,070	(1,150)	(1,449)
Other Directorate	(6,434)	7,142	(7,630)	(6,922)
Other Directorate funded by Grant	(4,478)	2,847	(1,470)	(3,101)
Total Earmarked Reserves	(79,055)	41,486	(41,593)	(79,162)
Other Usable Reserves:				
Useable Capital Receipts Reserve	0	50,546	(57,206)	(6,660)
Capital Grant Unapplied Account	(384)	384	(5,736)	(5,736)
Total Other Usable Reserves	(384)	50,930	(62,942)	(12,396)
Total Usable Reserves	(84,599)	93,753	(104,535)	(95,381)

General Fund Balance

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

Unusable Reserves

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 below, together with those of the Capital Adjustment Account

2014/15			Category of Reserve Movement	2015/16		
Capital Adjustment Account [CAA] £000	Revaluation Reserve [RR] £000	CAA & RR Combined £000		Capital Adjustment Account [CAA] £000	Revaluation Reserve [RR] £000	CAA & RR Combined £000
(463,030)	(172,031)	(635,061)	Opening Balance	(445,966)	(189,455)	(635,421)
25,204	0	25,204	Depreciation	29,166	0	29,166
10,359	0	10,359	Impairment	859	0	859
36,872	0	36,872	Derecognitions	62,800	7,408	70,208
26,316	(23,799)	2,517	Revaluations	(557)	(5,114)	(5,671)
656	0	656	Investment Property Revaluations	(23,248)	0	(23,248)
1,760	0	1,760	Intangibles	2,333	0	2,333
(80,498)	0	(80,498)	Capital grants and contributions applied	(73,304)	0	(73,304)
25,269	0	25,269	Revenue Expenditure funded from Capital	27,599	0	27,599
(14,394)	0	(14,394)	Capital receipts applied	(29,832)	0	(29,832)
9,099	1,406	10,505	Disposal of Assets	25,809	0	25,809
1,687	0	1,687	Repayment of Loans	13,608	0	13,608
2,200	0	2,200	Other Capital Receipts	2,950	0	2,950
0	0	0	Loss on Deferred Capital Receipt	223	0	223
2	0	2	Housing Pooling	4	0	4
(6,917)	0	(6,917)	Capital Expenditure funded from Revenue	(1,143)	0	(1,143)
(854)	0	(854)	Issue of Loans	(940)	0	(940)
(4,969)	4,969	0	Written out of the Revaluations Reserve	(9,810)	9,810	0
(14,117)	0	(14,117)	Revenue provision for the Repayment of Debt	(13,605)	0	(13,605)
(485)	0	(485)	Reversal of Equal Pay Provision	0	0	0
(126)	0	(126)	Other Gains and Losses	(131)	0	(131)
(445,966)	(189,455)	(635,421)	Closing Balance	(433,185)	(177,351)	(610,536)

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 note 3.19.

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

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

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.

3.7 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.

2014/15		2015/16
£000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	£000
	Reversal of items debited or credited to the CIES	
	Usable Reserves	
(372)	Capital grants & contributions unapplied movement to CIES	5,352
	Unusable Reserves	
(2)	Contribution from the Capital Receipts Reserve to finance the payments to the Housing Pool	(4)
(25,204)	Charges for depreciation of non-current assets	(29,166)
(10,359)	Charges for impairment of non-current assets	(859)
(36,872)	Charges for derecognition of non-current assets	(62,800)
(26,972)	Revaluation of Property, Plant & Equipment & Assets Held for sale	23,805
(1,760)	Amortisation of intangible assets	(2,333)
80,498	Capital grants and contributions applied	73,304
(25,269)	Revenue expenditure funded from capital under statute	(27,599)
96	Proportion of premiums incurred in previous years	95
9	Reversal of impact of Soft Loans and Stepped Loans	9
(16,760)	Retirement benefit adjustments debited or credited to the CIES	(6,391)
1,312	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	2,902
(1,000)	Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)	1,921
121	Finance Lease Principal Receipt	127
0	Loss on Deferred Capital Receipt	(223)
485	Equal Pay Claim Reversal of Provision	0
98	Other movements	102
	Inclusion of items not debited or credited to the CIES	
14,117	Statutory provision for the financing of capital investment	13,605
762	Repayment of Transferred Debt Principal	838
6,917	Capital expenditure charged against the General Fund balance.	1,143
(39,783)	Subtotal of adjustments affecting Unusable Reserves	(11,524)
(40,155)	Total Adjustments	(6,172)

3.8 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	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Under Constructi on £000	Total £000
Cost or Valuation							
1st April 2015	898,196	38,350	331,200	15,276	0	21,316	1,304,338
Additions	14,188	2,398	46,672	949	0	11,404	75,611
Revaluation increase/(decreases) to Revaluation Reserve	2,086	0	0	0	0	0	2,086
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	525	0	0	0	0	0	525
Disposals	(2,250)	0	0	0	0	0	(2,250)
Derecognition	(28,530)	(49)	(41,141)	(488)	0	0	(70,208)
Reclassifications	(1,496)	1,616	20,765	0	164	(22,381)	(1,332)
31st March 2016	882,719	42,315	357,496	15,737	164	10,339	1,308,770
Depreciation and Impairment							
1st April 2015	380,854	25,469	91,468	0	0	0	497,791
Depreciation Charge	20,722	2,066	6,368	0	0	0	29,156
Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	(2,485)	0	0	0	0	0	(2,485)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(19)	0	0	0	0	0	(19)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	859	0	0	0	0	0	859
Reclassifications	0	0	0	0	0	0	0
31st March 2016	399,931	27,535	97,836	0	0	0	525,302
Net Book Value							
31st March 2016	482,788	14,780	259,660	15,737	164	10,339	783,468
1st April 2015	517,342	12,881	239,732	15,276	0	21,316	806,547

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". A key objective of the valuation process is to ensure that the overall carrying value of the Council's assets is not materially different to their fair value. The measurement bases used for the fixed asset classifications are detailed in the accounting policies, see section 5.5.

There are 13 schools where the valuations have concluded that the market value on cessation is higher than its current use. The reason for using current value method is that there are no plans to change the use of these properties, and that the schools are located where they are to serve specific communities and meet local authority obligations.

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 5.5.

3.9 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 2015/16 because the cost of carrying this out is considered to outweigh the benefits to users of the financial statements. The table provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2015 and the carried forward balance on 31st March 2016. There have been no significant or material additions or disposals over the last five years that warrant any further disclosure.

Type of Heritage Assets	31st March 2015 £000	31st March 2016 £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	132
Natural History	40	40
Works of Art	232	232
Furniture	140	140
Visual Arts	12,438	12,438
Civic Regalia	248	248
Total	25,893	25,893

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).

3.10 Non-Operational Assets

The table below shows the movement in the City Council's Non-Operational Assets during the year.

	Investment Property	Assets Held for Sale	Heritage Assets	Under Construction *	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
1st April 2015	270,398	12,561	25,893	111	308,963
Additions	449	0	0	2,867	3,316
Revaluation increase/(decreases) to Revaluation Reserve	0	552	0	0	552
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	9,235	14,007	0	0	23,242
Disposals	(4,033)	(19,526)	0	0	(23,559)
Derecognition	0	0	0	0	0
Reclassifications	(1,097)	2,428	0	0	1,331
31st March 2016	274,952	10,022	25,893	2,978	313,845
Depreciation and Impairment					
1st April 2015	116,158	7,565	0	1	123,724
Depreciation Charge	0	9	0	0	9
Disposals	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	0	10	0	0	10
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(20)	0	0	(20)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	0	0	0	0	0
Reclassifications	0	0	0	0	0
31st March 2016	116,158	7,564	0	1	123,723
Net Book Value					
31st March 2016	158,794	2,458	25,893	2,977	190,122
1st April 2015	154,240	4,996	25,893	110	185,239

* All Under Construction Non-Operational Assets are Investment Properties and are included within that category on the Balance Sheet.

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 Trading Account Summary.

3.11 Property, Plant & Equipment and Non-Operational Assets Summary

The table below shows a summarised total of the City Council's Property, Plant & Equipment and Non-Operational Assets.

Property, Plant & Equipment Total	Non- Operational Assets Total	Total		Property, Plant & Equipment Total	Non- Operational Assets Total	Total
2014/15				2015/16		
£000	£000	£000	Cost or Valuation	£000	£000	£000
1,327,145	316,671	1,643,816	1st April 2015	1,304,338	308,963	1,613,301
81,747	73	81,820	Additions	75,611	3,316	78,927
(13,430)	499	(12,931)	Revaluation increase/(decreases) to Revaluation Reserve	2,086	552	2,638
(51,322)	(705)	(52,027)	Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	525	23,242	23,767
(3,072)	(7,433)	(10,505)	Disposals	(2,250)	(23,559)	(25,809)
(36,872)	0	(36,872)	Derecognitions	(70,208)	0	(70,208)
142	(142)	0	Reclassifications	(1,332)	1,331	(1)
1,304,338	308,963	1,613,301	31st March 2016	1,308,770	313,845	1,622,615
Depreciation and Impairment						
534,293	113,593	647,886	1st April 2015	497,791	123,724	621,515
25,179	25	25,204	Depreciation Charge	29,156	9	29,165
0	0	0	Disposals	0	0	0
(36,899)	169	(36,730)	Depreciation written out to the Revaluation Reserve	(2,485)	10	(2,475)
(24,804)	(250)	(25,054)	Depreciation written out to the Surplus/Deficit on the Provision of Services	(19)	(20)	(39)
0	0	0	Impairment losses/reversals to Revaluation Reserve	0	0	0
0	10,209	10,209	Impairment losses/reversals to Surplus/Deficit on the Provision of Services	859	0	859
22	(22)	0	Reclassifications	0	0	0
497,791	123,724	621,515	31st March 2016	525,302	123,723	649,025
Net Book Value						
806,547	185,239	991,786	31st March 2016	783,468	190,122	973,590
792,852	203,078	995,930	1st April 2015	806,547	185,239	991,786

3.12 Long Term Investments

The City Council has long term investments in a number of companies and one treasury management investment of longer than 1 year duration. Details of the investments are shown below and further details of the companies are shown in section 3.33 Associated Company Interest and Holdings.

31st March 2015 £000	Long Term Investments	31st March 2016 £000
22,913	Birmingham Airport Holdings Ltd	22,913
49,617	Coventry Solihull Waste Disposal Co (CSWDC)	46,667
0	University of Warwick Science Park Innovation Centre Ltd	0
0	Coventry Building Society Secured Bond	5,525
0	Coombe Abbey Park Ltd	706
2,703	North Coventry Holdings Limited	2,703
75,233	Total Long Term Investments	78,514

A valuation exercise undertaken jointly with BDO LLP in 2012 valued Coventry City Council's shareholding in Birmingham Airport Holdings Ltd at £22.9m. A subsequent exercise undertaken in 2016 has indicated that there is no material change in this valuation.

A valuation exercise undertaken by BDO LLP in 2014 valued the Council's combined shareholding in the Coventry and Solihull Waste Disposal Company at £51.8m. During 2014/15 £2.2m of preference shares in the company were redeemed at par and during 2015/16 a further £2.95m of preference shares were redeemed. Following these redemptions a valuation exercise undertaken jointly with BDO LLP in 2016 has indicated that there is no material change in this valuation.

The Council maintains a shareholding in the University of Warwick Science Park Innovation Centre Ltd. This has been valued at nil as at 31st March 2016.

A treasury management investment of £5.5m is currently being held in a Coventry Building Society Bond. The Bond is for longer than 1 year duration and is therefore shown within this note as a long-term investment.

The Council's interest in Coombe Abbey Park Ltd, held as a Special Share, entitles the Council to future financial returns. This has been valued at £0.7m as at 31st March 2016.

In October 2014, the Council sold its 50% interest in Arena Coventry Limited (ACL). The Council had owned its share in ACL through North Coventry Holdings Ltd. The sale proceeds of £2.7m are held currently in the accounts of NCH Ltd.

3.13 Long Term Debtors

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

31st March		31st March
2015	Long Term Debtors	2016
£000		£000
93	Housing Loans	101
1,066	Binley Innovation Centre	1,066
292	Pathways to Care Loans	292
1,019	Residential Property Debts	1,707
5	Coventry North Regeneration Ltd	5
123	Mortgages	123
278	Belgrade Theatre	264
15	Spon End Building Preservation Trust	9
36	Commercial Property	36
4,658	City College Car Park	4,783
2	Car Loans	2
2,282	Kickstart	2,260
12,706	Arena Coventry Limited Loan	0
790	Coventry Investment Fund - Cathedral Lanes	880
301	Coventry Investment Fund - FARGO	1,300
5,848	Coombe	5,390
0	Bellway Homes - Land Sale	1,981
29,514	Total Long Term Debtors	20,199

3.14 Short Term Debtors

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

31st March 2015				Debtors Classification	31st March 2016			
Debtor	Payment In Advance	Impairment Allowance	Total		Debtor	Payment In Advance	Impairment Allowance	Total
£000's	£000's	£000's	£000's		£000's	£000's	£000's	£000's
8,938	1	0	8,939	Central Government Bodies	13,330	0	0	13,330
1,650	9	0	1,659	Other Local Authorities	1,154	35	0	1,189
8,215	121	(4)	8,332	NHS Bodies	10,175	0	0	10,175
23,793	9,421	(12,451)	20,763	All Other Bodies	34,859	11,526	(15,351)	31,034
15,489	0	(7,092)	8,397	Debts Relating to Local Taxation	14,039	0	(6,437)	7,602
58,085	9,552	(19,547)	48,090	Total Debtors	73,557	11,561	(21,788)	63,330

The most significant contributors to the £15.2m increase in the total short term debtors balance are amounts due, but yet to be received, in relation to capital receipts (£5.9m) and a special dividend payment from Birmingham International Airport (£4.4m).

3.15 Short Term Creditors

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

31st March 2015			Creditors Classification	31st March 2016		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
£000's	£000's	£000's		£000's	£000's	£000's
(6,547)	(376)	(6,923)	Central Government Bodies	(6,980)	(2,362)	(9,342)
(1,618)	(37)	(1,655)	Other Local Authorities	(1,363)	(140)	(1,503)
(1,479)	0	(1,479)	NHS Bodies	(1,568)	(36)	(1,604)
(11)	0	(11)	Public Corporations	(6)	0	(6)
(45,250)	(8,441)	(53,691)	All Other Bodies	(34,674)	(13,470)	(48,144)
(3,278)	(3,142)	(6,420)	Debts Relating to Local Taxation	(3,474)	(3,515)	(6,989)
(58,183)	(11,996)	(70,179)	Total Creditors	(48,065)	(19,523)	(67,588)

3.16 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 2015/16 is explained below:

Provisions	Self-Insurance £000	Business Rates Appeals £000	Other £000	Total £000
1st April 2015	(5,902)	(3,896)	(914)	(10,712)
Increase in provision	0	(1,781)	0	(1,781)
Amounts used	59	914	0	973
Unused amounts reversed	33	539	0	572
31st March 2016	(5,810)	(4,224)	(914)	(10,948)

The split between short and long term provisions, as at 31st March 2016, is provided in the following table:

Provisions	Self-Insurance £000	Business Rates Appeals £000	Other £000	Total £000
Short Term Provisions	0	(1,909)	(157)	(2,066)
Long Term Provisions	(5,810)	(2,315)	(757)	(8,882)
Total	(5,810)	(4,224)	(914)	(10,948)

The Council's provision for its self-insurance liability is based upon the full value of known insurance claims. The provision is used when insurance claims require settlement, the timing of which is uncertain. The level of this provision has gone down by £92k in 2015/16 and now stands at £5,810k. 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 usable reserves table in section 3.6.

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 2015/16 and earlier financial years. As a result, the Council has estimated that a provision of £4,224k is required relating to Business Rates appeals, although the amount and timing of future payments are uncertain. This represents a reduction of £328k in 2015/16.

3.17 Financial Instruments

The Balance Sheet includes the following categories of financial instruments:

	Long Term		Current	
	31st March 2015	31st March 2016	31st March 2015	31st March 2016
	£000	£000	£000	£000
Financial Assets				
Loans & Receivables - principal	0	0	55,301	41,021
Loans & Receivables - interest	0	0	110	65
Available for Sale Investments - principal	75,233	78,514	46,825	37,888
Available for Sale Investments - interest	0	0	61	149
Total Investments	75,233	78,514	102,297	79,123
Loans & Receivables - Cash & Cash Equivalents	0	0	10,220	17,650
Total Financial Assets (excluding debtors)	75,233	78,514	112,517	96,773
Debtors *	29,514	20,199	20,763	34,859
Financial Liabilities				
Loans at Amortised Cost				
- principal sum borrowed	280,463	280,462	18,006	532
- accrued interest	0	0	3,294	3,105
- equivalent interest rate adjustment	893	885	9	9
Total Borrowing	281,356	281,347	21,309	3,646
Other Long Term Liabilities at amortised cost:				
- PFI arrangements	68,896	72,801	1,824	2,118
- Finance Leases	0	0	0	0
- Transferred Debt	16,471	15,438	940	1,033
Total Financial Liabilities (excluding creditors)	366,723	369,586	24,073	6,797
Creditors*			45,261	34,674

* Only Debtors and Creditors held with non statutory companies are included in the Financial Instruments note

Short Term Debtors			
Debtors included in Financial Instruments			34,859
Other Debtors			28,471
Total Short Term Debtors			63,330
Short Term Creditors			
Creditors included in Financial Instruments			34,674
Other Creditors			32,914
Total Short Term Creditors			67,588

Current borrowings and investments represent amounts due to be settled within 12 months, including accrued interest.

The 2015/16 Comprehensive Income and Expenditure Statement include the following amounts in relation to financial instruments:

	Financial Liabilities		Financial Assets		Total
	measured at amortised cost	Loans and receivables	Available for sale assets	Fair Value	
	£000	£000	£000	£000	
Interest expense	21,018	0	0	0	21,018
Losses on derecognition	0	0	0	0	0
Impairment (gains) / losses	0	2,900	0	0	2,900
Interest payable and similar charges	21,018	2,900	0	0	23,918
Interest income	0	(2,288)	(6,779)	0	(9,067)
Interest and investment income	0	(2,288)	(6,779)	0	(9,067)
Gains on revaluation	0	0	(832)	0	(832)
Amounts recycled to the Income & expenditure statement after impairment	9	0	0	0	9
Surplus arising on revaluation of financial assets	9	0	(832)	0	(823)
Net (gain) / loss for the year	21,027	612	(7,611)	0	14,028

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value, whilst financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For most assets, including bonds, shares in money market funds and other collective investment funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the present value of the cash flows that will take place over the remaining term of the instruments, 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 31st March 2016
- 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
- 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	31st March 2015		31st March 2016	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities at amortised cost					
▪ PWLB	2	224,431	333,853	211,712	281,383
▪ Market Loans	2	65,506	91,439	60,492	91,338
▪ Stock Issue	1	12,245	19,009	12,248	18,681
▪ Other Local Authorities	2	17,411	21,183	16,471	19,946
▪ PFI	3	70,720	139,565	74,919	130,959
▪ Short Term Creditors	n/a	45,261	45,261	34,674	34,674
▪ Other	n/a	473	473	541	541
Total Liabilities		436,047	650,783	411,057	577,522
Financial Assets at fair value:					
▪ Money Market Funds	1	8,200	8,200	8,250	8,250
▪ Collective Investment Funds	1	23,721	23,721	28,868	28,868
▪ Corporate and Government Bonds	2	7,163	7,163	6,701	6,701
▪ Certificates of Deposits	2	16,002	16,002	8,014	8,014
▪ Shares in Unlisted Companies	3	75,233	75,233	72,989	72,989
Financial Assets at amortised cost:					
▪ Short Term Cash Deposits	n/a	55,411	55,411	41,066	41,066
▪ Long Term Debtors	3	29,514	32,463	20,199	23,018
▪ Short Term Debtors	n/a	20,763	20,763	34,859	34,859
▪ Bank Accounts	n/a	2,020	2,020	9,400	9,400
Total Financial Assets		238,027	240,976	230,346	233,165

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 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 3.12. 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 £4.3m
- Long term loans to companies, as included in note 3.13. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2016. A 1% variation in the discount rate would alter the value of the loans by £1.1m.
- Long term PFI liabilities, as included in note 3.21. Fair value is calculated by discounting the future value of cashflows under the contracts at the market rate as at 31st March 2016. A 1% variation in the discount rate would alter the value of the PFI liabilities by £10.4m.

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

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

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund

services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2015/16 this required that deposits were only made with banks, building societies & corporate bonds with a high quality credit rating (minimum BBB+ long term). In addition, as at 31st March 2016 the policy limited the maximum that can be deposited with an institution at any point in time to £10m. Under the Treasury Management Strategy the Executive Director Resources will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

	Long Term		Short Term	
	31st March 2015	31st March 2016	31st March 2015	31st March 2016
	£000		%	
AAA	0	5,425	23,813	29,003
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	8,005	8,011
A+	0	0	8,001	0
A	0	0	31,194	28,053
A-	0	0	12,004	8,012
BBB+	0	0	0	1,149
Unrated Local Authorities	0	0	22,348	3,000
Unrated Building Societies	0	0	2,001	2,003
Unrated Pooled Funds	0	0	3,000	8,106
Total Investments	0	5,425	110,366	87,337

The deposits set out above as at 31st March 2016 were held with financial institutions domiciled in a number of countries:-

Country	£000
United Kingdom	60,719
Germany	8,019
Singapore	8,011
Ireland	16,013
Total	92,762

Overall limits to exposure to individual institutions were not exceeded during the year and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The authority does not generally allow credit for trade debtors. £3,369k of the £34,859k 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	2,644
Three to six months	137
Six months to one year	84
More than one year	504
Total	3,369

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	2015 £000	2016 £000
Less than one year	18,274	1,033
Between one and two years	1,033	7,637
Between two and five years	23,762	17,638
Between six and ten years	18,979	31,907
More than ten years	253,159	238,718
Total	315,207	296,933

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 £59m of such loans are held, £31m 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 £83.9m in 2015/16. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance. Furthermore, the risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing, and provide compensation for a proportion of any higher costs.

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

According to this strategy, at 31st March 2016, 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 £50m. This movement would be equal and opposite for a 1% fall in interest rates.

Price Risk

The authority does not generally invest in equity shares but does have shareholdings to the value of £79m 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 £4m gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2015/16.

Foreign Exchange Risk

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

3.18 Pension Costs

Officers

In 2015/16 the City Council paid an employer's contribution of £29,734k, (£26,863k in 2014/15), representing 22.9% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. Projected employer contributions for 2016/17 are estimated to be £32,417k. This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service. The contributions were set in line with local government pension regulations, following the actuarial review by Mercer Human Resource Consulting as at 31st March 2013.

In addition, the Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2015/16, this amounted to £5,170k (£3,838k in 2014/15).

Further details on pension liabilities are provided in note 3.19.

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

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

Teaching Staff

In 2015/16, the City Council paid £11,223k (£11,088k in 2014/15), to the Department for Education (DfE) for teachers' pension costs, which represents 14.1% of pensionable pay from April to August & 16.4% of pensionable pay from September onwards. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension contributions. In 2015/16, these amounted to £2,604k (£2,638k in 2014/15) representing 2.4% of pensionable pay.

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

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 2015/16 the City Council paid £58k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, which represents 14.3% of pensionable pay.

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

2014/15			2015/16			
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
<u>Net Cost of Services</u>						
27,457	0	27,457	Current Service Cost	33,097	0	33,097
0	0	0	Past Service Costs (Gain)	0	0	0
2,699	0	2,699	Settlements and curtailments	(6,862)	0	(6,862)
400	0	400	Administration Expenses	410	0	410
<u>Financing and Investment Income and Expenditure</u>						
54,996	1,428	56,424	Interest cost	47,347	1,076	48,423
(36,906)	0	(36,906)	Expected return on scheme assets	(30,460)	0	(30,460)
48,646	1,428	50,074	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	43,532	1,076	44,608
<u>Other Post Employment Benefit Charged to CIES</u>						
100,729	2,691	103,420	Actuarial (gains) and losses	(40,295)	1,367	(38,928)
149,375	4,119	153,494	Total Post Employment Benefit Charged to the CIES	3,237	2,443	5,680
<u>Movement in Reserves Statement</u>						
(48,646)	(1,428)	(50,074)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(43,532)	(1,076)	(44,608)
<u>Actual amount charged against the General Fund for pensions in the year:</u>						
30,676		30,676	Employers contributions payable to scheme	35,613		35,613
	2,638	2,638	Retirement benefits payable to pensioners		2,604	2,604

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2016 is a loss of £91.269m.

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

<u>Local Government Pension Scheme</u>	2014/15	2015/16
	£000	£000
Opening balance at 1st April	838,661	957,316
Expected rate of return	36,906	30,460
Actuarial gains and losses	91,371	(33,601)
Employer contributions	30,676	35,613
Contributions by scheme participants	8,618	8,357
Benefits paid	(48,506)	(54,200)
Settlements	(10)	(618)
Administration Expenses	(400)	(410)
Closing balance at 31st March	957,316	942,917

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. There was a loss on scheme assets in the year of £3m (compared to a £128m gain in 2014/15). This is due to poor performance of equities as a result of the economic slowdown in China.

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	2014/15 £000	2015/16 £000
LGPS & Teachers		
Opening Balance at 1st April	1,304,570	1,543,405
Current Service Cost	27,457	33,097
Interest Cost	56,424	48,423
Contributions from scheme participants	8,618	8,357
Remeasurement (gains) and losses:	0	0
(Gain)/loss arising from changes in financial assumptions	194,791	(72,529)
(Gain)/loss arising from changes in demographic assumptions	0	0
Experience (gain)/loss	0	0
Past service cost	0	0
Losses/(gains) on curtailment	3,075	3,960
Liabilities assumed on entity combinations	0	0
Benefits paid	(51,144)	(56,804)
Liabilities extinguished on settlements	(386)	(11,440)
Closing balance at 31st March	1,543,405	1,496,469

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 2015	31st March 2016
Rate of CPI inflation	2.00%	2.00%
Rate of increase in salaries	3.75%	3.75%
Rate of increase in pensions	2.00%	2.00%
Discount rate	3.20%	3.50%
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	23.0	23.0
Women	25.6	25.7
Longevity at 65 for future pensioners in 20 years time		
Men	25.2	25.2
Women	28.0	28.0

The defined benefit obligation is an estimate & 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.

Sensitivity Analysis - LGPS				
Adjustments to Discount Rate		+0.1%	0.0%	-0.1%
Present Value of Total Obligation	£000	1,436,837	1,460,621	1,484,822
Projected Service Cost	£000	30,446	30,950	31,463
Adjustment to Pension increases & deferred valuation		+0.1%	0.0%	-0.1%
Present Value of Total Obligation	£000	1,482,350	1,460,621	1,439,257
Projected Service Cost	£000	31,470	30,950	30,438
Adjustment to life expectancy assumptions		+ 1 Year	None	- 1 Year
Present Value of Total Obligation	£000	1,505,957	1,460,621	1,416,691
Projected Service Cost	£000	31,740	30,950	30,180

Sensitivity Analysis - Unfunded Teachers				
Adjustments to Discount Rate		+0.1%	0.0%	-0.1%
Present Value of Total Obligation	£000	35,500	35,848	36,198
Adjustment to Pension increases & deferred valuation		+0.1%	0.0%	-0.1%
Present Value of Total Obligation	£000	36,201	35,848	35,498
Adjustment to life expectancy assumptions		+ 1 Year	None	- 1 Year
Present Value of Total Obligation	£000	37,164	35,848	34,578

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

Asset Categories	31st March 2015		31st March 2016	
	£000	%	£000	%
Equities	565,487	59.1%	570,677	60.5%
Bonds	177,199	18.5%	117,382	12.4%
Property	83,573	8.7%	77,758	8.2%
Cash/Liquidity	39,154	4.1%	43,068	4.6%
Other	91,903	9.6%	134,032	14.2%
Total	957,316		942,917	

History of experience gains and losses

The actuarial gains/losses identified as movements in the pension reserve in 2015/16 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2016. Previous year's figures are shown for comparison purposes.

	2011/12	2012/13	2013/14	2014/15	2015/16
LGPS					
Asset Gain/(Loss)	(4.5%)	5.6%	0.2%	9.5%	(3.6%)
Liability Gain/(Loss)	(3.3%)	(10.6%)	6.4%	(12.7%)	5.1%
Unfunded Teachers					
Liability Gain/(Loss)	3.3%	11.8%	0.0%	(7.5%)	(3.8%)
Scheme History	2011/12	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's	£000's
Present value of liabilities					
LGPS	(1,128,598)	(1,309,245)	(1,270,042)	(1,507,396)	(1,460,621)
Teachers	(32,842)	(35,900)	(34,528)	(36,009)	(35,848)
Fair value of assets					
LGPS	736,658	816,341	838,661	957,316	942,917
Teachers	0	0	0	0	0
Surplus/(deficit) in scheme					
LGPS	(391,940)	(492,904)	(431,381)	(550,080)	(517,704)
Teachers	(32,842)	(35,900)	(34,528)	(36,009)	(35,848)
TOTAL (deficit)	(424,782)	(528,804)	(465,909)	(586,089)	(553,552)

3.20 Notes to the Cash Flow

An analysis of the amounts included in the provision of noncash movements, provision of services that are investing and financing activities, investing activities and financing activities are detailed below:

2014/15 £000	Adjust Net Surplus/Deficit on the Provision of Services for Non Cash Movements	2015/16 £000
(25,204)	Depreciation	(29,166)
(10,359)	Impairment	6,549
(36,872)	Derecognition of Non-current Assets	(70,208)
(26,972)	Revaluation of Non-current Assets	23,805
(1,760)	Amortisation	(2,333)
1,766	(Increase)/ Decrease in Impairment Provision for Bad Debts	(2,896)
(5,785)	(Increase)/ Decrease in Creditors and Provisions	1,967
(7,270)	Increase/ (Decrease) in Debtors	15,619
(135)	Increase/ (Decrease) in Inventory	117
(16,760)	Pension Liability	(6,391)
747	Non Cash items charged to the Net Surplus or Deficit on the Provision of Services	9,655
(128,604)	Total	(53,282)

2014/15 £000	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2015/16 £000
55,229	Net Application of grants to capital financing	46,659
(1,299)	Council Tax & Business Rates Adjustments	4,640
53,930	Total	51,299

2014/15 £000	Net Cash Flows from Investing Activities	2015/16 £000
99,142	Purchase of Property, Plant and Equipment, Investment Property & Intangible Assets	96,634
0	Other Payments for Investing Activities	0
(10,505)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(16,915)
(2,205)	Proceeds from Short Term & Long Term Investments	(16,558)
(78,174)	Other Receipts from Investing Activities *	(73,304)
8,258	Total	(10,143)

* In 2015/16 this was the amount of Capital grants and receipts

2014/15 £000	Net Cash Flows from Financing Activities	2015/16 £000
596	Cash Receipts of Short and Long Term Borrowing	(68)
1,299	Council Tax & Business Rates Adjustments	(4,640)
1,695	Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts	1,818
10,838	Repayments of Short and Long Term Borrowing	17,833
44,983	Other Payments for Financing Activities	(17,649)
59,411	Total	(2,706)

2014/15 £000	Cash Flows from Interest and Dividends	2015/16 £000
(2,391)	Interest received	(2,288)
21,815	Interest paid	21,018
(1,941)	Dividends received	(6,779)
17,483	Total	11,951

2014/15 £000	Breakdown of Cash and Cash Equivalents	2015/16 £000
(144)	Cash held by the council	(131)
(1,876)	Bank current accounts	(9,269)
(8,200)	On call deposits	(8,250)
(10,220)	Total	(17,650)

3.21 Private Finance Initiative (PFI)

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

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. 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 2015/16 expenditure on unitary charge payments to the contractor was £3,177k, compared with £3,229k in 2014/15. 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:

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2016/17	1,228	761	869	2,858
2017/18 - 2020/21	5,671	2,751	2,820	11,242
2021/22 - 2025/26	8,247	3,274	2,207	13,728
2026/27 - 2030/31	9,971	3,109	473	13,553
2031/32 - 2034/35	7,322	3,112	(263)	10,171
Total	32,439	13,007	6,106	51,552

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

The liability held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2015/16 are shown in the table below.

Loans	£000
Liability brought forward	(13,764)
Adjustment to brought forward position	(4)
Unitary Charge (Lease repayment)	761
Liability carried forward (breakdown below)	(13,007)
Long term liability	(12,246)
Current liability	(761)

New Homes for Old PFI Contract

In March 2006 the City Council entered into a PFI contract with Anchor Trust for the provision of community care services. The contract comprises the provision of two 40 bed specialist dementia units, including 10 respite beds, and three extra care units with domiciliary care support for up to 120 tenants along with facilities management services, for a 25 year period.

The four sites 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 2015/16 expenditure on unitary charge payments to the contractor was £6,648k, compared with £6,556k in 2014/15. 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:

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2016/17	4,485	608	1,843	6,936
2017/18 - 2020/21	19,993	2,627	6,994	29,614
2021/22 - 2025/26	27,611	5,345	8,651	41,607
2026/27 - 2030/31	33,835	6,694	6,833	47,362
2031/32 - 2032/33	8,949	2,284	1,551	12,784
Total	94,873	17,558	25,872	138,303

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2015/16 are shown in the tables below.

Operational Assets Other Land & Buildings	£000
Cost or Valuation	
Brought forward	24,630
Revaluation	86
Carried forward	24,716
Depreciation and Impairments	
Brought forward	(14,923)
Charged this year	(1,053)
Carried forward	(15,976)
Balance Sheet carried forward	8,740
Balance Sheet brought forward	9,707

Long Term Loans	£000
Liability brought forward	(18,123)
Adjustment to brought forward position	(43)
Unitary Charge (Lease repayment)	608
Liability carried forward (breakdown below)	(17,558)
Long term liability	(16,950)
Current liability	(608)

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 Ltd) 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 2015/16 expenditure on unitary charge payments to the contractor was £7,286k, compared with £6,605k in 2014/15. 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:

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2016/17	1,994	749	4,537	7,280
2017/18 - 2020/21	7,604	4,627	17,548	29,779
2021/22 - 2025/26	11,955	7,767	19,112	38,834
2026/27 - 2030/31	13,560	12,594	14,688	40,842
2031/32 - 2035/36	13,236	18,617	7,596	39,449
Total	48,349	44,354	63,481	156,184

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2015/16 are shown in the tables below.

Operational Assets - Infrastructure	£000
Cost or Valuation	
Brought forward	43,345
Assets transferred to operator	0
Initial recognition	6,008
Asset derecognition	(477)
Carried forward	<u>48,876</u>
Depreciation and Impairments	
Brought forward	(1,685)
Charged this year	(1,072)
Carried forward	<u>(2,757)</u>
Balance Sheet carried forward	<u>46,119</u>
Balance Sheet brought forward	41,660

Long Term Loans	£000
Liability brought forward	(38,833)
Adjustment to brought forward position	(10)
Liability to be recognised in year	(6,008)
Unitary Charge (Lease repayment)	497
Liability carried forward (breakdown below)	(44,354)
Long term liability	(43,605)
Current liability	(749)

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

3.22 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 2015/16 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions), car and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

2014/15				2015/16				
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
34	24	38	96	£50,000 - £54,999	39	21	24	84
28	20	37	85	£55,000 - £59,999	22	13	24	59
16	6	23	45	£60,000 - £64,999	18	3	19	40
8	10	8	26	£65,000 - £69,999	13	7	12	32
4	3	8	15	£70,000 - £74,999	8	3	7	18
5	0	5	10	£75,000 - £79,999	4	0	4	8
1	0	11	12	£80,000 - £84,999	3	1	4	8
2	3	4	9	£85,000 - £89,999	2	2	8	12
1	2	3	6	£90,000 - £94,999	0	0	4	4
1	0	1	2	£95,000 - £99,999	1	1	3	5
0	0	2	2	£100,000 - £104,999	0	0	0	0
0	2	1	3	£105,000 - £109,999	0	1	2	3
0	0	0	0	£110,000 - £114,999	0	0	0	0
0	0	2	2	£115,000 - £119,999	0	0	0	0
0	0	2	2	£120,000 - £124,999	0	0	2	2
0	0	1	1	£125,000 - £129,999	0	0	0	0
0	0	0	0	£130,000 - £134,999	0	0	1	1
0	0	0	0	£135,000 - £139,999	0	0	1	1
0	0	2	2	£140,000 - £144,999	0	0	0	0
0	0	0	0	£145,000 - £149,999	0	0	0	0
0	0	0	0	£150,000 - £154,999	0	0	0	0
0	0	0	0	£155,000 - £159,999	0	0	0	0
0	0	0	0	£160,000 - £164,999	0	0	0	0
0	0	0	0	£165,000 - £169,999	0	0	0	0
0	0	1	1	£170,000 - £174,999	0	0	0	0
0	0	0	0	£175,000 - £179,999	0	0	0	0
0	0	0	0	£180,000 - £184,999	0	0	0	0
0	0	0	0	£185,000 - £189,999	0	0	0	0
0	0	0	0	£190,000 - £194,999	0	0	1	1
0	0	0	0	£195,000 - £199,999	0	0	0	0
0	0	0	0	£200,000 - £204,999	0	0	0	0
0	0	1	1	£205,000 - £209,999	0	0	0	0
100	70	150	320	Total	110	52	116	278

* 2014/15 figures have been adjusted to correctly categorise non-school teaching staff.

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:

Senior Employees	Salary Inc Fees & Allowances £	Loss of Office £	Pension Contributions £	Total Remuneration £
2015/16				
CHIEF EXECUTIVE				
Martin Reeves	194,214	0	25,248	219,462
MANAGEMENT BOARD				
Executive Director Resources	134,136	0	17,133	151,269
Executive Director Place	124,460	0	16,158	140,618
Executive Director People - current *	69,896	0	9,086	78,982
Executive Director People - former *	72,500	295,014 *	9,425	376,939
Director of Public Health	120,000	0	17,160	137,160
TOTAL	715,206	295,014	94,210	1,104,430

Senior Employees	Salary Inc Fees & Allowances £	Loss of Office £	Pension Contributions** £	Total Remuneration £
2014/15				
CHIEF EXECUTIVE				
Martin Reeves	205,675	0	24,299	229,974
MANAGEMENT BOARD				
Executive Director Resources	127,643	0	15,678	143,321
Executive Director Place	124,295	0	15,537	139,832
Executive Director People	144,822	0	18,100	162,922
Director of Public Health	120,269	0	16,800	137,069
TOTAL	722,704	0	90,414	813,118

* There were two holders of the post of Executive Director (People) during 2015/16. The table shows the part year remuneration for both post holders. The loss of office amount was a pension contribution.

**Pension contributions reflect the Council's future service pension rate of 12.5% for 2014/15 and 13% for 2015/16. The 2014/15 pension contribution figures have been restated to remove a past service rate which had been included but is not specific to the post holders.

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	
	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16	2014/15*	2015/16
							£000	£000
£0 - £20,000	5	15	361	156	366	171	3,117	1,137
£20,001 - £40,000	4	4	87	25	91	29	2,512	803
£40,001 - £60,000	1	0	30	14	31	14	1,549	693
£60,001 - £80,000	0	0	8	3	8	3	533	220
£80,001 - £100,000	0	0	6	7	6	7	545	636
£100,000 - £150,000	0	0	13	10	13	10	1,508	1,223
£150,001 - £200,000	0	0	3	2	3	2	513	346
£200,001 - £250,000	0	0	0	2	0	2	0	429
£250,001 - £300,000	1	0	1	1	2	1	592	295
Total	11	19	509	220	520	239	10,869	5,782

* 2014/15 figures have been restated to allocate all packages to specific bandings on the basis of best estimates.

3.23 Members' Allowances

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

Financial Year	2014/15 £000's	2015/16 £000's
Basic Allowances	704	716
Other Allowances	262	264
Expenses	5	4
Total	971	984

3.24 Related Party Transactions

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the main transactions between the Council and government departments are set out in the income and expenditure statement and in sections 3.30 and 3.31.

Other Public Bodies

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

- Pension contributions are made to the West Midlands Metropolitan Authorities Pension Fund, the Teachers Pensions Agency and NHS Business Services Authority. Further details of these payments are included in section 3.18.
- Precept payments are made to the West Midlands Police & Crime Commissioner and the West Midlands Fire Authority and these are shown within the Collection Fund Income and Expenditure Statement, see section 2.6.
- Levy payments are made to the West Midlands Integrated (passenger) Transport Authority and to the Environment Agency. These are shown within the Income and Expenditure Statement, see details in section 2.2.

Organisations Controlled or Significantly Influenced by the Council

The Council has a combination of financial investment interests and/or group company interests in the following companies with which there is judged to be a Related Party relationship

Coventry & Solihull Waste Disposal Company (CSWDC)

CSWDC is a company set up by Coventry City Council and Solihull Metropolitan Borough Council for the disposal of waste arising from the two authorities. During the year, the Council made payments of £6,602,583 to the company for services received and in return provided services to the value of £98,554 of which £4,954 was unpaid at 31st March 2016. In addition the Council received Business Rates payments of £621,180, dividends of £980,100 and a receipt of £2.95m from the company for the redemption of the Council's preference shares.

Coventry North Regeneration Ltd (CNR)

There remains a balance outstanding of £5,000 on the cash flow assistance loan provided by the City Council. During 2015/16 CNR placed a cash deposit of £2.7m with the City Council, representing a cash receipt held on behalf of NCH. This was repaid to CNR including interest of £10,253 in March 2016. The company receives contributions from the City Council to cover its expenses. In 2015/16 the total was £3,577 of which £1,662 related to administrative services provided by the City Council.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 3.23. During 2015/16, works and services to the value of £2,401,690 were commissioned from organisations in which 31 members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition the Council paid grants totalling £2,330,589 to organisations in which 18 members had positions on their boards. In all instances the grants were made with proper consideration of declarations of interest. Individual Members' declaration of interests forms are available on the City Council's website.

Officers

Salaries and other payments made to the Council's most senior officers are shown in note 3.22. Officers and close family members are also required to declare any other transactions with the Council or interests that they hold in companies or other organisations. A number of senior officers represent the Council on the boards of related companies and other organisations linked with the Council including NCH and CNR (with transaction details given above).

The following table details debtors and creditors for other related parties for which Council officers hold a position of influence (together with any 2015/16 transactions).

Related Party	31st March 2015		31st March 2016		2015/16	
	Debtors	Creditors	Debtors	Creditors	Receipts from	Payments to
	£	£	£	£	£	£
Cov. & Warks. Local Enterprise Partnership	42	0	0	(2,450)	(99,425)	1,854,382
Centre for Cities	0	(478)	0	0	0	0
Citizens Advice Bureau	2,315	(90,405)	4,326	(83,877)	(8,491)	1,250,515
Coventry University	16,344	0	88,774	(528,142)	(2,551,339)	121,992
Holy Trinity PCC	0	0	0	(6)	(8)	1,705
IDP Group; Spon Street, Coventry.	0	0	0	(1,000)	(843)	21,650
Old Coventrians Rugby Club	499	0	433	0	(656)	0
Solace Enterprises Ltd	0	0	0	0	0	203
The Living Environment Trust	422	0	153	0	(379)	30
Espo	0	0	20,563	(2,064)	0	124,223
City College	0	0	1,585	(38,313)	0	400,953
The Westwood Academy	0	0	48,629	(3,500)	0	115,821

3.25 Contingent Liabilities and Assets

Contingent Liabilities

Council Loan to Arena Coventry Limited

A Judicial Review held in June 2014 considered the Council's decision on 15th January 2013 to make a loan to Arena Coventry Limited. The initial judgment on the review found in the City Council's favour although the Court of Appeal gave permission in July 2015 for this to be appealed. The Court of Appeal heard the appeal in February 2016 and on 13th May 2016, appeal court judges announced their decision, rejecting the appeal and ordering the complainants to pay the Council's legal costs around the hearing. The Council's view is that it has acted lawfully in all respects and it will continue to strongly defend any further claim that might arise. Given the nature and significance of this issue it is appropriate to record it as a contingent liability.

Walsgrave 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 Walsgrave 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 the Council's locally retained Business Rates revenue in excess of £1m with potential for a back-dated element, the local impact of which could be over £5m. At a national level, the total level of claims are 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 very 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.

3.26 Disclosure of 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 2014. 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 2015/16 are as follows:

Notes	Schools Budget Funded by Dedicated Schools Grant	Central	Individual	Total
		Expenditure	Schools Budget	
		£000	£000	£000
		1	2	3
A	Final DSG for 2015/16 before Academy Recoupment	28,354	242,117	270,471
B	Academy figure recouped for 2015/16	212	88,639	88,851
C	Total DSG after Academy Recoupment for 15/16	28,142	153,478	181,620
D	Plus: Brought forward from 2014/15	6,471	0	6,471
E	Less: Carry forward to 2016/17 agreed in advance	4,407	0	4,407
F	Agreed initial budgeted distribution in 2015/16	30,206	153,478	183,684
G	In year adjustments	0	239	239
H	Final budgeted distribution for 2015/16	30,206	153,717	183,923
I	Less: Actual central expenditure	28,765	0	28,765
J	Less: Actual ISB deployed to schools	0	153,717	153,717
K	Plus: Local authority contribution for 2015/16	0	0	0
L	Carry forward to 2016/17	1,441	0	5,848

Notes

A: Final DSG figure before any amount has been recouped from the authority excluding the January 16 early years block adjustment.

B: Figure recouped from the authority in 2015/16 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after EFA Academy recoupment for 2015/16.

D: Figure brought forward from 2014/15 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 2016.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2016/17 rather than distribute in 2015/16.

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 2015/16- 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 2015/16 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2016/17, 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 2016/17 already agreed.

3.27 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2015/16 has been financed:

31st March 2015 £000		31st March 2016 £000
407,737	Opening Capital Financing Requirement	400,370
	Capital Investment	
81,747	Property, Plant and Equipment	75,611
73	Investment Properties	3,317
1,760	Intangible Assets	2,333
25,269	Revenue Expenditure Funded from Capital Under Statute	27,599
1,049	Debtors	1,204
109,898	Total Capital Investment	110,064
	Sources of Finance	
(14,392)	Capital Receipts	(29,609)
(80,498)	Government Grants and Other Contributions	(73,304)
(6,917)	Revenue Contributions	(1,143)
(14,117)	Revenue Provision for Debt Repayment	(13,605)
(1,341)	Other Adjustments	(940)
(117,265)	Total from Sources of Finance	(118,601)
400,370	Closing Capital Financing Requirement	391,833
	Explanation of movement in year	
(14,117)	Revenue Provision for Debt Repayment	(13,605)
(762)	Repayment of Transferred Debt Principal	(838)
301	Capital Investment funded by borrowing	0
(1,000)	Capital Receipts Applied to Repay Debt	0
8,789	Assets acquired under PFI/PPP contracts	6,008
(485)	Reduction of Capitalised Provision	0
(93)	Restatement of Historic Debt Liability	(102)
(7,367)	Increase/(decrease) in Capital Financing Requirement	(8,537)

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£104,056k), includes all the items recorded under capital investment above (£110,064k) less new assets recorded as part of the Street Lighting PFI contract (£6,008k).

3.28 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2010/11 to 2015/16. The valuations were carried out by Graham Stephens MRICS, from the Property Division – Place Directorate. The basis for valuation is set out in the statement of accounting policies. 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	14,780	259,660	15,737	0	10,339	300,516
Valued at current value as at:							
31st March 2012	29,056	0	0	0	0	0	29,056
31st March 2013	23,023	0	0	0	0	0	23,023
31st March 2014	5,119	0	0	0	0	0	5,119
31st March 2015	393,777	0	0	0	0	0	393,777
31st March 2016	31,813	0	0	0	164	0	31,977
Total cost or Valuation	482,788	14,780	259,660	15,737	164	10,339	783,468

3.29 Capital Commitments

The City Council has an approved capital programme for 2016/17 of £117.0m and a provisional programme of £108m for 2017/18 and £41m for 2018/19. The following are significant contracts legally committed to finish projects already started on 31st March 2016

Significant Capital Commitments 2015/16	Outstanding Commitment £000	Contract Value £000	Date for Completion
Warwick Road Station Access - Jacksons	693	1,801	01/02/2017
Warwick Road Station Access - Network Rail	111	226	01/02/2017
NUCKLE 1.1 - Buckingham	3,002	6,350	30/06/2016
NUCKLE 1.1 - SLC Rail	143	1,157	30/06/2016
NUCKLE 1.2 - Network Rail	595	636	25/05/2016
NUCKLE 1.2 - SLC Rail	152	152	31/03/2017
Station Masterplan - Footbridge & Canopies DSA - Network Rail	467	499	20/04/2016
Station Masterplan - SLC Rail	288	288	31/03/2017
City Centre Destination Leisure Facility - FaulknerBrown	260	700	01/12/2016
City Centre Destination Leisure Facility - Desco	128	205	01/12/2016
IPP 2014 Phase 2 Little Heath/Hollyfast - Wates	360	10,798	01/02/2017
Edgewick New Build - Farrans	756	4,552	01/01/2017
New Council Offices at Friargate - Friargate LLP	31,807	40,500	31/08/2017
	38,762	67,864	

3.30 Analysis of Capital Grants

2014/15 £000	Grant / Grant Body	2015/16 £000
18,361	Education Funding Agency	3,448
11,575	Department for Transport	10,139
397	Homes & Communities Agency	0
156	Department for Energy & Climate Change	70
1,129	Department of Health	1,040
2,025	Department for Communities & Local Government	20,307
21,245	Department for Business, Innovation & Skills	5,434
12,605	European Regional Development Fund	18,167
205	Heritage Lottery Fund	600
2,870	Centro Highways & Transportation Grants & Contributions	1,179
9,930	Other Capital Grants & Contributions	12,920
80,498	Total	73,304

The 2015/16 Capital Grant total of £73,304k is the amount of grant applied during the year. This represents the total level of grant received of £78,656k net of £5,352k which has been transferred to the Capital Grants Unapplied Reserve (see section 2.3)

In addition the Council's Balance Sheet (as at 31st March 2016) reflects Capital Grants received in advance of £3,549k.

3.31 Analysis of Revenue Grants

2014/15 £000	Grant	2015/16 £000
194,570	Dedicated Schools Grant (DSG) *	181,644
131,209	Housing Benefit Subsidy	127,213
87,241	Revenue Support Grant (Formula Grant element)	61,851
6,253	EFA School Sixth Form Grant	4,834
6,384	Skills Funding Agency Grants	6,272
8,607	Private Finance Initiative Grants	8,607
14,771	Pupil Premium Grant	13,382
5,076	Education Support Grant	3,848
7,855	Primary Care Trust Contribution	528
19,615	Public Health Grant	20,903
5,712	New Homes Bonus	7,084
81	Better Care Fund	13,790
21,249	Other revenue grants & contributions (Govt.)	19,433
1,414	Other revenue grants & contributions (Non-Govt.)	1,716
510,037	Total	471,105

* Section 3.26 identifies a total 2015/16 Dedicated Schools Grant (DSG) funded budget of £181,620k. This is £24k lower than the DSG figure shown in the table above, which includes additional elements accrued in the year.

3.32 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:

	31st March 2015 £000	31st March 2016 £000
Other Land and Buildings	1,634	1,232
Vehicles, Plant, Furniture and Equipment	14	8
	1,648	1,240

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:

	31st March 2015 £000	31st March 2016 £000
Finance lease liabilities :		
- current	0	0
- non-current	0	0
Finance costs payable in future years	260	242
Minimum Lease Payments	260	242

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

	31st March 2015 £000	31st March 2016 £000
Not later than one year	0	0
Later than one year and not later than five years	24	24
Later than five years	236	218
	260	242

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 2015/16 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:

	31st March 2015 £000	31st March 2016 £000
Not later than one year	474	238
Later than one year and not later than five years	289	391
Later than five years	163	0
	926	629

Authority as Lessor

Finance Leases

City College Car Park (Swanswell)

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31st March 2015 £000	31st March 2016 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	0	0
- non-current	4,656	4,783
Unearned finance income	3,611	3,378
Unguaranteed residual value of property	0	0
Gross Investment in the lease	8,267	8,161

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

	31st March 2015 £000	31st March 2016 £000
Not later than one year	105	105
Later than one year and not later than five years	1,395	1,719
Later than five years	6,767	6,337
	8,267	8,161

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 2015/16, no contingent rents were receivable by the Authority.

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

	31st March 2016 £000
Not later than one year	4,243
Later than one year and not later than five years	4,104
Later than five years	4,586
Total	12,933

3.33 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 3.12.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)		31st March 2015 Audited (restated)	31st March 2016 Unaudited
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 Profit before taxation Profit after taxation	162,084 13,691 8,479	126,064 44,051 33,419
Coventry North Regeneration Ltd (Company Registration Number: 4523598)		31st March 2015	31st March 2016
NCH holds 100% of the shares (value £nil) in Coventry North Regeneration Ltd (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.	Net Assets Profit (loss) before taxation Profit (loss) after taxation	0 0 0	0 0 0
The company's principal activity was to build the Coventry 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 Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			
Coventry Solihull Waste Disposal Company (CSWDC) Ltd (Company Registration Number: 02690488)		31st March 2015 Audited (restated)	31st March 2016 Unaudited
The company's business is the disposal of waste. It is jointly owned by CCC and Solihull Metropolitan Council with Warwickshire 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 Profit before taxation Profit (loss) after taxation	17,127 6,983 5,500	21,607 7,557 6,206
The City Council owns: 66% of the ordinary share capital			
Preference shares to the value of £4.4m were redeemed by the company in 2015/6 meaning that the company no longer has any preference shares			

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
Culture Coventry (Registration Number: 08359113)		31st March 2015 Audited	31st March 2016
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	Net Assets	6,476	Not Available
Under IFRS10 Culture Coventry now meets the three elements under the definition of control for Group Account purposes. 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.	Net incoming/(outgoing) resources	5,330	
North Coventry Holdings Ltd (Company Registration Number: 4931967)		31st March 2015 Audited	31st March 2016 Unaudited
The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.	Net Assets	2,703	2,708
	Profit before taxation	2,703	7
	Profit after taxation	2,703	5
NCH's only activity is to hold 100% shares in Coventry North Regeneration (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 Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			
University of Warwick Science Park Business Innovation Centre Ltd (Company Registration Number: 03616665)		31st Jul 2014 Audited	31st Jul 2015 Audited
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)	(1,682)	(1,278)
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.	Profit (loss) before taxation	(12)	(6)
	Profit (loss) after taxation	(12)	(6)
Where not specifically stated above, copies of company accounts can be obtained directly from Companies House (www.companieshouse.gov.uk)			

3.34 Other Funds

The City Council administers a number of funds that have been established from donations, contributions and bequests. The funds are set up to achieve specific objectives and purposes. The balance on these funds as at 31st March 2016 was £10,061k (£9,726k as at 31st March 2015) and is held on the balance sheet as a creditor. The main funds held relate to:

- Developers contributions of £7,888k (£7,579k as at 31st March 2015) - e.g. Section 106 amounts;
- Tenants contributions of £1,617k (£1,672k as at 31st March 2015) - towards essential repair and maintenance of common areas in multi occupied buildings;
- Social Services Clients Funds of £160k (£127k as at 31st March 2015) – funds held on behalf of Social Services clients;
- Other funds of £396k (£348k as at 31st March 2015), including bequests/donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

3.35 Audit Note

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

2014/15 £000	Audit Fees	2015/16 £000
231	Fees payable to the external auditors in respect of statutory external audit services	173
42	Fees payable in relation to other services	22
(24)	Fee rebate from the Audit Commission	0
249	Total Fees	195

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

3.36 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.

The BCF agreement identified 8 separate work-streams. 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.

Better Care Fund Workstreams	Coventry City Council	Coventry and Rugby CCG	Total	Coventry City Council	Coventry City Council	Coventry City Council	Coventry City Council
	Contribution	Contribution	Contribution	Expenditure	Expenditure Lead	Expenditure	Expenditure
				Internal ¹	Commissioner ²	Shared ³	Total
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000
Urgent Care	0	(6,294)	(6,294)	0	0	0	0
Long Term Care	(5,142)	(7,971)	(13,113)	1,743	7,300	0	9,043
Short Term Care	(3,260)	(6,058)	(9,318)	1,935	1,217	815	3,967
Dementia	(6,953)	(3,960)	(10,913)	6,953	0	0	6,953
Care Act Implementation	(311)	(844)	(1,155)	0	932	0	932
Disabled Facility Grants	(2,078)	0	(2,078)	2,078	0	0	2,078
Acceleration Fund	0	(2,000)	(2,000)	0	0	1,453	1,453
Protecting Social Care	0	(7,108)	(7,108)	0	7,108	0	7,108
Total	(17,744)	(34,235)	(51,979)	12,709	16,557	2,268	31,534

1 - Internal: This 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 total contribution and expenditure made by the two partner organisations.

(Surplus) / Deficit	Coventry City Council	Coventry and Rugby CCG	Total
	£000	£000	£000
Contribution	(17,744)	(34,235)	(51,979)
Expenditure	31,534	19,921	51,455
Net Position	13,790	(14,314)	(524)

The BCF agreement also specified the rules governing the allocation of any surpluses or deficits at year end. The details for the position as at 31st March 2016 are outlined in the following table.

(Surplus) / Deficit	Coventry	Coventry and	Total
	City Council	Rugby CCG	
	£000	£000	£000
Retained	227	(529)	(302)
Carried Forward	(222)	0	(222)
Total	5	(529)	(524)

Integrated Community Equipment Service - ICES (2014/15 only)

During 2014/15 Coventry and Rugby Clinical Commissioning Group (CCG) and Coventry City Council operated a pooled budget (under Section 75 of the NHS Act 2006) to deliver ICES services. This budget was included within the Better Care Fund agreement for 2015/16 onwards. Details of the contributions and expenditure relating to this pooled budget are provided in the following table.

	Coventry	Coventry and	Total	Coventry	Coventry and	Total	(Surplus) / Deficit
	City Council	Rugby CCG		City Council	Rugby CCG		(Surplus) / Deficit
	Contribution	Contribution		Expenditure	Expenditure		Expenditure
	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15
	£000	£000	£000	£000	£000	£000	£000
Integrated Community Equipment Service (ICES)	(930)	(342)	(1,272)	922	339	1,261	(11)

3.37 Prior Period Restatements

There were no changes requiring a prior period restatement during 2015/16.

3.38 Accounting standards issued, but not yet adopted

The Code of Practice on Local Authority Accounting (the Code) requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The relevant accounting changes introduced in the 2016/17 Code include the following:

- IAS 1 Presentation of Financial Statements. This includes changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves statement and the introduction of a new Expenditure and Funding Analysis.
- There are also a number of other minor amendments to a range of standards.

The Authority will consider the impact of these changes and reflect them as necessary in its financial statements. None of these changes are expected to have a material impact on the accounts.

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.

Note 3.33 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. North Coventry Holding (NCH) and Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and Coventry & Solihull Waste Disposal Company (CSWDC) is included as a joint venture.

Birmingham Airport Holdings has 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 the company. Culture Coventry Limited and University of Warwick Science Park Business Information Centre have 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 2016 for NCH, CNR and CSWDC have been used.

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

4.2 GROUP COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

2014/15			2015/16			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	SERVICE ANALYSIS	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
100,737	(28,584)	72,153	Adult Social Care	107,078	(33,220)	73,858
25,339	(7,345)	17,994	Central Services to the Public	203	(7,355)	(7,152)
364,423	(253,147)	111,276	Children's & Education Services	329,202	(237,243)	91,959
28,293	(2,694)	25,599	Cultural & Related Services	21,180	(2,226)	18,954
22,217	(5,420)	16,797	Environmental & Regulatory Services	28,504	(5,619)	22,885
22,888	(5,696)	17,192	Planning Services	27,352	(5,173)	22,179
59,977	(13,796)	46,181	Highways and Transport Services	69,454	(14,277)	55,177
142,567	(135,060)	7,507	Housing Services	129,763	(130,104)	(341)
23,558	(19,977)	3,581	Public Health	22,796	(20,293)	2,503
15,565	(2,043)	13,522	Corporate and democratic core	13,457	(3,159)	10,298
10,436	(479)	9,957	Non-Distributed Costs	5,031	(11,440)	(6,409)
0	(14,481)	(14,481)	Turnover Joint Venture	0	(17,296)	(17,296)
13,607	0	13,607	Cost of Sales Joint Venture	12,208	0	12,208
829,607	(488,722)	340,885	Cost of Services	766,228	(487,405)	278,823
		16,381	Other Operating Expenditure			36,179
		25,555	Finance and Investment Income and Expenditure			19,894
		0	Profit or Loss on Discontinued Operations			0
		(351,258)	Taxations and Non-Specific Grant Income			(332,520)
		31,563	(Surplus) / Deficit on the Provision of Services			2,376
		106	Associates and JV's accounted for on Equity Basis			(24)
		1,004	Tax Expenses			902
		32,673	Group (Surplus) or Deficit			3,254
		(23,799)	(Surplus)/Deficit on revaluation of non current assets			2,294
		(2,845)	(Surplus)/Deficit on revaluation of available for sale financial assets			(832)
		103,420	Actuarial (gains) or losses on pension assets and liabilities			(38,928)
		5,221	Share of other comprehensive income and expenditure of associates & joint ventures			4,311
		81,997	Sub-total of other comprehensive Income and Expenditure			(33,155)
		114,670	Total Comprehensive Income and Expenditure (Surplus)/Deficit			(29,901)

4.3 GROUP MOVEMENT IN RESERVES STATEMENT

GROUP USABLE RESERVES AND OVERALL POSITION 2015/16

	General Fund Reserves £000	Earmarked Reserves £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Authority £000
31st March 2015	(5,160)	(79,055)	(384)	0	(84,599)	(82,001)	(166,600)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	7,402	0	0	0	7,402	(4,148)	3,254
Other Comprehensive Income and Expenditure	0	0	0	0	0	(33,155)	(33,155)
Total Comprehensive Income and Expenditure	7,402	0	0	0	7,402	(37,303)	(29,901)
Adjustments between Accounting Basis and Funding Basis under Regulations	(6,172)	0	(5,352)	(6,660)	(18,184)	18,184	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	1,230	0	(5,352)	(6,660)	(10,782)	(19,119)	(29,901)
Transfers (to) / from Earmarked Reserves	107	(107)					
(Increase) / Decrease in Year	1,337	(107)	(5,352)	(6,660)	(10,782)	(19,119)	(29,901)
31st March 2016	(3,823)	(79,162)	(5,352)	(6,660)	(95,381)	(101,120)	(196,501)

GROUP UNUSABLE RESERVES 2015/16

	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Profit & Loss £000	Total Unusable Reserves £000
31st March 2015	(479,155)	(189,455)	0	1,984	(3,336)	586,089	5,296	(14,148)	10,724	(82,001)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	0	(4,148)	(4,148)
Other Comprehensive Income and Expenditure	0	2,294	0	0	0	(38,928)	0	(832)	4,311	(33,155)
Total Comprehensive Income and Expenditure	0	2,294	0	0	0	(38,928)	0	(832)	163	(37,303)
Adjustments between Accounting Basis and Funding Basis under Regulations	12,781	9,810	(5,871)	(104)	(2,902)	6,391	(1,921)	0	0	18,184
(Increase) / Decrease in Year	12,781	9,810	(5,871)	(104)	(2,902)	6,391	(1,921)	0	0	18,184
31st March 2016	(466,374)	(177,351)	(5,871)	1,880	(6,238)	553,552	3,375	(14,980)	10,887	(101,120)

GROUP USABLE RESERVES AND OVERALL POSITION 2014/15 COMPARATIVES

	General Fund Reserves	Earmarked Reserves	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves * restated	Total Reserves of the Authority * restated
	£000	£000	£000	£000	£000	£000	£000
31st March 2014	(7,328)	(72,910)	(756)	0	(80,994)	(200,276)	(281,270)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	36,178	0	0	0	36,178	(3,505)	32,673
Other Comprehensive Income and Expenditure	0	0	0	0	0	81,997	81,997
Total Comprehensive Income and Expenditure	36,178	0	0	0	36,178	78,492	114,670
Adjustments between Accounting Basis and Funding Basis under Regulations	(40,155)	0	372	0	(39,783)	39,783	0
Net (Increase) / Decrease before transfers to Earmarked Reserves	(3,977)	0	372	0	(3,605)	118,275	114,670
Transfers (to) / from Earmarked Reserves	6,145	(6,145)					
(Increase) / Decrease in Year	2,168	(6,145)	372	0	(3,605)	118,275	114,670
31st March 2015	(5,160)	(79,055)	(384)	0	(84,599)	(82,001)	(166,600)

GROUP UNUSABLE RESERVES 2014/15 COMPARATIVES

	Capital Adjustment Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Profit & Loss	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2014	(496,219)	(172,031)	0	2,088	(2,024)	465,909	4,296	(11,303)	9,008	(200,276)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	0	(3,505)	(3,505)
Other Comprehensive Income and Expenditure	0	(23,799)	0	0	0	103,420	0	(2,845)	5,221	81,997
Total Comprehensive Income and Expenditure	0	(23,799)	0	0	0	103,420	0	(2,845)	1,716	78,492
Adjustments between Accounting Basis and Funding Basis under Regulations	17,064	6,375	0	(104)	(1,312)	16,760	1,000	0	0	39,783
(Increase) / Decrease in Year	17,064	(17,424)	0	(104)	(1,312)	120,180	1,000	(2,845)	1,716	118,275
31st March 2015	(479,155)	(189,455)	0	1,984	(3,336)	586,089	5,296	(14,148)	10,724	(82,001)

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. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

As at 31st March 2015 £000	Group Balance Sheet	As at 31st March 2016 £000	Section Ref.
806,547	Property, Plant and Equipment	783,468	
25,893	Heritage Assets	25,893	
0	Surplus Assets	0	
154,350	Investment Property	161,771	
22,913	Long Term Investments	29,144	4.6
28,134	Investment in Associates and Joint Ventures	25,011	4.6
29,514	Long Term Debtors	20,199	
1,067,351	Long Term Assets	1,045,486	
102,297	Short Term Investments	79,123	
364	Inventories	480	
48,082	Short Term Debtors	63,332	4.6
10,220	Cash and Cash Equivalents	17,650	
4,996	Assets held for Sale	2,458	
165,959	Current Assets	163,043	
(24,063)	Short Term Borrowing	(6,797)	
(70,182)	Short Term Creditors	(67,596)	4.6
(1,555)	Short Term Provisions	(2,066)	
0	Liabilities in Disposal Groups	0	
(95,800)	Current Liabilities	(76,459)	
(9,157)	Long Term Provisions	(8,882)	
(366,728)	Long Term Borrowing	(369,586)	4.6
(586,089)	Other Long Term Liabilities	(553,552)	
(8,936)	Capital Grants Receipts in Advance	(3,549)	
(970,910)	Long Term Liabilities	(935,569)	
166,600	Net Assets	196,501	
(84,599)	Usable Reserves	(95,381)	
(82,001)	Unusable Reserves	(101,120)	4.6
(166,600)	Total Reserves	(196,501)	

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.

Note 3.20 presents an analysis of the amounts included in the provision of services for noncash movements, items included in the provision of services that are investing and financing activities, investing activities and financing activities.

2014/15 £000's	Cash Flow Statement	2015/16 £000's
32,673	Net (Surplus) or Deficit on the Provision of Services	3,254
(125,099)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(49,134)
53,930	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	51,299
(38,496)	Net Cash Flows from Operating Activities	5,419
8,258	Investing Activities	(10,143)
59,411	Financing Activities	(2,706)
29,173	Net (Increase) or Decrease in Cash and Cash Equivalents	(7,430)
(39,393)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(10,220)
(10,220)	Cash and Cash Equivalents at the End of the Reporting Period	(17,650)

4.6 RECONCILIATION OF SINGLE ENTITY TO GROUP ACCOUNTS

Income and Expenditure Surplus/Deficit Adjustments

2014/15 £000	Reconciliation of Single Entity to Group (Surplus)/Deficit	2015/16 £000
36,178	(Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year*	7,402
(6)	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	(10)
36,172	(Surplus)/Deficit in the Group Income & Expenditure attributable to the Authority*	7,392
	Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
6	Subsidiaries	10
(3,505)	Joint Ventures	(4,148)
32,673	Group Account (Surplus)/Deficit for the year*	3,254

Adjustment for Non Cash Items in the Cash Flow Statement

2014/15 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non-Cash Items	2015/16 £000
(128,604)	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements*	(53,282)
3,505	Total Non Cash Adjustments included in the Group Accounts	4,148
(125,099)	Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements*	(49,134)

Balance Sheet Adjustments

As at 31st March 2015			As at 31st March 2016			
Single Entity £000	Group Adjustment £000	Group Accounts £000	Balance Sheet Category	Single Entity £000	Group Adjustment £000	Group Accounts £000
75,233	(52,320)	22,913	Long Term Investment	78,514	(49,370)	29,144
0	28,134	28,134	Investment in Associates and Joint Ventures	0	25,011	25,011
48,090	(8)	48,082	Short Term Debtors	63,330	2	63,332
(70,179)	(3)	(70,182)	Short Term Creditors	(67,588)	(8)	(67,596)
(366,723)	(5)	(366,728)	Long Term Borrowing	(369,586)	0	(369,586)
(106,203)	24,202	(82,001)	Unusable Reserves	(125,485)	24,365	(101,120)

4.7 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.

2014/15 £000	Group Tax Expense	2015/16 £000
	CURRENT TAX:	
1,038	Current Tax Expense / (Income)	1,081
(131)	Adjustment Recognised in the Period for Current Tax of Prior Periods	(11)
<u>907</u>	Total Current Tax	<u>1,070</u>
	DEFERRED TAX:	
94	Origination and Reversal of Temporary Differences	(72)
3	Changes in Tax Rates or the Imposition of New Taxes	(96)
0	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	0
<u>97</u>	Total Deferred Tax	<u>(168)</u>
1,004	Total Tax Expense	902

4.8 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.

Shares are further split into Preference Shares and Ordinary Shares. CCC hold 'A' class shares and SMBC hold 'B' class shares in both categories.

With the agreement of CCC and SMBC, CSWDC raised a new class of share (Class C). In July 2014 one Class C share was issued to CCC which was immediately sold to Warwickshire 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.

In addition to the primary shares, CCC and SMBC also hold Preference Shares to secure their original investment in CSWDC. Both CCC and SMBC have allowed CSWDC to redeem these preference shares in exchange for dividend payments over the last two years. The creation of the Class C share did not reduce the value of these Preference Shares, nor did it create any additional Preference Shares. However, during 2015/16 CSWDC redeemed the remainder of their preference shares at par with a value of £4.425m.

Financial Liabilities

As at 31st March 2016 the Company had Capital Commitments of £1,052,000.

Preference Share holdings of £1 each	2014/15	2015/16
	£000	£000
A Class Coventry	2,950	0
B Class Solihull	1,475	0
Total	4,425	0

Despite the issue of the C Class share and a change to the Shareholders Agreement during 2014/15 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.

Arena Coventry Ltd (ACL)

The Council sold its interest in ACL in October 2014 and therefore will no longer form part of the Council's Group Company arrangements.

North Coventry Holdings Limited (NCH)

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

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.

Related Party Transactions

Details of related party transactions are provided in section 3.24.

4.9 Notes to the Group Balance Sheet

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

The group balance sheet excludes the long term investments of £46,667k in CSWDC and £2,703k in NCH as included in the single entity accounts.

Capital Adjustment Account - Reflects £33.189m original grant investment in North Coventry Holdings Ltd and Coventry North Regeneration Ltd.

31st March 2016	CSWDC £000	NCH £000	Total £000
Share in Gross Assets of Joint Ventures	33,053	2,703	35,756
Share in Gross Liabilities of Joint Ventures	(10,746)	(5)	(10,751)
Total	22,307	2,698	25,005

31st March 2015	CSWDC £000	NCH £000	Total £000
Share in Gross Assets of Joint Ventures	35,311	2,703	38,014
Share in Gross Liabilities of Joint Ventures	(9,896)	0	(9,896)
Total	25,415	2,703	28,118

Unusable Reserves - Reflects the gross assets less the gross liabilities of the joint venture and subsidiary companies less the Council's share investment in Coventry & Solihull Waste Disposal Company (CSWDC).

Unusable Reserves	2014/15 £000	2015/16 £000
Single Entity	(106,203)	(125,485)
CSWDC	24,202	24,360
NCH	0	5
Group Unusable Reserves	(82,001)	(101,120)

Additional information relating to subsidiaries and joint ventures, including net assets and results, and where accounts of the companies may be acquired are included in note 3.33 to the single entity accounts.

5 Statement of Accounting Policies

5.1 General

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 – 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 Changes in Accounting Policies

The accounting policies for Property, Plant and Equipment, Investment Property, Assets Held for Sale (Section 5.6) and Financial Instruments (Section 5.11) have been amended to reflect the 2015/16 Code requirements for fair value measurement and disclosure. Other changes in 2015/16 cover a number of areas, as set out in LAAP 104, and are not material.

From 2016/17 the accounting policies for the measurement of Transport Infrastructure Assets will change in line with the requirements of the Code. Infrastructure assets will be measured at Depreciated Replacement Cost, rather than historical cost. It is anticipated that this will increase the carrying value of the City Council's assets by up to £1.6bn, resulting in an increase in Net Assets and a re-measurement gain in the Income and Expenditure account in 2016/17.

5.3 Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as 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.

5.4 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits 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.

5.5 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts 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.

5.6 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.

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;
- All assets are categorised at Level 1 within the fair value hierarchy.

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. 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.

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 resultant loss is charged to Other Operating Expenditure in the Consolidated Income and Expenditure Statement.

Impairment

Under UK GAAP, impairments are charged to the relevant service if it was due to the consumption of economic benefits and to the revaluation reserve (to offset previous gains) for any other reasons. 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. This change in treatment has been reflected in our Accounting Policies.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is revalued to the sale value, so we no longer recognise the Surplus or Deficit on the Provision of Services as part of the gain or loss on disposal.

The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against Council Tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing.

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:

Asset Type	Period of Years
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

5.7 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.

5.8 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 (for Capital grants).

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.

5.9 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.

5.10 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 (available for sale assets) and valued at fair value.

5.11 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.

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – Assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – Assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

The Council can choose to make loans to 'not for profit' organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement 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 Adjustment between Accounting Basis and Funding Basis statement.

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.

Available-for-sale Assets

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

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

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

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

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

5.12 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.

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. 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.

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.

5.13 Employee Benefits

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.

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
- Unlisted 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.

Remeasurements – 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 Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member

of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

5.14 Professional and Other Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- **Corporate and Democratic Core** – costs relating to the Council's status as a multi-functional, democratic organisation.
- **Non-Distributable Costs** – For example the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

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

5.15 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).

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 Tax Income

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.

5.21 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.

5.22 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.

5.23 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.

Bad Debt Provision

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

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, for example cash in the bank, stocks and debtors.

Debtors

Sums of money owed to the City Council but not received at the end of the year.

Depreciation

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

Earmarked Reserves

Money set aside for a specific purpose.

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.

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 payment made by the Council to another local service, for example: local transport; and the environment agency.

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 i.e. 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 disposal.

Revenue Expenditure Funded From Capital Under Statute

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

Revenue Support Grant (RSG)

A grant from Central Government towards the cost of providing services.

Specific Revenue Grants

Grants received from Central Government in respect of specific services.

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

To be added on the completion of the audit.

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Public report Cabinet

Cabinet
Council
Audit and Procurement Committee

5th July 2016
12th July 2016
25th July 2016

Name of Cabinet Member:

Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Executive Director of Resources

Ward(s) affected: All**Title:**

Revenue and Capital Outturn 2015/16

Is this a key decision?

Yes

The Council's final outturn position for the year relates to financial matters in excess of £1.0m in one financial year.

Executive Summary:

This report outlines the final revenue and capital outturn position for 2015/16 and reviews treasury management activity and 2015/16 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- Revenue overspending of £1.3m which will be balanced to nil by a contribution from the General Fund Balance.
- £5.8m of costs incurred as a result of early retirement and voluntary redundancy decisions. This follows and is consistent with approval of the programme of staffing reductions agreed by Cabinet in November 2015.
- Headline variations including an over-spend of £5.4m within the People Directorate and an under-spend of £5.6m within the Asset Management Revenue Account.
- Capital Programme expenditure of £104m and capital spending of £10.9m rescheduled into 2016/17.
- Revenue reserve balances reducing from £84m to £83m. After taking into account capital grants received and capital receipts generated ahead of the need to spend, overall reserve balances have increased by £10m to £95m.

The report includes a recommendation to approve the project costs of bringing forward the current relocation of staff from Christchurch and Spire Houses to allow early commencement of the new destination water-park, swimming pool and leisure centre. The £1.3m project costs will be self-financing and deliver a £0.1m saving.

Recommendations:

Cabinet is requested to:

1. Approve the final revenue outturn position of a £1.3m overspend, balanced to nil by a £1.3m contribution from the General Fund Balance.
2. Recommend to Council that it approves £3.4m in-year funding of redundancy and retirement costs.
3. Approve the final capital expenditure and resourcing position, incorporating expenditure of £104.1m against a final budget of £113.7m; £10.9m expenditure rescheduled into 2016/17 and an over-spend of £1.3m.
4. Approve additional costs of £1.3m in 2015/16 and 2016/17 financed by associated savings, of relocating staff earlier than planned from Christchurch House/Spire House (CRH/SH) to allow accelerated development of the new water-park, swimming pool and leisure centre.
5. Approve the outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

Council is requested to:

1. Approve £3.4m in-year funding of redundancy and retirement costs.

Audit and Procurement Committee is recommended to:

1. Consider the contents of the report and determine whether there are any issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.

List of Appendices included:

Appendix 1	Detailed breakdown of Directorate Revenue Variations
Appendix 2	Capital Programme Changes and Analysis of Rescheduling
Appendix 3	Prudential Indicators

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

Yes - Audit and Procurement Committee 25th July 2016

Will this report go to Council?

Yes – 12th July 2016

Report title: Revenue and Capital Outturn 2015/16

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position in 2015/16 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £238m and a Directorate Capital Programme of £124m.

1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

2.1.1 Table 1 below summarises the outturn position - an overspend of £1.3m prior to a planned contribution from the General Fund Balance which brings the overall position to a nil variation.

Table 1 Summary Outturn Position

Directorate	Net Budget £m	Outturn £m	Variance £m	Variance %
Chief Executives	1.6	1.6	0.0	0.0%
Place	29.5	29.6	0.1	0.0%
People	162.5	167.9	5.4	3.3%
Resources	10.1	8.8	(1.3)	12.9%
	203.7	207.9	4.2	2.1%
Contingency & Central Budgets	34.7	31.8	(2.9)	(8.4%)
Resourcing of Net Budget	(238.4)	(238.4)	0.0	0%
Bottom Line Variance	0.0	1.3	1.3	0.5%
General Fund Balance Contribution	0.0	(1.3)	(1.3)	
Final Outturn	0.0	0.0	0.0	

2.1.2 A projected over-spend of £3.3m was reported at quarter 3. The underlying movements between quarter 3 and outturn are as follows:

- Contingency and Central - £3.0m over-spend
- People Directorate - £3.1m under-spend
- Resources - £1.3m under-spend
- Place Directorate - £0.6m under-spend

This results in an overall underlying net under-spend of £2.0 in the final quarter and an overall over-spend of £1.3m.

Further detail is set out below.

2.1.3 Directorate Positions

Contingency and Central

Central budgets reflect an under-spend of £5.6m within the Asset Management Revenue Account. A projected position of £4.4m had been forecast at quarter 3 as a result of rescheduled capital expenditure leading to lower capital financing costs. The further under-spend at outturn relates to further dividends of £0.5m released from the Coventry & Solihull Waste Disposal Company plus £0.6m lower than expected debt repayment costs to the Public Works Loans Board. Remaining central budgets have over-spent by £2.7m. This relates primarily to an additional contribution of £3.4m to fund redundancy and early retirement costs that were not in the original budget but which are recommended in this report.

People

The People Directorate is reporting a net overspend of £5.4m. This is made up of a significant overspend on Community Purchasing of £7.0m, an overspend on Children's Placements of £1.0m (made up from non-delivery of internal fostering target £0.4m, Staying Put £0.2m, and increased cost activity, and an overspend on supported accommodation for 17 and 18 years olds of £0.7m). This is offset by some other underspends across the directorate, including a one-off underspend within Education and additional support for core activity from the Public Health grant.

Within Adult Social Care Community Purchasing budgets, an increase in demand for externally commissioned packages of care as well as increasing needs of existing service users is both adding to the existing underlying overspend as well as preventing the savings expected from managing cost and activity.

The position includes the additional £10m of resource for Children's Services as approved in the budget report; and £2m of the £3m reserve which is for 2015/16 only. The reserve is being used to offset further overspend in Children's Placements and a £1.2m pressure across children's permanency allowances. A fundamental review of all People Directorate budgets and activity is being carried out to ensure that the underlying budget variance can be reduced and managed over the medium term. nb

Resources

Resources has an underspend of £1.3m at Outturn. This is largely as a result of some non-delivery of turnover targets, offset against an overachievement of income on the agency rebate, and underspends on talent and skills; ICT, and the external advisor budget within Transformation. There are also a number of areas that have underspends as a result of early achievement of budget savings where the budget will be removed in 2016/17.

Place

The Place Directorate's overall £0.1m over-spend includes the following variations. The major review of Parks & Street Cleansing to remove £1.5m from the service costs is now complete. This was unfortunately delayed due to process and challenge, resulting in a part year effect saving of £0.9m, and a £0.6m pressure. There has been a c1% growth in waste disposal tonnages in 2015/16, resulting in a Waste Disposal pressure of £0.7m. This is caused by both existing household 'normal' growth, and also the some additional new households that are materialising as a result of the successful growth of the city. Assumed future growth is now budgeted for from 2016/17.

Whilst some income pressures still exist, net additional income across the directorate of c£0.2m has been received. Other net underspends totalling £0.9m include £0.3m relating to the rescheduling of fleet related debt costs, and deferred works of c£0.5m in relation to parks, street lighting and corporate property.

2.1.4 The need for the Council to manage very large cuts in government resources in recent years has required wide-ranging measures to reduce the Council's cost base with the most important element of this being large-scale reductions in the Council's employee numbers. A resourcing package for Council staffing reductions was approved by Cabinet in November 2015 and nearly 300 individuals have agreed to leave the Council as a result of redundancy and early retirement decisions within 2015/16. The Council has incurred costs of £5.8m following this compared with £10.3m in 2014/15. A budget of £2.4m exists to part fund these costs and this report recommends funding the remaining £3.4m from within the overall revenue bottom line. This will ensure that the £12.5m reserve balance established as part of the November report will be available to support future redundancy and early retirement programmes.

2.1.5 Relocation of staff from Christchurch House/Spire House (CRH/SH)

The Council has identified that it needs to deliver the new city centre water-park, swimming pool and leisure centre as soon as possible. The facility will be a visible symbol of growth and regeneration and is part of the city centre transformation vision along with Friargate (FG). It will support the city centre south development and demonstrate physical change in the city centre, use redundant sites in the city centre and have a positive impact on the people of Coventry in terms of better sports provision.

In order to do this it has been necessary to accelerate vacant possession of CRH/SH and relocate the relevant staff to other accommodation on a temporary basis ahead of the completion date for Friargate. It makes sense to vacate CRH/SH earlier in order to guarantee a date for the sports facility and to avoid the potential of any additional costs (construction inflation and on-going running costs for Fairfax Street sports centre) for the sports project as a result of any delays at FG. The delivery of FG is largely in the hands of Friargate LLP and not the Council so this is the best way to safeguard the delivery of the new sports centre. The sports project is advanced enough to give confidence that if the CRH/SH site could be available earlier, the sports facility will be open in early November 2018, rather than the original date of August 2019 almost 10 months earlier than the original plan. Total costs of £1.3m will arise from ICT and building works and leased building costs to accommodate relocated staff. Savings from vacating CRH/SH and the Fairfax Street site will fund the relocation costs, and produce an overall saving of £0.1m. Approximately £0.1m of the total costs have been incurred in 2015/16 with the majority of the remainder likely to be incurred in 2016/17.

2.2 Reserves

2.2.1 The total reserve balance at the end of 2015/16 is £95.4m, compared with £84.6m at the end of 2014/15. The main reason for this overall increase of £10.8m is the setting aside of capital receipts and capital grants that will be used to fund the 2016/17 Capital Programme. The position excluding these items shows a reduction in revenue reserves of £1.2m. The total reserve movement in 2015/16 is summarised in the table below.

Table 2 Summary of Reserve Movements in 2015/16

Reserves	Balance at 31st March 2015 £000	Increase/ (Decrease) £000	Balance at 31st March 2016 £000
General Fund Balance	(5,160)	1,336	(3,824)
Non-Schools Revenue Reserves:			
Private Finance Initiatives	(11,061)	(710)	(11,771)
Potential Loss of Business Rates Income	(7,100)	4,430	(2,670)
Early Retirement and Voluntary Redundancy	(5,109)	(7,391)	(12,500)
Achievement of Future Savings	(3,424)	2,532	(892)
Birmingham Airport Dividend	0	(4,400)	(4,400)
Children's Social Care	(3,000)	1,000	(2,000)
Leisure Development	(1,459)	583	(876)
Public Health	(1,402)	365	(1,037)
Health and Social Care Schemes	(1,417)	1,137	(280)
Vehicle Purchase Programme	(1,547)	1,547	0
Troubled Families	(710)	9	(701)
Insurance Fund	(2,912)	510	(2,402)
Management of Capital	(2,112)	(225)	(2,337)
Other Corporate	(2,369)	920	(1,449)
Other Directorate	(6,434)	(487)	(6,921)
Other Directorate funded by Grant	(4,478)	1,377	(3,101)
Non-Schools Revenue Reserves	(54,534)	1,197	(53,337)
Schools Reserves:			
Schools (specific to individual schools)	(18,050)	(1,933)	(19,983)
Schools (for centrally retained expenditure)	(6,471)	630	(5,841)
Total Schools Reserves	(24,521)	(1,303)	(25,824)
Capital Reserves:			
Useable Capital Receipts Reserve	0	(6,660)	(6,660)
Capital Grant Unapplied Account	(384)	(5,352)	(5,736)
Total Other Reserves	(384)	(12,012)	(12,396)
Total Reserves	(84,599)	(10,782)	(95,381)

2.2.2 In overall terms the level of reserve balances incorporates balances held by and on behalf of schools of £25.8m, £12.5m set aside for future early retirement and voluntary redundancy costs and a Special Dividend of £4.4m from Birmingham Airport.

2.3 Capital Outturn

2.3.1 The capital outturn position for 2015/16 is shown in summary form below and in greater detail in Appendix 2:

Table 3: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Over- spends £m	Total Variance £m
113.7	104.1	(10.9)	1.3	(9.6)

The period 8 monitoring report to Cabinet on 9th February 2016 approved a revised capital budget of £114.6m for 2015/16. Since then there has been a net programme reduction of c£1.0m giving a final budget for the year of £113.7m. Since February, a total of £10.9m net rescheduled spending has arisen on directorate capital programmes. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

Table 4: Summary of Rescheduling and Accelerated Spend

Project	(Rescheduling)/ Accelerated Spend £m	Explanations
Coventry Station Masterplan/NUCKLE	(1.9)	£1.3m of this rescheduling is a month's delay for the Access Tunnel due to the technical approval timescales required by Network Rail (NR). £0.3m relates to the additional works for the Footbridge and Canopy for the redesigned to a glazed option and additional highway modelling works, and the signing of the Direct Service Award for NUCKLE Phase 2 with NR taking longer than anticipated.
Friargate Building	1.0	A slight betterment on current programme in respect of the main lift/stair core and connecting steelwork.
Public Realm and Highways	(2.0)	This rescheduling cover a multiple of projects covering the investment in public realm and meeting the timescales in the use of ERDF monies. This demand has meant that some reforecasting works have been put back until 16/17. Other schemes include small delay on works on the Swanswell Viaduct and delayed Plaza lightning at South West Junction Road Improvements
Sports	(0.2)	This incorporate the new City Centre Sports facility which is slightly behind programme and £0.1m relates to deferred professional fees, and a further £0.1m is for the ongoing maintenance at the existing (Baths) sports centre savings generated this year while officers only spend on essential items
Growth 2	(0.7)	£3m of Growth Deal 2 was included in the programme and £0.7m of this was not required and has been slipped back into 2016-17.

CIF Schemes	(0.8)	This relates to two CIF Schemes - Cathedral Lanes who have not required to take up the further £0.7m loan in year and £0.1m for Lythalls Lane which is nearing completion and will be used to finalise the account.
Vehicle & Plant Replacement	(1.30)	Vehicles not replaced due to reductions in service requirements or identification of alternatives.
Schools	(2.6)	Efficiencies in Project Procurement, late starts in construction on 3 schools sites, in addition to the poor take up of the Early Years Grant
ICT	(1.2)	Re-organisation of the ICT Team and the reprioritisation of workload towards the development of Unified Comms has delayed other ICT Projects going forward.
Other	(1.2)	Slow take up of Grants covering Disabled Facilities Grant and Business Grants
TOTAL	(10.9)	

2.3.2 The 2015/16 Programme continues to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- Highways and Public Realm. The City Council has made significant investment in specific Public Realm schemes including the Gosford Gate, Belgrade Plaza, Lidice Place improving accessibility to the City Centre, pedestrianized links, car parking and have improved the attractiveness of the City Centre and its future aspirations for business growth. In addition works continues on the resurfacing of roads, A45 Ring Road, and Whitley Junction. New works started on the Swanswell Viaduct.
- Schools - The 2014 Increasing Primary School Places Programme agreed by Cabinet in 2012 has now been completed together with the rebuild of Edgewick Primary School. The provision of primary places however remains under on-going review as pressures remain in some parts of the city. The remainder of the programme was focused on addressing urgent condition needs which if not addressed could potentially result in the closure of a school. These primarily were re-roofing and boiler replacement schemes. With a significant reduction in available capital funding between 2016/17 and 2017/18, funding priority will continue to be given to addressing condition issues as well as delivering a new SEN Broad Spectrum Special School co-located with Whitley Abbey Primary School at an estimated cost of £10.5 million. From 2017/18 priorities will then begin to shift to addressing a projected shortfall of secondary places and the Local Authority has secured a basic need allocation of £7million in 2018/19 to help fund delivery of these places.
- Regeneration – The regeneration of Far Gosford Street is nearing completion developing the sites at FARGO Village and the links with Gosford Gate utilising external and Coventry Investment Fund funding.
- NUCKLE Phase 1 is complete with stations open at Coventry Arena, Bedworth and Bermuda Park. Work now progressing into Phase 2 to build a new bay platform at Coventry Station and develop the extra train service. Works commenced on the first stage of the Coventry Station Masterplan on the Warwick Road station access

tunnel in Q4, while GRIP 3 design is progressing for the other schemes under the programme including a new footbridge and canopies, multi-storey car park, new station building and bus interchange to improve capacity at Coventry Station to support future growth.

- Friargate Bridgedeck £1.3m overspend since quarter 3 outturn report. The £18.2M Friargate final account outturn figure includes for the bridge deck, station forecourt works, station access early works and enabling works, along with Early Contractor Involvement costs which were included within the Cabinet report but accounted for in third party rather than construction costs as these were pre-construction activities. The projected costs for construction under the contract have increased by £2.2M since the figures submitted in July 2015 for the September Cabinet Report. The key areas where costs have risen is principally due to two Compensation Events namely Earthworks and Structural Concrete which have increased significantly in cost compared to the best case planning figure available in July 2015. Further to this assumptions were made back in July regarding Disallowed Costs under the contract which have largely not been realised, resulting in further costs increases, and resultant changes to the Estimated Forecast Revised Target Cost and Estimated Forecast Defined Costs have impacted on the Pain/Gain share calculation, resulting in a net increase. It's important to highlight that the costs are not agreed and the contract is being administered robustly, the commercial process for agreeing the final account is on-going and having challenged all costs we believe it is necessary to be prudent and make provision for this cost. Nevertheless we will continue to challenge to ensure the final account is representative of value for money and is based upon defined costs.

2.3.3 The funding in respect of this capital expenditure of £104.1m is summarised below:

Table 5: Capital Funding

	£m
Prudential Borrowing	0.0
Grants and Other Contributions	
- Growth Deal 1/2	18.8
- Sub-regional & Government funding for the NUCKLE rail project and Highways	11.3
- European Regional Development Fund	18.2
- Education Funding Agency	3.5
- Regional Growth Fund/Growing Places	5.4
- S106	2.7
- All Other Grants/Contributions	13.5
Revenue Contributions	1.1
Capital Receipts	29.6
Total Resourcing	104.1

2.4 Treasury Management Activity

2.4.1 Economic Activity and Interest Rates - Annual economic growth has slowed to 2.3% during 2015 compared to 3% at the end of 2014. Inflation has been as low as 0.0% during the year, mainly attributable to the continued collapse of the price of oil. This has risen to 0.3%

although this is still well below the Bank of England's 2% target. The employment rate has given good news though standing at 74.1% which is the highest rate since record began in 1971. The unemployment rate is also at a 12 year low of 5.1%. Very low inflation rates and modest wage growth of 2.2% has meant real earnings growth was positive, boosting consumers spending power. There is uncertainty in global markets surrounding the outcome of the US presidential election & the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3% due to this uncertainty.

The UK base rate has remained at 0.5% since 2009. The evidence suggests that any rise in rates has been pushed back even further, with current estimates projecting a rate rise around March 2018. The Bank of England has also stressed that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles. Linked to this, market investment and borrowing rates for up to 12 month periods stood at less than 1% through the year.

Longer term rates, at which local authorities borrow from the Public Works Loans Board (PWLB), were:-

Table 6: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2015/16	Maximum in 2015/16	Average in 2015/16
5 year	1.67%	2.55%	2.20%
20 year	3.06%	3.79%	3.46%
50 year	3.01%	3.78%	3.42%

Given the above rates it has continued to be cheaper for local authorities to use short rather than long term funds for financing.

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority's underlying need to borrow for capital purposes, has reduced by £8.5m:-

Table 7: 2015/16 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1 st April 2015	400.4
Borrowing to finance 2014/15 Capital Programme	0.0
PFI & Finance Leases liabilities	6.0
Provision to Repay Debt (Minimum Revenue Provision)	(13.6)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(0.8)
Reduction of Provision and other restatements	(0.1)
Capital Financing Requirement at 1 st April 2016	391.9

No new long term borrowing was taken out during 2015/16, but £11.9m PWLB loans were repaid on maturity. However, some borrowing will be required in the future to support current capital expenditure plans and the need for any such borrowing will be kept under review in 2016/17. Within 2015/16, the movements in long-term borrowing and other liabilities were:-

Table 8: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2015 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2016 £m
PWLB	221.3	(11.9)	0	209.4
Money Market	59.0	0	0	59.0
Stock Issue	12.0	0	0	12.0
Other	0.5	0	0	0.5
sub total ~ long term borrowing	292.8	(11.9)	0	280.9
Other Local Authority Debt	17.4	(0.9)	0	16.5
PFI & Finance Leasing Liabilities	70.7	(1.8)	6.0	74.9
Total	380.9	(14.6)	6.0	372.3

This long term borrowing is repayable over the following periods:-

Table 9: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m	Short Term Borrowing £m
Under 12 Months	31.5	0
1 – 2 years	5.5	0
2 – 5 years	41.5	0
5 – 10 years	21.7	0
Over 10 years	180.7	0
Total	280.9	0

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £58m of such loans, £30m of which the lender can effectively require to be paid at 6 monthly or annual intervals, and £28m at 5 yearly intervals

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds.

No short term borrowing was taken out during the year as the Council's cashflow requirements were met from its own cash and short term investment balances.

During the year the Council held significant short term investments, as set out in Table 10. The average short term investment rate in 2015/16 was 0.6334%.

Table 10: In House Investments at 31st March 2016

	At 30th June 2015 £m	At 30th Sept 2015 £m	At 31st Dec 2015 £m	At 31st Mar 2016 £m
Banks and Building Societies	76.9	69.3	63.0	46.0
Local Authorities	0.0	0.0	0.0	3.0
Money Market Funds	10.7	6.9	10.6	8.3
Corporate Bonds	21.8	15.6	8.4	6.5
Total	109.4	91.8	82.0	63.8

In addition to the above in house investments, a mix of Collective Investment Schemes or “pooled funds” is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. The intrinsic Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. However, they are designed to be held for longer durations allowing any short term fluctuations in return due to volatility to be smoothed out.

Table 11: External, Pooled Investments as at 31st March 2016

	Date Invested	Cost £m	Value £m	Annualised Return %
CCLA	Nov 2013	8.0	8.58	5.90%
Payden Sterling Reserve	Feb 2012	7.5	7.83	1.01%
Federated Prime Rate Cash Plus	Mar 2013	5.0	5.09	0.61%
Ignis Sterling Short Duration Fund	Mar 2015	7.8	7.84	0.52%
Total		28.3	29.34	0.96%

In placing investments the authority manages credit risk within the parameters set out in the investment strategy, approved as part of the budget setting report. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage exposure to individual institutions or groups. Whilst the fears of systemic banking failures may have receded, the development of “bail-in” make it almost certain that unsecured and corporate investors would suffer losses in the event of a bank default. Credit risk remains an issue for local authorities.

2.4.4 Prudential and Treasury Indicators - The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury indicators relating to capital, treasury management and revenue

issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

Revenue Related Prudential Indicators

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 13.91%, as against a 14.83% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £371.9m was within the limit of £494.3m.
- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. Borrowing plus PFI and finance lease liabilities at £371.9m was within the boundary of £454.3m.
- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the "year 3" or 2017/18 CFR limit of £491.6m.
- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 11.2% of total debt that needs to be refinanced in 2016/17, compared to the PI limit of 40% in the 2015/16 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

3. Results of consultation undertaken

3.1 None.

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a financial monitoring report.

5. Comments from Executive Director for Resources

5.1 Financial implications

The final revenue outturn picture for 2015/16 is an over-spend of £1.3 balanced to nil by a contribution from the General Fund Balance.

Large overspends have occurred within individual service areas, most notably adults social care. Although very significant additional funding has been approved for this area within the 2016/17 Budget Setting process this, and the wider People Directorate budget, will remain a key area of budgetary focus in the new financial year.

The Asset Management Revenue Account has delivered a significant saving compared to previous estimates. This saving is the result of unplanned later than anticipated capital spending profiles plus intentional efforts to minimise the level of Council borrowing through the application of capital receipts and revenue contributions (over several years). The underlying and on-going flexibility in this area of the Council's budget has been approved as a £3m saving in the 2016/17 budget reducing in subsequent years. The measures that have helped to generate this saving will continue to be taken to help strengthen the financial position of the Council as a whole and will continue to be a very important feature of the Council's medium term financial planning. Further slippage of the 2015/16 Capital Programme will have a further beneficial impact in the new year although this is expected to be less significant than in recent years.

The pressure to manage the large reductions in government funding and absorb the financial impact of current societal pressures continues to cause financial pressure in some parts of the Council's budget. However, strong overall control continues to be applied allowing the Council to take advantage of tactical opportunities to protect its budget such as: central control of salaries, use of capital receipts to repay debt, management of reserve balances for corporate use, strict programme management of savings targets, implementation of staff reduction programmes and continued attraction of significant external funding. These actions and have helped to contribute to continued achievement of underspends demonstrates the continued strength of its budget management processes and approach.

The application of grant funding and capital receipts has been maximised within the Capital Programme resulting in no prudential borrowing in the year. Prudential Borrowing approvals not utilised for the 2015/16 programme will be applied in future years as capital spending is incurred.

There are recommendations dealing with expenditure/contributions relating to the funding of early retirement and voluntary redundancy costs and the re-location of staff from Christchurch and Spire Houses. These are both aligned to wider plans to deliver future budget savings and neither area represents net cost to the Council beyond those approved previously.

Notwithstanding an increase in capital reserves required for capital funding in 2016/17 the Council's revenue reserve levels have gone down marginally in the year. These represent an appropriate level of balances for an authority of the Council's size and are all earmarked for approved uses or will otherwise be available for member decision in the forthcoming Budget Setting process.

5.2 Legal implications
There are no specific legal implications in relation to this report.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible we will try to deliver better value for money in the services that we provide in the context of managing with fewer resources.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be very important in the light of the massive challenges being faced with regard to the level of funding available to local government over the next few years.

6.4 Equalities / EIA

No specific impact.

6.5 Implications for (or impact on) the environment

None.

6.6 Implications for partner organisations?

None.

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Appendix 1 Revenue Variations

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE		
Overspends:		
Mental Health, Learning Disabilities & Physical Impairment	Increasing activity across Adult Social Care is adding to the continuing significant (£3.8m) underlying pressure which existed at the end of the last financial year. Budgetary savings linked to reducing demand are also being impacted by these increased demand levels. Additional approval processes have been implemented to ensure high cost packages receive increased scrutiny and monitoring.	4.4
Older People	Increasing activity across Adult Social Care is adding to the continuing significant (£3.8m) underlying pressure which existed at the end of the last financial year. Budgetary savings linked to reducing demand are also being impacted by these increased demand levels. Additional approval processes have been implemented to ensure high cost packages receive increased scrutiny and monitoring.	1.8
LAC Services	The main source of overspend is Children's Placements £1.0M (including the Staying Put Scheme). A pressure of £1.3M in Children's permanency allowances is being offset by 1-off reserve. Changes in policy, and high activity within adoption and special guardianship orders has resulted in unit cost and activity increase. The placements pressure is a result of continuing high numbers of LAC, and placement mix with too high a proportion of LAC in external fostering and residential provision. £0.8M of the £3M 1-off reserve for Children's Services has been applied to the Placements budget to reduce the overspend in line with agreed usage. We are looking to refresh the LAC Strategy alongside additional approval processes to ensure high cost placements are subject to further scrutiny and increased monitoring of activity and decision making at all levels is taking place.	1.4
Child Protection	This relates to an activity overspend in discretionary and Section 17 payments to prevent children from becoming looked after (£1.1M). There is also an overspend on Legal (£0.3M) as a result of high activity and the use of agency staff. This is partially offset by underspends in the Children & Families First teams, largely as a result of staffing vacancies, and an underspend on supervised contact due to recommissioning of the contract, and reduced activity.	1.2
Strategy & Commissioning (CLYP)	The key issue contributing to the variance is the £0.7m forecasted overspend in Supported Accommodation, caused by the loss of one provider and 81 beds from current contracts and subsequent use of spot purchasing. In addition there is an overspend due to agency costs within the placements team. In the interim there is some offsetting of the overspend by underspends in the areas of CAMHS and Advice and Guidance to Young People (Connexions/Rightstep).	0.8
Safeguarding	This is largely a result of an overspend within Children's Safeguarding due to high levels of activity and difficulties in recruiting to some permanent posts. As a consequence of this it was necessary to use agency staff. However, the reliance on agency staff has reduced significantly since the start of the year. There is also an overspend on the Children and Adults safeguarding boards as a result of additional expenditure on external chairs and high levels of activity in Children's Social Care.	0.3
Inclusion & Participation	This overspend mainly relates to transport costs (£520K offset by a number of underspends in other areas), and are attributable to an increase in volume. All travel assistance policies will be reviewed through the formal consultation processes during the Autumn/Spring terms 2015/16. Reduction in expenditure is wholly dependent upon the agreement and implementation of new policies that secure the Council's statutory obligations. The underspends were as a result of additional income from schools, and higher levels of vacancies than forecast.	0.1

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE (Continued)		
Underspends:		
SCTEI Strategic Management	This is the financial strategy deployed to balance the directorate's bottom line including Education Services Grant income, and utilisation of non-ring-fenced grant funding for existing expenditure. This cost centre offsets against other pressures within the directorate, and the budget will be allocated across these pressures in 16/17.	-1.3
Early Years, Parenting & Childcare	Public Health have supported an additional £0.6m of activity freeing up core budget. Further savings have been achieved through staffing vacancies and over-achievement of nursery income for 2,3 and 4 year olds.	-1.2
Strategic Commissioning (Adults)	This underspend is the effect of early delivery of future budget reductions across a number of contracts as well as less than expected numbers of Carers accessing services following the introduction of the Care Act	-0.8
Learning & Achievement	Underspend relates to reduced spend on the school improvement strategy, which instead will be funded from 2016/17 budgets. Further savings were achieved from vacancies and efficiencies identified within the service.	-0.4
ASC Provider Services	This underspend relates to a number of vacancies across internally provided services	-0.2
Business Performance (SCTEI)	This underspend relates to a reduction in LAC transport, largely as a result of reduced contact activity.	-0.2
Advice and Health Information Services	Underspend relates to various posts being held vacant across the service due to a review of priorities and in preparation for grant reduction in 2016/17.	-0.1
Other Variations less than 100k		-0.4
Forecast Overspend/(Underspend)		5.4

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Streetpride & Greenspace	This pressure is largely as a result of the part year effect (£684k) of the delayed delivery of the Parks and Street Cleansing review. Additionally, compensating variations due to unfunded traveller incursions costs (£129k pressure) offset by deferral of parks works (£138k underspend)	0.6
Corporate & Commercial Catering	£100k trading deficit and £50k target applied for Godiva's closure that is yet to be implemented	0.1
Economy & Jobs	Primarily the under achievement of £50k ESIF grant due to delay in receiving funding agreement, together with unfunded TESS costs of £30k	0.1
Waste & Fleet Services	This overspend is due mainly to increased household waste tonnages, the cost of which have been offset by the restructuring of Fleet financing costs, and additional income in Commercial Waste.	0.1
Building Works- Planning, Technical & Maintenance	An income loss on the R&M service was suffered due to less work being billed for than expected in the final quarter, offset by higher than expected income in the wider service on managing small building projects for schools	0.1
Other Variations less than 100k		0.1
Underspends:		
Directorate & Support	Primarily Management actions to offset current and future targets and pressures	-0.3
Planning & Regulatory Services	Higher income in Building Control and Commercial Licensing, plus one off savings following the Enforcement review implementation.	-0.2
Highways	Surplus due to the combination of a small net Highways DLO trading surplus as a result of higher than normal capital works in 15/16, together with slippage of some Street Lighting legacy works.	-0.2
Traffic & Transportation	Primarily an increase in car park income due to an increased demand for parking following an upturn in the local economy, an increased student population and new residents' parking schemes	-0.2
Corporate Property	Costs have been managed down as a direct result of the reduced maintenance requirement where future disposals of corporate property are planned	-0.1
Commercial Property	Reduced spend on commercial property repairs has resulted in an underspend.	-0.1
Forecast Overspend/(Underspend)		0.1

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
Business Services	This is a result of an under-achievement of turnover target due to deletion of vacancies and ERVR to meet workforce strategy targets. Business Services has over-delivered on its saving target in 2015/16.	0.3
Revenues and Benefits	Overspend due to spend on professional fees and overtime needed to manage increased work volume across the service area (e.g. review exercises for empty properties and single person discounts providing an overall corporate revenue benefit), plus significant increases in bank charges, partially offset by additional one-off new burdens funding and government grants.	0.3
ICT Operations	ICT operations turnover target not achieved by £120k due to restructures to deliver other headcount savings and lower turnover than expected. Microsoft Dynamics price increase by £220K on renewal. Offset at Qtr 4 by early delivery of savings	0.2
Financial Mgt	Overspend as a result of non-delivery of full turnover target due to low levels of vacancy, this has been partially offset by a contribution for staff time spent on capital projects.	0.2
Other Variations less than 100k		0.2
Underspends:		
Talent & Skills Team	Vacancies held and postponement of commissioning and other activity pending outcome of HR & Workforce Development Review. The swing since Q3 is mainly due to further postponement of planned activity.	-0.5
HR Recruitment	Mainly over-achievement of Agency rebate offset by advertising costs. Also some over-achievement of income from schools and external organisations. The swing since Q3 relates to an unexpected increase in Agency rebate and the delay of some planned spending regarding HR Review.	-0.5
Transformation Programme Office	Underspend on transformation advisor budget - £400k saving included in 2016/17 MTFS going forward.	-0.5
ICT Strategy, Systems & Development	Underspend on systems management budget - further work planned for 2016/17 to establish baseline position and savings opportunities.	-0.3
Customer Services	Salary underspend of £412k due to early delivery of savings and accelerated attrition towards year end. Offset by £132k overspend on homelessness costs including B&B and storage - ongoing work addressing underlying historic budget pressure.	-0.3
Post and Print	Reductions in the cost of postage due to tighter controls in place plus an increase in income. The swing between Q3 is due to an unforeseen increase in internal chargeable work in the last quarter of the year and further reduction cost reduction.	-0.3
Audit & Risk Mgmt	Underspend due to cross Council refunds arising from payment audit and vacancies held pending finalisation of restructure	-0.1
	Forecast Overspend/(Underspend)	(1.3)

Contingency & Central Budgets		
Overspends:		
Early Retirement and Voluntary Redundancy	Overall ER/VR costs total £5.8m compared with a budget of £2.4m. The recommendation within this report is to fund these costs within the revenue bottom line.	3.4
Commissioning and Procurement Savings Target	The Commissioning and Procurement abc review is on course to deliver £7.3m of its £8m target but it is becoming increasingly difficult to deliver the final element of this as contracts start coming round for renewal for the second time in the project's lifetime. Procurement Board and Panel activity will continue to push hard to deliver these savings over the course of 2015/16 and into 2016/17.	0.7
Catering	The School Catering service ceases at 31st August 2015. The overspend represents non - delivery of the income target set by the Fundamental Service Review (384k), and reduced income and contributions towards centralised charges and overheads due to the closure of the service.	0.6
City Centre First Project	Proposals are being drawn up currently to deliver the City Centre First savings going forward although these are unlikely to deliver in-full the current year target.	0.5
Underspends:		
Asset Management Revenue Account	The AMRA position reflects further rescheduling of capital spend at 2014/15 outturn, reducing the Council's planned borrowing needs and debt costs and an additional £1.2m outturn variation which includes an further £0.5m share redemption payment from the Coventry and Solihull Waste Disposal Company. A further improvement relates to a £0.6m adjustment to interest payments on Public Works Loans Board loans.	(5.6)
Inflation	The underspends across inflation contingency budgets includes £0.5m in relation to energy.	(1.6)
Legal Refund	The Council has received a refund following a long-running legal dispute over debt repayments on the Magistrates Court building.	(0.9)
Forecast Overspend/(Underspend)		(2.9)

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES	(RESCHEDULING) / ACCELERATED SPEND	(UNDER SPEND) / OVER SPEND	EXPLANATION
PEOPLE DIRECTORATE				
DOH Care Implementation Grant		(0.1)		The projects have been delayed due to national changes in April 2016 Care Act finance reforms. Whilst the government has delayed this until April 2020, funding still needs to be spent on care act related projects
SUB TOTAL - People	0.0	(0.1)	0.0	
PLACE DIRECTORATE				
Nuckle		(0.1)		Phase 1 of the NUCKLE Project was due to be completed by 31st March, however a small £95k will be carried forward to finalise the commitments towards Network Rail fees and the finalisation of construction works. Phase 1.2 review of the original GRIP 3 design took longer than estimated, which delayed the signing of the agreement with Network Rail. Therefore the design work programmed to take place in Qtr 3 has slipped to 16/17
Nuckle 1.2		(0.2)		
C&W Enterprise and Business Growth Package			(0.1)	The forecast at Qtr3 was based on the number of Business taking up the funding through the scheme, this was less than expected at year end.
FARGO Village	(1.9)			This is a technical change to the programme as the CIF loan was accounted for under the scheme 'fargo court' as Prudentially borrowed
Lythalls Lane (CIF)	(0.1)	(0.1)		Budget Holder expected to see between £60,000 to £70,000 savings on the scheme at year end but through effective management of the scheme the actuals came in at £140,000 less than forecast, this is to be rescheduled to 2016/17 so we are able to finalise the final account. Any underspend quantified will be transferred back to the CIF Budget.
Cathedral Lanes		(0.7)		We have made one loan advance payment of £750k in 2015/16 and expected to make the same again in 2016/17 (creating a total loan of £1.5m) but the developers' cash flow did not require it. Ongoing discussions regarding the loan and possible reconfiguration could mean we seek a new approval from the CIF board and they use the money on the next Phase
GPF - Round 2 Open Call		0.3		The rescheduling is due to Coventry University Enterprises making a claim for their project sooner than originally anticipated.
International Transport Museum Project	0.4			Culture Coventry had a loan agreement of £1m, The approved change is to reflect the total amount of loan agreed

RGF3 Friargate Bridgedeck			1.3	<p>The £18.2M Friargate final account outturn figure includes for the bridge deck, station forecourt works, station access early works and enabling works, along with Early Contractor Involvement costs which were included within the Cabinet report but accounted for in third party rather than construction costs as these were pre-construction activities. The projected costs for construction under the contract have increased by £2.2M since the figures submitted in July 2015 for the September Cabinet Report. The key areas where costs have risen is principally due to two Compensation Events namely Earthworks and Structural Concrete which have increased significantly in cost compared to the best case planning figure available in July 2015. Further to this assumptions were made back in July regarding Disallowed Costs under the contract which have largely not been realised, resulting in further costs increases, and resultant changes to the Estimated Forecast Revised Target Cost and Estimated Forecast Defined Costs have impacted on the Pain/Gain share calculation, resulting in a net increase. It's important to highlight that the costs are not agreed and the contract is being administered robustly, the commercial process for agreeing the final account is on-going and having challenged all costs we believe it is necessary to be prudent and make provision for this cost. Nevertheless we will continue to challenge to ensure the final account is representative of value for money and is based upon defined costs.</p>
Warwick Road Station Access		(1.3)		<p>This rescheduling is due to the fact that works started on site in Q4, the original forecast was pre-tender and assumed works starting earlier in Q3, however due to the timescales required to undertake the Network Rails technical approvals process it was not possible to start works until March 2016.</p>
RGF4		(0.4)		<p>Budgets were set based on the estimated up take from Business to claim against the scheme, the rescheduling is due to Businesses delaying their claims</p>
RGF3 Whitley Junction			0.2	<p>The £200k overspend is currently identified as a direct result of the increase in the amount of compensation events submitted by the contractor as a result of providing the works. In particular a number of large compensation events such as sheet piling, earthworks and culvert extension which have resulted in a net gain of the amount and cost of works undertaken by the contractor. Whilst a number of approved additional works costs have been included we are still challenging the remaining items with the contractor to bring down the outturn cost to a figure that is accountable to the project delivery.</p>

Kickstart - Friargate Building	0.0	1.0		Council officers have been working closely with the Developer and Contractor to explore opportunities to expedite the progress of works on site. As a result of this there has been a slight betterment on current programme in respect of the main lift / stair core and connecting steelwork. The £1m accelerated spend is directly associated with this
RGF2 Wave 2 Growth Hubs	0.1			Grant Body offered additional grant during the year, this was applied for and confirmed they had an additional £100k for 2015/16.
Investment in Sporting Facilities		(0.1)		This capital budget is for the on-going maintenance of Coventry Sports and Leisure Centre (CSLC) it is proposed that facility will close in 2019 and as such officers are only committing spend on essential Health and Safety maintenance to keep the facility open and operational. In 2015/16 only limited expenditure was required with Coventry Sports Trust funding most maintenance from internal budgets. The funds will need to be rescheduled as there could be unforeseen maintenance issues of a high value that are a Council responsibility over the remaining lifespan of the facility.
Play Areas		(0.4)		Parks has undergone Management changes this year and the original budgets were set by the previous Manager. Also the S106 funds have been looked at in detail and additional funds have been allocated to Parks. Funds were not spent as forecast due to either the capacity to get the work done, identifying meaningful projects or funds were being held until sufficient funds were accrued to undertake a project.
Integrated Transport Programme	0.2	(0.6)		The rescheduling is due to third party contributions to works due to be undertaken at New Century Park in 2016-17, along with lining works that will be completed in the early part of next financial year. This is also coupled with the fact that the emerging strategies of the CWLEP and ITA/Combined Authority have yet to come to full fruition, which has resulted in slippage of major scheme development.
Coventry Station Masterplan		(0.3)		Underspend on CSMP in Q3 was primarily due to a delay closing out the GRIP3 design process for footbridge and canopies, this was due to a redesign required by CCC to produce a statement glazed footbridge rather than the more basic option proposed by the design team. There was also a delay in terms of the Phase 2 works GRIP3 design as extensive traffic modelling was undertaken to validate the highway layout and some redesign was required to produce the optimum highway layout.
City Centre Destination Leisure Facility		(0.1)		Due to changes to programme (the proposed completion date is the same) the professional team re-profiled fees in quarter 4 of 2015/16, the re-profiling exercise meant that professional fees that were originally forecast to be paid in 2015/16 will now be paid in 2016/17.

Public Realm 3	0.3	(0.1)		Approved change is a result of a change of scope to the Belgrade scheme, primarily the purchase of sandstone benches to ensure a high spec finish. Additional public realm works had also been undertaken around Hill Top and Far Gosford Street.
South West Coventry Jct Imp Programme	(0.6)	(0.4)		The £0.4m rescheduling relates to University of Warwick (UoW) Plaza lighting still to complete along with the ongoing potential £0.2m shared spend from the Costain contract that is still in commercial dispute. The approved change of £0.6m is due to the UoW works being anticipated to cost more than expected, this has no impact on CCC as all UoW works are recharged and recouped from the University, there is nil effect on CCC.
Highways Investment	0.2	(0.5)		Approved changes include additional resources being identified to fund the programme. The rescheduling is connected to turning our attention to delivering the Public Realm works by the tight Christmas deadline that was imposed on us by the European Regional Development Fund (ERDF). With the emphasis on this delivery we rescheduled a number of our Carriageway Resurfacing schemes which meant both a late delivery in the year and deferred schemes into 2016-17.
Challenge Fund - Swanswell Viaduct		(0.4)		There has been a delay in site investigation and material testing works. Intrusive site investigation commenced last in the financial year to ascertain extent of deterioration and prioritise works, this spend will occur early in Qtr 1.
Challenge Fund - WM Network Renewal Project		0.2		With the public realm programme being achieved, spare capacity became available for March so with designs already complete for London Road Roundabout, the programme was able to resurface and renew the line markings. This enabled us to accelerate the programme.
Highways S106 - Banner Lane		(0.2)		The Banner Lane/Broad Lane junction has been delayed due to the emphasis being focused on achieving the tight Public Realm deadline. Designs and site investigations commenced towards the end of the financial year, which is later than initially anticipated.
Super Connectivity		(0.2)		The main reason for underspend is that there were fewer completed claims received than projected and therefore fewer grant payments were issued. Two large broadband suppliers (BT and Virgin Media) were the main reason for fewer completed claims being received due to inaccuracies in the data they reported which needed investigating by the central government BDUK team. A hold on issuing grant payments to these two suppliers was placed by BDUK on all cities administering the scheme, this contributed towards us missing our projections. The hold on payments for one of the suppliers was lifted near the end of March while the hold on payments to the second supplier is expected to be lifted in the next few weeks.

Vehicle & Plant Replacement		(1.3)		5 Waste vehicles £795k and 6 Passenger vehicles £342k delayed lead time, delivery April/May £150k misc vehicles either duplicated or changed from leasing to borrowing and again late delivery
Growth Deal		(0.7)		£3m of Growth Deal 2 was included in the programme and £0.7m of this was not required and has been slipped back into 2016-17.
Capital Disposals	0.5			This is the final outturn for 2015/16 costs for disposing of CCC properties funded from the capital receipts generated.
Basic Need	0.4	(0.7)		Approved Changes:- Switch of £0.2m from TBNP, and an addition £0.2m of S106 monies. £700k Rescheduling - within the programme 54% of underspend is unallocated funding to accommodate emergency works. Leaving c£320k to be carried forward to meet 16/17 commitments/retentions. The balance from savings generated on individual schemes coming in below the target price, through the effective management in the procurement and construction, will be recycled to continue to meet the Programmes new commitments.
Emergency Basic Need		(0.1)		Demand led and therefore difficult to predict. Balance will be carried forward into 2016/17. Condition led programme (CAP1026) will hopefully reduce demand on this budget going forward.
Basic Need - TBNP	(1.4)	(0.4)		Approved Changes: 1m has been put back into Condition & 0.2 into Basic need due to project underspends and new S106 monies coming in to fund the programme, this money had a uncertainty of being received. Re-scheduling:- The 0.4 re-scheduling is due to the final bills from the contractor not being verified until very late by the Cost Consultants will be paid in 16/17.
Condition - Schools	1.1	(1.3)		Approved Changes:- 1 m from TBNP as per Basic Need TBNP explanation Re-scheduling:- £745k will be carried forward to 2016/17 for the condition element of Edgewick to meet project retentions AND final bills from Farrans (the contractor) which are currently awaiting verification from Turner Townsend our cost consultants. £90k underspend of M&E condition projects (boiler replacements) due to internal capacity issues (particularly around design) – has been addressed for 2016/17 programme with earlier start on programme and external delivery where appropriate. £297k was unallocated to a specific scheme pending the identification of further schemes and will be carried forward into 2016/17.

Condition - Early years		(0.1)		Eagle Street Play Centre and Foleshill Play Centre accounted for £25k of this underspend. Investment in both of these facilities was put on hold pending consultation over their future as part of Connecting Communities. On 23 rd February 2016 Cabinet agreed to stop providing play activities at Edgewick and Eagle Street Play Centres and for the Council to lease the buildings to third party operators to use for nursery provision for the two, three and four years olds instead by September 2016. It may be necessary for the condition improvement work to go ahead in 2016/17 as part of the Council's Landlord responsibilities and hence it is proposed to carry forward the £25k. Improvement works to the value of £15k were not delivered across 6 other schemes by Early Years. The balance of £50k was in 'unallocated' - condition projects are demand led and clearly there were insufficient projects identified by Early years which required condition funding.
Pathways to Care (Support to Foster Carers)		(0.1)		Underspend due to delays in agreeing a policy and grant terms/conditions with Legal and Audit. Difficult to forecast demand for support from this budget.
Miscellaneous		(0.3)	(0.1)	Aggregated changes that total >£100k.
SUB TOTAL - Place Directorate	(0.8)	(9.6)	1.3	

RESOURCES DIRECTORATE				
Kickstart - ICT Systems		(0.4)		A significant proportion of this underspend (£380k) relates to the Agresso HR & Pay implementation/project. This project has been on hold whilst negotiations have been on-going with the supplier. These negotiations progressed during QTR4 of 15/16 but this has meant the expected spend on this project will now fall into FY 16/17. The remaining re-scheduling relates to the Customer Journey and EDRMS projects: Customer Journey - The planning for the next phases of the Customer Journey programme was finalised during Qtr 4 of 15/16. This has provided the plan for the next elements of resource required and this will form part of the financial planning for FY16/17 EDRMS - The information management strategy has been developed during Qtr 4 and further work has started with external consultants (Inform Consult) on the implementation. The spend on the further implementation of the EDRMS solutions will now fall into FY 16/17
Kickstart - Customer Journey	(0.1)			Moving resources to the Friargate Kickstart Project to fund ICT works

Kickstart - ICT Infrastructure		(0.4)		Due to technical issues with the implementation of the Mitel Unified Communications system, there have been delays with the roll out across the Council. As the original payment schedule was linked to the roll out, payments have not been made as per the schedule. The technical issues have now been resolved, and it is expected that the roll out will be completed by the end of the 2016/17 financial year. A revised payment schedule has been agreed with the supplier, and providing there are no further technical issues with the system, all further payments will be made by the end of the 2016/17 financial year.
ICT Infrastructure Operations		(0.4)		In order to support the early relocation project, orders were placed for the equipment (laptops, monitors etc.) required for circa 500 staff. Whilst this equipment was expected to be delivered and invoiced in time for year end, delays with the supplier meant that it was not received into bonded storage until early April. This resulted in a re-scheduling of £200k. These costs have now been receipted and invoiced. The remainder of the re-scheduling relates to expected expenditure in Q4 which did not happen due to allocation of staff to meet the demands of early relocation. It is expected that this work and the related expenditure will happen Q1 2016/17 or early Q2.
SUB TOTAL - Resources Directorate	(0.1)	(1.2)	0.0	
TOTAL RESCHEDULING	(0.9)	(10.9)	1.3	

Appendix 3

Summary Prudential Indicators

	Per Treasury Management Strategy 15/16 £000's	Actual 15/16 £000's
1 Ratio of financing costs to net revenue stream:		
(a) General Fund financing costs	35,349	33,149
(b) General Fund net revenue stream	238,357	238,357
General Fund Percentage	14.83%	13.91%
2 Gross Debt & Forecast Capital Financing Requirement		
Gross debt including PFI liabilities	398,874	372,320
Capital Financing Requirement (forecast end of 17/18)	443,938	491,626
Gross Debt to Net Debt:		
Gross debt including PFI liabilities	398,874	372,320
less investments	-10,000	-96,772
less transferred debt reimbursed by others	-16,470	-16,471
Net Debt	372,404	259,077
3 Capital Expenditure (Note this excludes leasing)		
General Fund	117,659	104,056
4 Capital Financing Requirement (CFR)		
Capital Financing Requirement	443,938	391,833
Capital Financing Requirement excluding transferred debt	427,468	375,362
5 Authorised limit for external debt		
Authorised limit for borrowing	419,260	419,260
+ authorised limit for other long term liabilities	75,028	75,028
= authorised limit for debt	494,289	494,289
6 Operational boundary for external debt		
Operational boundary for borrowing	379,260	379,260
+ Operational boundary for other long term liabilities	75,028	75,028
= Operational boundary for external debt	454,289	454,289
7 Actual external debt		
actual borrowing at 31 March 2016		280,930
+ PFI & Finance Leasing liabilities at 31 March 2016		74,919
+ transferred debt liabilities at 31 March 2016		16,471
= actual gross external debt at 31 March 2016		372,320
8 Interest rate exposures		
Upper Limit for Fixed Rate Exposures	419,260	239,397
Variable Rate		
Upper Limit for Variable Rate Exposures	83,852	-55,239
9 Maturity structure of borrowing - limits		
under 12 months	upper limit	actual
	40%	11.2%

12 months to within 24 months
 24 months to within 5 years
 5 years to within 10 years
 10 years & above

20%	2.0%
30%	14.8%
30%	7.7%
100%	64.3%

10 Investments longer than 364 days: upper limit

10,000	5,525
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