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Coventry City Council

Agenda

Audit and Procurement Committee

Time and Date
3.00 pm on Monday, 26th June, 2017

Place
Diamond Room 2 - Council House

Public Business

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of Previous Meeting** (Pages 3 - 10)

   To agree the minutes of the meeting held on 3rd April 2017.

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. **Outstanding Issues** (Pages 11 - 16)

   Report of the Deputy Chief Executive (Place)

6. **Work Programme 2017/18** (Pages 17 - 18)

   Report of the Deputy Chief Executive (Place)

7. **Internal Audit Annual Report 2016/17** (Pages 19 - 34)

   Report of the Deputy Chief Executive (Place)

8. **Annual Governance Statement 2016/17** (Pages 35 - 50)

   Report of the Deputy Chief Executive (Place)

9. **Internal Audit Plan 2017/18** (Pages 51 - 58)

   Report of the Deputy Chief Executive (Place)

10. **Unaudited Statement of Accounts 2016/17** (Pages 59 - 184)

    Report of the Deputy Chief Executive (Place)

11. **Revenue and Capital Outturn 2016/17** (Pages 185 - 214)

Report of the Deputy Chief Executive (Place)

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 215 - 222)

Report of the Deputy Chief Executive (People)

(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.**

Martin Yardley, Deputy Chief Executive (Place), Council House Coventry

Friday, 16 June 2017

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

Membership: Councillors S Bains (Chair), R Brown, L Harvard (Deputy Chair), R Singh, H Sweet and K Taylor

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

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Lara Knight
Telephone: (024) 7683 3237
e-mail: lara.knight@coventry.gov.uk

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 3 April 2017

Present:

Members:	Councillor S Bains (Chair) Councillor R Brown Councillor J Clifford Councillor J Lepoidevin Councillor T Sawdon Councillor H Sweet
Employees (by Directorate):	
Place	M Burn, P Jennings, L Knight, H Lynch, J Newman, R Parkes, K Tyler, A West
Other Representatives:	M Stocks, S Turner, Grant Thornton

Public Business

76. **Declarations of Interest**

There were no disclosable pecuniary interests.

77. **Minutes of Previous Meeting**

The minutes of the meeting held on 20th February 2017 were agreed and signed as a true record.

Further to Minute 66, the Committee were advised that the recruitment process for the permanent Records Manager had been completed and the appointee would be starting in post shortly.

78. **Exclusion of Press and Public**

RESOLVED to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 86 below headed 'Procurement and Commissioning Progress Report' on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

79. **Outstanding Issues**

The Committee considered a report of the Deputy Chief Executive (Place), which identified those issues on which further reports / information had been requested or were outstanding so that Members were aware of them and could manage their progress.

Appendix 1 to the report outlined where a report back had been requested to a future meeting along with the anticipated date for further consideration of the issue. Where a request had been made to delay the consideration of the report back, the proposed revised date was identified along with the reason for the request. Appendix 2 set out items where additional information was requested outside of the formal meeting along with the date when this had been completed.

The Committee were advised that, in relation to item 2 of Appendix 1, proposals had been progressed to have an Employee Suggestion Scheme, which would operate for a period of six weeks and that a report on the outcome would be submitted to the committee in due course. Members indicated that the six week period should be considered as a pilot and that investigations should be made to continue the Scheme on an ongoing basis. In addition, they suggested that some form of employee reward be considered to encourage staff to make money saving suggestions.

RESOLVED that, having considered the list of outstanding items set out in the appendices to the report, the Audit and Procurement Committee note the current position in relation to reports back and confirm that those items identified as completed be discharged and removed from the outstanding issues list.

80. **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 current municipal year.

The Committee were advised that it was proposed to reschedule consideration of the Internal Audit Plan to the next meeting.

RESOLVED that the Audit and Procurement Committee note their work programme and approve amendments as indicated.

81. **The Audit Plan for Coventry City Council - Year Ended 31st March 2017**

The Committee considered a report of the External Auditors, Grant Thornton, detailing the Audit Plan for year ending 31st March 2017.

As required by International Standard on Auditing (UK & Ireland) 260, the Audit Plan set out the scope and timing of the audit to be carried out by the External Auditors in relation to Coventry City Council for the year ending 31st March 2017 and included:

- Understanding the Council's business and key developments
- Materiality

- Significant identified risks
- Other risk identified
- Group audit scope and risk assessment
- Value for Money
- Other audit responsibilities
- Results of interim audit work
- The audit cycle
- The audit fees
- Independence and non- audit services
- Communication of audit matters with those charged with governance.

The Committee noted that the External Auditors were required to perform their audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Their responsibilities under the Code were to give an opinion on the Council's financial statements; ant to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In relation to the fees, the Committee noted that the total audit fees for the Council Audit and Grant Certification was £189,158 (excluding VAT). Further fees of £4,200 were expected in relation to the certification of teachers' pension return for 2016/17 and £30,000 for CFO Insights, this being the full cost for a 3-year subscription (£10,000 to be charged each year).

RESOLVED that the Audit and Procurement Committee note the Audit Plan for year ending 31st March 2017.

82. **Internal Audit Recommendation Tracking Report**

The Committee considered a report of the Deputy Chief Executive (Place) which provided an update on progress made in implementing internal audit recommendations since the last update in December 2015.

Given the number of audits that the Internal Audit Service completes every year, it was critical that it had a robust procedure in place for ensuring that it obtained appropriate assurance that audit recommendations had been implemented, but done so in a way that allowed the Service to respond to new risks facing the Council. Where appropriate, Internal Audit defined within its audit reports the follow up process to those responsible for the system / area under review and a date was agreed of when this will take place.

There were currently three key considerations that determined the follow procedure adopted and these were set out within the report submitted and, in summary, were:

1. Whether the area audited was of such significance that it was subject to an annual review;

2. The level of assurance provided in the audit report;

3. A ‘catch all’ process for those reviews where neither of the other criteria applied but a follow up review was necessary.

Overall, it was believed that the procedures achieved the right balance between ensuring action was taken in response to risks identified and allowing the service to focus on identification of new risks. The Committee noted that this was of particular importance given the reduction in the size of the Audit Team over the last few years.

The report and appendices set out the results from the latest follow up exercise and, of the 195 actions followed up, 71% had been implemented based on both the formal and self-assessment follow up method. When analysed by follow up method, there was a 71% implementation rate for formal follow up method and 70% implementation rate for the self-assessment method.

The Committee noted that, in relation to the self-assessment method, it had been expected that the rate would decrease from previous years in light of the reduced focus on school audits within the audit plan, where historically actions identified were likely to be straightforward, not time consuming and tended to focus on compliance rather than control issues.

After the follow up had been completed, the results were collated within Internal Audit. If progress was not consistent with expectations, audit management would determine the next course of action based on the reasons for the lack of progress. The report identified the courses of action available and the appendices to the report highlighted the proposed actions for audits where recommendations remained outstanding.

RESOLVED that the Audit and Procurement Committee note the progress made in implementing audit recommendations and confirmed its satisfaction with the proposed action by the Acting Chief Internal Auditor for audits where actions remain outstanding.

83. **Code of Corporate Governance**

The Committee considered a briefing note of the Deputy Chief Executive (Place), which sought views on the proposed Code of Corporate Governance.

The Council first introduced a Code of Corporate Governance in 2009, based on best practice at the time. It was acknowledged that the context in which local government operated had changed significantly since then and in 2016, the Chartered Institute of Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) updated their guidance on Corporate Governance and published the new Delivering Good Governance in Local Government Framework. This provided a best practice framework for local authorities to help make sure that their resources were directed in accordance with agreed policy and according to priorities, that there was sound and inclusive decision-making and that there was clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities. It set out the principles that underpinned good governance and how local authorities could assure themselves and others that they were meeting them.

The Committee were advised that the Council had a range of measures to ensure that governance in the organisation was managed effectively and it worked hard to ensure that these arrangements were robust and met best practice. In reality this was achieved through a range of policies, plans, procedures such as the Constitution (including codes of conduct for Members and employees), the Council Plan, the Medium Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption and managing risk. The Code of Corporate Governance did not set out to list or replicate these. Instead it provided a framework against which these could be assessed to ensure that the principles of the code were being met, that there were systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance were identified and appropriate actions developed.

The revised Code now proposed reflected the new guidance, adopted the principles that it identified as underpinning good governance and set out how it could be used to strengthen corporate governance in the City Council and was set out at Appendix 2 of the report.

The Council would use the National Framework to support an annual review of how it was meeting the Code. As well as ensuring that the Council had the right policies, plans and procedures in place, it would also review the arrangements that were in place to measure their effectiveness. An example of how this would be used was set out in Appendix 1 of the report.

The Committee noted that local authorities were required to conduct a review at least once every financial year of the effectiveness of their systems of internal control and to report on this review with its Statement of Accounts. The Audit and Procurement Committee was responsible for approving the Annual Governance Statement alongside the Statement of Accounts and the Code of Corporate Governance and it was proposed that the annual review would inform this process.

Having considered the briefing note, the Committee stressed the importance of ensuring the proposed review process was robust in order for the Council to be able to assess itself effectively against both the principles of the Code and best practice identified in the National Framework. In addition, they sought assurance about how the review cycle would operate to identify gaps and deliver improvement and how progress would be reported and monitored. They also requested that the Cabinet Member for Policy and Leadership be made aware of their views when considering a report on the Code of Corporate Governance at his meeting scheduled for 13th April 2017.

RESOLVED that the Audit and Procurement Committee, having reviewed the draft Code of Corporate Governance and the review process appended to the report submitted, request that the Cabinet Member for Policy and Leadership be advised that the Committee:-

1. **Stressed the importance of ensuring the proposed review process is robust in order for the Council to be able to assess itself effectively against the principles of the Code and best practice identified in the National Framework.**

2. **Sought assurance about how the review cycle would operate to identify gaps and deliver improvement and how progress would be reported and monitored.**

84. **Review of the Council's Whistleblowing Policy**

The Committee considered a report of the Deputy Chief Executive (Place) which set out proposed amendments to the Council's whistleblowing blowing policy following a recent review.

The report had been considered by the Ethics Committee at their meeting on 17th March 2017, who had no comments for the Audit and Procurement Committee to consider. The report was also due to be considered by the Cabinet Member for Policy and Leadership on 13th April 2017.

The report indicated that the Council was not required by law to have a whistleblowing policy. However, it was recommended in government guidance and by Public Concern at Work that employers should, as a matter of best practice, have a whistleblowing policy as it showed the employer's commitment to listening to concerns and addressing them appropriately. Such a policy helped to foster an open culture where employees were encouraged to report concerns. It was best practice to have a whistleblowing policy in order to maintain high standards of openness and accountability and to encourage those with concerns to raise them using the policy.

The Committee were advised that the whistleblowing legislation was governed by the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). This legislation provided that certain individuals (employees, workers, agency workers) were protected from suffering any detriment i.e. any disadvantage because he/she had made a protected disclosure.

Under the Enterprise and Regulatory Reform Act 2013 a disclosure would only be a protected disclosure if the individual reasonably believed that the disclosure was in the public interest and that it related to one of the prescribed categories as specified under paragraph 7 of the draft policy, which was attached at Appendix 2 of the report.

The Committee noted that one of the key concerns raised in the Rotherham report was that the whistleblowing policy was inadequate and did not provide adequate protection to whistle-blowers. The review of the City Council's policy had sought to address these concerns through the use of safeguards and protections for individuals and, in addition, ensured that the policy was fit for purpose and complied with the legislative requirements.

It was recommended that Local authority schools should also review their Whistleblowing Policy in light of the Council's review and update their policy where appropriate. The Council would liaise with the governing bodies to ensure that they were aware of the amendments made.

RESOLVED that the Cabinet Member for Policy and Leadership be advised that the Audit and Procurement Committee indicated their support of the revised draft Whistleblowing Policy attached at appendix 2.

85. **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.

86. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Executive Director of Resources which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 24th October, 2016. Details of the latest positions in relation to individual matters were set out in an appendix to the report.

RESOLVED that:

1. **The current position in relation to the Commissioning and Procurement Services be noted.**

2. **No recommendations be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

3. **No changes are required to the format of the report at this time.**

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

There were no other items of private business.

(Meeting closed at 4.25 pm)

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Coventry City Council

Public report
Committee Report

Audit and Procurement Committee 26th June 2017

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
N/A

Title:
Outstanding Issues

Is this a key decision?
No

Executive summary:

This report is to identify those issues on which further reports / information has been requested or are outstanding so that Members are aware of them and can monitor their progress.

Recommendations:

The Committee is recommended to:-

1. Consider the list of outstanding items as set out in the Appendices, and to ask the Deputy Chief Executive concerned to explain the current position on those items which should have been discharged.

2. Agree that those items identified as completed within the Appendices be confirmed as discharged and removed from the outstanding issues list.

List of Appendices included:

Appendix 1 - Further Report Requested to Future Meeting
Appendix 2 - Additional Information Requested Outside of Meeting

Other useful background papers:

None

Has it or will it be considered by scrutiny?

N/A

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:
Outstanding Issues

1. Context (or background)

1.1 In May 2004, the City Council adopted an Outstanding Minutes system, linked to the Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.

1.2 At their meeting on 25th January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, that a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside of the formal meeting.

1.3 Appendix 1 to the report outlines items where a report back has been requested to a future Committee meeting, along with the anticipated date for further consideration of the issue.

1.4 In addition, Appendix 2 sets out items where additional information was requested outside of the formal meeting along with the date when this was completed.

1.5 Where a request has been made to delay the consideration of the report back, the proposed revised date is identified, along with the reason for the request.

2. Options considered and recommended proposal

2.1 N/A

3. Results of consultation undertaken

3.1 N/A

4. Timetable for implementing this decision

4.1 N/A

5. Comments from Executive Director of Resources

5.1 Financial implications

N/A

5.2 Legal implications

N/A

6. Other implications

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

N/A

6.2 How is risk being managed?

This report will be considered and monitored at each meeting of the Cabinet

6.3 What is the impact on the organisation?

N/A

6.4 Equalities / EIA

N/A

6.5 Implications for (or impact on) the environment

N/A

6.6 Implications for partner organisations?

N/A

Report author(s):

Name and job title:
Lara Knight
Governance Services Co-ordinator

Directorate:
Place

Tel and email contact:
E-mail: Lara.knight@coventry.gov.uk
Tel: 024 7683 3237

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Names of approvers: (officers and Members)				

This report is published on the council's website: www.coventry.gov.uk/moderngov

Appendix 1

Further Report Requested to Future Meeting

	Subject	Minute Reference and Date Originally Considered	Date For Further Consideration	Responsible Officer	Proposed Amendment To Date For Consideration	Reason For Request To Delay Submission Of Report
1.	**Information Management Strategy Update** Report back of the outcome of the follow up audit by the Information Commissioner	36/16 24th October 2016	January / February 2018	Helen Lynch / Joe Sansom		

*** identifies items where a report is on the agenda for your meeting.**

Appendix 2

Additional Information Requested Outside of Meeting

There are currently no outstanding requests for information.

Audit and Procurement Committee

Work Programme 2017-18

26th June 2017

Revenue and Capital Out-turn 2016-17
Draft Statement of Accounts 2016-17
Annual Governance Statement 2016-17
Internal Audit Annual Report 2016-17
Internal Audit Plan 2017-18
Procurement Progress Report (Private)

24th July 2017

Audit Findings Report 2016-17 (Grant Thornton)
Statement of Accounts 2016-17
Audit Committee Annual Report 2016-17
Information Management Strategy Update
FOI / DPA Annual Report 2016-17
Procurement Progress Report (Private)

11th September 2017

Quarter One Revenue and Corporate Capital Monitoring Report 2017-18
Annual Audit Letter 2016-17 (Grant Thornton)
Fraud Annual Report 2016-17
Procurement Progress Report (Private)

13th November 2017

Internal Audit Plan 2017-18
Half Year Internal Audit Progress Report 2017-18
Treasury Management Update
Information Management Strategy Update
Procurement Progress Report (Private)

18th December 2017

Quarter Two Revenue and Corporate Capital Monitoring Report 2017-18
Half Yearly Fraud Update 2017-18
Ombudsman Complaints Annual Report 2016-17
Corporate Risk Register Update
Annual Audit Letter 2016/17 - Progress Report on Actions
Procurement Progress Report (Private)

19th February 2018

Grant Certification Report (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2017-19
Quarter Three Internal Audit Progress Report 2017-18
RIPA (Regulation of Investigatory Powers Act) Annual Report 2016-17
Contract Management Review
Procurement Progress Report (Private)

26th March 2018

Annual Audit Plan (Grant Thornton)
Internal Audit Recommendation Tracking Report
Internal Audit Plan 2018-19
Procurement Progress Report (Private)
Code of Corporate Governance (Adrian West)

Dates to be confirmed

Coventry City Council

Public report

Report to

Audit and Procurement Committee — 26th June 2017

Name of Cabinet Member:
Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
City Wide

Title:
Internal Audit Annual Report 2016-17

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 2016 to March 2017 against the agreed Audit Plan for 2016-17

- 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 2016-17 (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 2016-17.

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 2016-17 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 2016-17

Appendix Two - Summary findings from key audit reports

Background papers:

None

Other useful documents:

Half Year Internal Audit Progress Report 2016-17
http://moderngov.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11310&Ver=4

Internal Audit Plan 2016-17 – Quarter Three Progress Report
http://moderngov.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11090&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 2016-17

1. Context (or background)

1.1 The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2016-17 at its meeting on the 24th October 2016. During the last financial year, the Committee has received progress reports summarising completed audit activity in October 2016 and February 2017.

1.2 This report details the performance of the Internal Audit Service against the Plan for 2016-17, 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:

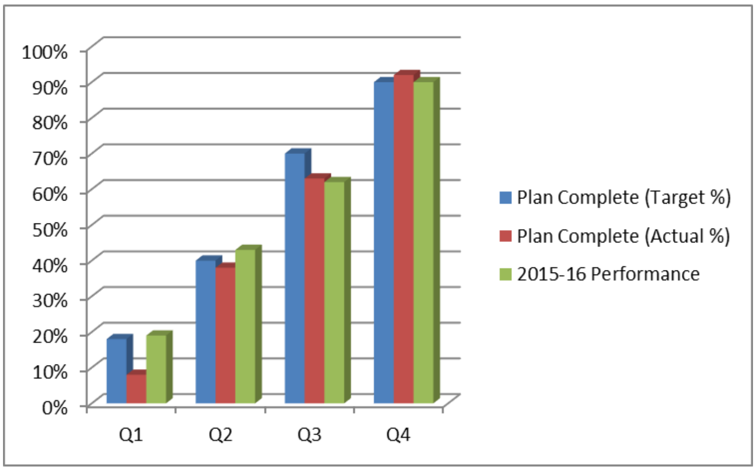
- Assessment of the performance of the Internal Audit Service against its key targets.
- A summary of the audit activity in 2016-17, and highlighting issues that have not been reported to the Audit and Procurement Committee previously, and are relevant to the overall opinion provided in section 2.3.
- 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 2017. The chart below shows that the Service met this target.

Chart One: Performance of Internal Audit 2016-17



2.1.2 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 2016-17, compared with performance in 2015-16.

Table One: KPIs for the Internal Audit Service

Performance Measure	Target	Performance 2016-17	Performance 2015-16
Planned Days Delivered	100%	95%	96%
Productive Time of Team (% of work time spent on audit work)	90%	89%	88%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	70%	74%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	97%	91%
Audits Delivered within Budget Days	80%	72%	68%

Whilst improvements in performance are still required around draft report to deadline and audits delivered within budget days, this does need to be seen in the context of the size of the audit plan in that out of 58 audits completed:

- 16 over-ran in terms of budget days.
- Nine draft reports were issued after the deadline (this percentage is calculated differently as a draft report is not issued for every piece of work, for example where grant claims are audited).

Notwithstanding this, targeted actions to improve performance remain on-going. Over the last year these actions have included team development sessions, weekly progress meetings and an increased focus on time planning within individual audits. This will remain a key area of focus in 2017-18, with for example, development of a new tool to support the time monitoring of audits and the early identification of potential issues which could impact on performance to enable remedial action to be taken, and the introduction of a framework of accountability for audit team members.

2.2 **Audit Activity 2016-17**

2.2.1 Appendix One details the audit reviews that have been carried out in the financial year 2016-17 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 2016-17 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 2015-16** – In the previous annual report, the Acting Chief Internal Auditor identified a number of areas where she believed significant control improvements were required. An update on each of these areas is provided below:

- **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.** Over the course of the year meetings have been held between Internal Audit and Council Tax to discuss and agree improvements to procedures. Agreed actions included, regular quality assurance checks on a sample of exemptions / discounts awarded by the Council Tax management with feedback given to officers, development of a desk aid for all staff to highlight the process to be followed when awarding discounts and exemption, increased verification over the award of student exemptions and formal follow-up review by Internal Audit which found that there was a significant improvement in compliance with procedures. As a result, this area is no longer viewed as requiring significant control improvements and has not been carried forward to the 2016-17 Annual Governance Statement.

- **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.** The work undertaken linked to these areas is summarised below:

  - The Risk Management Policy and Strategy has been reviewed and updated. Once formally adopted by the Council in line with the required governance process, appropriate actions will be taken to embed the new requirements of the revised Policy and Strategy, with oversight by senior management.

  - During the 2016/17 municipal year, the Council reviewed and updated its Code of Corporate Governance following the publication of new national guidance. An annual review process has been introduced to ensure that the principles of the Code are effectively embedded in the organisation and that our policies and practices meet best practice. The outcomes of the annual review, including any actions required, will be reported to the Audit and Procurement Committee and will inform the preparation of future Annual Governance Statements.

  - The Whistleblowing Procedure has been reviewed and updated. However, the principles underpinning the procedure have not significantly changed with the review and update providing clearer guidance which continue to be delivered through on-going arrangements. As a result, this is no longer viewed as requiring control improvements and has not been carried forward to the 2016/17 Annual Governance Statement.

  - Whilst the Council's Fraud and Corruption Strategy has been reviewed, work is still required to formally update this and develop a framework to underpin implementation of the strategy and the governance arrangements linked to this. The Council's Audit and Procurement Committee will have oversight of this work.

  With the exception of the area of the Whistleblowing procedure, the on-going work related to the Risk Management Strategy, the Code of Corporate Governance and the Fraud and Corruption Strategy has been considered in the preparation of the Annual Governance Statement for 2016-17.

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 the Acting Chief Internal Auditor's view, sufficient assurance work has been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of Coventry City Council's internal control environment. It is the Acting Chief Internal Auditor's opinion that that **moderate assurance** can be provided that there is generally a sound system of internal control in place designed to meet the Council's objectives. This means that there is generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level.

In giving this opinion, assurance can never be absolute as the system of internal control is designed to manage risk to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness.

Through Internal Audit work, actions are agreed to improve the control environment and assist the Council in achieving its objectives. A defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis.

2.3.4 **Audit work undertaken** – Appendix One details the audit reviews that have been carried out in the financial year 2016-17 along with the level of assurance provided. In considering the outcome of audit activity for 2016-17, 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
2016-17	58	6	10%
2015-16	55	3	5%
2014-15	85	6	7%

Table three above indicates that the number of audits that require immediate improvements remains at a low level in comparison to the overall number of audits carried out. Whilst there has been a slight increase in the number of these reviews in 2016-17, this does not necessarily mean that the Council's overall control environment has changed in the last year and other factors that have been have been considered in the assessment of the control environment include:

- The impact that the weaknesses identified have on the overall Council control environment - When considering the six 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 as in some circumstances 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. As such, an assurance level is not provided given the limited scope of such reviews.

  - In 2016-17, the audit plan included a number of reviews arising from specific requests from management to provide assurance as concerns already existed that improvements were required to manage risks effectively.

2.3.5 **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 2016-17.

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. **Delivery of the Workforce Strategy –** This partly reflects the findings of the review around the governance of employment costs which is summarised at appendix two, alongside other issues identified by the Service as part of its work co-ordinating the production of the Annual Governance Statement.

2. **Adult Social Care -** This issue is not specifically linked to a particular audit but reflects our findings in a number of reviews undertaken linked to this area, including the review of CareDirector Expenditure summarised at appendix two and the review of Direct Payments which has previously been reported to Audit and Procurement Committee.

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 Director of Finance and Corporate Services

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

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement alongside the Statement of Accounts. The opinion of the Acting Chief Internal Auditor on the adequacy of the Council's internal control environment as included in the Annual Report is a key source in the preparation of the Annual Governance Statement. Reporting on progress in regards to the delivery of the Annual Audit Plan ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

6. Other implications

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

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 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. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. This risk is managed through on-going communication with customers to agree timing and identify issues at an early stage to allow for remedial action to be taken.

- 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

Report author(s):
Karen Tyler

Name and job title:
Acting Chief Internal Auditor

Directorate:
Place

Tel and email contact
024 7683 4035 – Karen.tyler@coventry.gov.uk
Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Place	31/5/17	1/6/17
Paul Jennings	Finance Manager Corporate Finance	Place	31/5/17	31/5/17
Names of approvers: (officers and members)				
Barrie Hastie	Director of Finance & Corporate Services	Place	31/5/17	2/6/17
HR: Barbara Barrett	Head of Human	People	31/5/17	12/6/17

	Resources & Organisational Development			
Legal: Helen Lynch	Legal Services Manager (Place and Regulatory)	Place	31/5/17	2/6/17

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Appendix One – Internal Audit Reviews Completed in 2016-17

Audit Area	Audit Title	Level of Assurance
Corporate Risk	ICT – Disaster Recovery*	Moderate
	ICT – Office 365/Cloud*	Significant
	Customer journey – financial processes*	Moderate
	Governance of additional employment payments*	N/a fact finding
	ICT - network infrastructure	Moderate
	ICT - service desk	Moderate
	Connecting Communities – due diligence	N/a verification
Council / Audit Priorities	Data Protection*	Moderate
	Annual leave	N/a fact finding
	Payroll – The Grange	Limited
	Direct Payments*	None
	Declarations of Interest guidance	N/a advice
	Business Continuity	Moderate
Finance Systems	Accounts Payable	Significant
	Accounts Receivable	Moderate
	Payroll	Significant
	Council Tax	Moderate
	Business Rates	Moderate
	Housing Benefits – hostels and supported accommodation	Moderate
	CareDirector expenditure*	Moderate
	Raising invoices locally	Significant
	Caredirector income	Moderate
Regularity	NHS Information Governance Toolkit	n/a verification
	Annual Governance Statement	n/a annual review
	Declaration of interest	n/a annual review
	Cycle Coventry grant	n/a verification
	S256 health grants	n/a verification
	Highways maintenance challenge fund swansell	n/a verification
	Major transport scheme grants	n/a verification
	Troubled families programme claim 1	n/a verification
	Disabled facilities grant	n/a verification
	Troubled families programme claim 2	n/a verification
	Teachers pension scheme grant	n/a verification
	School direct grant	n/a verification
	Local growth fund	Moderate
	Highways maintenance challenge fund – improvements to road network	n/a verification
	Innovate UK grant	n/a verification
	UK cite grant	n/a verification
	Integrated transport grant	n/a verification
	Troubled families programme claim 3	n/a verification
	Highways capital maintenance grant	n/a verification
Schools	Aldermans Green Primary School	Moderate
	Broad Heath School	Moderate
	Potters Green School	Limited
	Stanton Bridge Primary School	n/a fact finding

Contingency / Directorate issues	CNR	Significant
	Card refunds*	Limited
	Road marking and gulley crews	Moderate
	Governance of registrars and coroners	Significant
	School admissions	n/a fact finding
	Traffic regulation orders	n/a fact finding
	Management of plant and equipment	Limited
	Fire drill	n/s fact finding
	Job shop	Moderate
	Processing of energy bills*	Limited
Follow up	Keresley Grange Primary School	Significant
	Council tax (exemptions and discounts)*	Moderate
	ICT – major incident reviews	Moderate
	Stanton Bridge Primary School	n/a fact finding

(*) Audit findings reported to Audit and Procurement Committee during municipal year 2016-17

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
CareDirector Expenditure **April 2017** **Head of Business Systems**	**Overall Objective:** To ensure that the Council has effective systems in place to administer payments made through Caredirector in respect of adult social care. **Opinion**: Moderate Assurance **Summary / Actions Identified:** The review identified the following areas of good practice: • Ensuring that manual payments outside of the Caredirector system are only made on an exception basis, minimising the risk of duplicate payments. • Mechanisms are in place to monitor the performance of the Financial Operations Team, with regular reporting to management to agree priorities. The level of assurance reflects our view that on the whole, appropriate controls are in place to ensure accurate and timely payments are made, which have been embedded within the system. However, the review highlighted that there is scope to improve control over manual variations / adjustments within the system and whilst new processes provide accurate information for management oversight of budget commitments / possible overspends, from an audit perspective it is too early to assess the effectiveness of these measures for potentially managing and reducing spend. Areas for improvement identified include: • Introducing risk based checks over manual variations and adjustments input to the Caredirector system. • Reviewing / taking actions on aged credit balances, including ensuring that a full reconciliation of monies recovered and written off is undertaken.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Governance of Employment Costs **March 2018** **Head of Employment Policy and Practice / Head of Human Resources and Organisational Development (in-conjunction with other officers)**	**Overall Objective:** To ensure that the Council has effective governance arrangements in place to enforce policies and procedures in relation to the management of employment costs. **Opinion**: N/A **Summary / Actions Identified:** Whilst it was not practical to provide a level of assurance in relation to the system under review, a number of key themes were identified, including: • The policies / associated guidance which provide the framework for the governance of employment costs have not been subject to any significant review or update since they were developed. • In a number of areas, there is a lack of transparency around individual transactions, which could leave to ineffective control of spend in this area. • Whilst we support a risk based approach to governance, the review highlighted that in some situations it is clear that there is a need to consider introducing different mechanisms to provide for more robust control where significant costs are involved. Areas for improvement identified include: • All council policies and associated guidance linked to employment costs are subject to a fundamental review to consider whether they continue to be an appropriate use of resources, are fit for purpose and are aligned to the current business model of the Council. • Standards around transparency are defined within employment policies and financial regulations, including establishing accountability for adhering to Council policies and procedures which are clearly communicated and enforced. • Introducing a governance forum (or equivalent), which is made up of appropriate officers within the Council, which is given responsibility for the approval of specific employment costs. A project team has been established to take forward the recommendations arising from this review.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Data Protection **September 2017** **Senior Information Governance Officer / Records Manager**	**Overall Objective:** To ensure that the Council has implemented actions to improve the required controls to deliver data protection compliance. **Opinion**: Moderate Assurance **Summary / Actions Identified:** The review identified the following areas of good practice: • The Information Management Strategy Group provides a clear management framework and governance to ensure that the Council has appropriate influence and oversight of data protection processes across the Council. • A range of e-learning courses has been developed to ensure a needs based data protection training programme will be available to all employees which can be matched to their individual roles and responsibilities. It is clear that significant progress has been made since the Information Commissioner's Office audit in 2015, including the good practice highlighted above. However, it is our view that further work is required to ensure that arrangements now become fully embedded. Whilst in some aspects, this can be easily addressed, there are some areas where more substantial work is required to ensure that moving forward, arrangements are robust, effective and become "business as usual" in terms of on-going actions to underpin the operational delivery of data protection compliance across the Council. Areas for improvement identified include: • Undertaking further promotion of the Information Governance Handbook, including introducing easy to find links to the Handbook on the Council's Intranet site. • Continuing the development of a separate register of Privacy Impact Assessments to ensure this is a complete record and is kept up to date, alongside the approval of all Privacy Impact Assessments by Information Governance. • Continuing the review of Data Sharing Agreements to confirm that key requirements are included in the agreements with an audit trail / evidence to support the review / outcomes.

Coventry City Council

Public report

Report to

Audit and Procurement Committee 26th June 2017

Name of Cabinet Member:
Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
City Wide

Title:
Annual Governance Statement 2016-17

Is this a key decision?
No

Executive summary:

The purpose of this report is to seek approval for the Annual Governance Statement, which forms part of the Statement of Accounts for 2016-17.

Recommendations:

Audit and Procurement Committee is recommended to consider and approve the Annual Governance Statement (attached at Appendix One), which accompanies the 2016-17 Statement of Accounts.

List of Appendices included:

Appendix One – Annual Governance Statement 2016-17

Background papers:

None

Other useful documents:

Annual Governance Statement 2015-16
http://moderngov.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11086&Ver=4

Has it or will it be considered by scrutiny?

No

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:
Annual Governance Statement 2016-17

1. Context (or background)

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

1.2 To demonstrate such arrangements, the City Council has adopted a Code of Corporate Governance. The Code was reviewed during 2016-17 and a revised Code of Corporate Governance was approved, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance 'Delivering Good Governance in Local Government (2016).

1.3 The Annual Governance Statement ('AGS') explains how Coventry City Council has complied with the Code and in doing so, reflects the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The AGS also details key governance / control issues identified through the assessment that the Council faces in the coming year.

2. Options considered and recommended proposal

2.1 The Annual Governance Statement is informed by a review of the Council's governance environment, which is based on a number of sources including:

- An annual assessment of the adequacy of internal controls / governance arrangements by each Deputy Chief Executive.
- The outputs from the Internal Audit Service, reflected in an annual report that identifies those issues, which in the opinion of the Acting Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
- Reports from external bodies during the year, including those from the Council's external auditors and other inspection agencies.

2.2 Section 5 of the Annual Governance Statement, attached at Appendix One, highlights those areas that the Council considers require internal control / governance improvements. This assessment is co-ordinated by the Acting Chief Internal Auditor, but also incorporates the views and opinions of senior officers. The key disclosures come from the following processes:

- A review of progress against disclosures highlighted in the Annual Governance Statement 2015-16.
- New disclosures identified as part of the assessment process outlined in section 2.1.

The outcomes from these processes are expanded upon overleaf.

2.3 **Update on disclosures made in the Annual Governance Statement 2015-16** - A review of the seven disclosures highlighted in the Annual Governance Statement 2015-16 has found that the disclosures fall into two categories, namely:

2.3.1 Closed from the 2015-16 Statement – Two disclosures have been closed as they are no longer viewed as significant governance / control issues facing the Council. These are outlined below:

- Review and update of the Council's Whistleblowing Procedure. This action was part of a disclosure linked to the review of a number of the Council's key governance processes. Whilst some of these processes have been carried forward to the 2016-17 Annual Governance Statement as the review has instigated changes in the Council's approach which need to be embedded in the forthcoming year, the principles underpinning the Whistleblowing Procedure have not significantly changed, with the review and update providing clearer guidance which continue to be delivered through on-going arrangements. Where governance processes have been carried forward to the 2016-17 statement, these are reflected in 2.3.2 below (and are now included as separate disclosures).

- 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. Over the course of the year meetings have been held between Internal Audit and Council Tax to discuss and agree improvements to procedures. Agreed actions included, regular quality assurance checks on a sample of exemptions/discounts awarded by Council Tax management with feedback given to officers, development of a desk aid for all staff to highlight the process to be followed when awarding discounts and exemptions, increased verification over the award of student exemptions and formal follow-up review by Internal Audit which found that there was a significant improvement in compliance with procedures.

2.3.2 Carry forward to the 2016-17 Statement - A number of governance / control issues remain in the Annual Governance Statement. These are highlighted in Appendix One, along with the actions the Council has taken/ plans to take to deal with these issues. As part of the continuous improvement of the review of effectiveness which underpins the development of the Annual Governance Statement, the process for 2016-17 has included ensuring the Council has specified governance arrangements in place to oversee the actions being taken to address these issues (alongside the general governance framework in operation within the Council). For the disclosures that have been carried forward to the 2016-17 Annual Governance Statement, the specific governance arrangements are summarised below:

- Sustainable improvement in children's services – This is overseen by an Improvement Board and Independent Chair.

- Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy – The Medium Term Financial Strategy is approved by full Council which also sets the revenue and capital Budgets each year. Members receive regular briefings prior to them making Budget decisions and delivery of the budget is monitored on a regular basis by the Council's Cabinet and the Audit and Procurement Committee.

- Delivery of the Kickstart programme – This is overseen by a Kickstart Board.

- Raising educational standards – On-going governance arrangements are through the Secondary and Primary Partnerships and the Education Standards Board.

- Implementation of the Information Management Strategy – The Information Management Strategy Group maintain oversight of this work.

- Code of Corporate Governance – an annual review process has been introduced, the outcomes of which, including any actions required, will be reported to the Audit and Procurement Committee.

- Establishing a Counter Fraud Framework – The Audit and Procurement Committee will have oversight of this work.

- Risk Management Strategy – oversight by senior management within the Council.

2.4 **New Disclosures** – Two new disclosures have been identified for the Annual Governance Statement 2016-17. These issues were identified as part of the review undertaken to support the production of the AGS and are detailed below:

- Long term sustainability of adult social care in the context of financial and demand issues. This includes making the best use of additional resources available to Adult Social Care through the Integrated Better Care Fund (iBCF) to support long term sustainability. A revised iBCF plan for 2017-2019 is to be agreed between the City Council and the Coventry and Rugby Clinical Commissioning Group which will be overseen through the Preventative and Proactive workstream of the Sustainability and Transformation Plan. In addition to this, work will continue to ensure we are supporting people with eligible social care needs in the most effective way (cost being a major consideration) and using alternatives to paid support wherever possible. The Adult Social Care improvement programme includes a number of savings schemes that are to be delivered over 2017/18 and 2018/19 contributing to the Council's Medium Term Financial Strategy. This programme is overseen through the Connecting Communities Board.

- Delivery of the Workforce Strategy. A project team (s) is in place and a robust governance structure is being developed by the end of June 2017. The totality of the workforce strategy programme will be overseen by the Council's Strategic Management Board. The workforce reform programme (a significant element of the workforce strategy) will include, increasing the Council's employment governance, improving the Council's employment policies and practice and a review of our pay, reward and benefits. Follow up of Internal Audit recommendations linked to employment governance will also be undertaken to assess progress made.

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.

5. Comments from the Director of Finance and Corporate Services

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal control / governance have clear and direct effects on finance within the Council. Since these vary widely, it is not useful to attempt to summarise them here, beyond noting that all systems and controls are designed 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

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement alongside the Statement of Accounts.

6. Other implications

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

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

6.2 How is risk being managed?

The key risk that exists is that planned actions are not implemented. This risk is managed through the Council's governance framework which includes arrangements to provide oversight of planned actions through reporting to senior management and designated committees / boards. Defined processes also exist to gain assurance that agreed actions arising from the work of Internal Audit, External Audit or another external agency have been implemented on a timely basis.

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

Report author(s):
Karen Tyler

Name and job title:
Acting Chief Internal Auditor

Directorate:
Place

Tel and email contact

024 7683 4035 – Karen.tyler@coventry.gov.uk
Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Place	31/5/17	1/6/17
Paul Jennings	Finance Manager Corporate Finance	Place	31/5/17	31/5/17
Names of approvers: (officers and members)				
Barrie Hastie	Director of Finance & Corporate Services	Place	31/5/17	2/6/17
Legal: Helen Lynch	Legal Services Manager (Place & Regulatory)	Place	31/5/17	2/6/17

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1. Scope of responsibility

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

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

1.3 Coventry City Council has reviewed and approved a revised Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance *Delivering Good Governance in Local Government (2016).* A copy of the Code is available on our website at: http://www.coventry.gov.uk/downloads/download/1181/code_of_corporate_governance or can be obtained from Democratic Services.

1.4 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.

2. The purpose of the governance framework

2.1 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.

2.2 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.

2.3 The governance framework has been in place at Coventry City Council for the year ended 31st March 2017 and up to the date of approval of the Statement of Accounts.

3. The governance framework

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

3.1 There is a governance / internal control environment that support 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.

3.2 Coventry's Council Plan was adopted in January 2014 and last updated in August 2016. The plan, called "*Coventry: A Top Ten City*", 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 communities and empowered citizens. 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.

3.3 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.

3.4 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.

3.5 The control environment to ensure delivery of the Council's objectives is laid down in the Council's Constitution and performance management framework. The Constitution sets out how the Council operates, including:

- Roles and responsibilities of both Councillors and officers, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.

- How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Constitution includes the Council's senior management structure and a scheme of delegation which sets out the principles for decision making and responsibility for functions. The Council facilitates policy and decision making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee. The Member decision making, advisory and scrutiny bodies are shown at http://www.coventry.gov.uk/howthecouncilworks

3.6 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.

3.7 The Council has an equal opportunities policy which is available on our website at: http://www.coventry.gov.uk/downloads/file/6999/equal_opportunities_policy which sets out the Council's commitment to a diverse community and equal opportunity to contribute and benefit from society. The policy is implemented through setting equality objectives linked to the Council Plan. [Equality objectives | Equality and diversity | Coventry City Council](). Progress is monitored and reported to Cabinet Member. The latest progress reports can be found here: [Equality objectives | Equality and diversity | Coventry City Council](). In addition, the Council carries out Equality and Consultation Analysis on all key decisions taken by Cabinet or Cabinet Member.

3.8 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.

3.9 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.

3.10 An Audit and Procurement Committee provides independent assurance to the Council on various issues, including risk management and control and the effectiveness of the arrangements the Council has for these matters. The Committee's terms of reference were developed in conjunction with CIPFA guidance, and the Committee carries out a periodic self-assessment to measure its effectiveness, based on recommended CIPFA practice.

3.11 For the financial year 2016-17, 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 up until 22nd February 2017. From this date the nominated Section 151 officer was the Director of Finance and Corporate Services, within a new senior management structure. The Council last carried out an assessment of the role of the S151 Officer against the requirements stated in the in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in March 2016 in respect of the Executive Director of Resources. This assessment concluded that the Authority met the five principles 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 Council will conduct a full assessment in respect of the Director of Finance and Corporate Services' role of S151 Officer in 2017-18, but at this stage is satisfied that the new senior management structure will provide an appropriate framework under which the principles can continue to be met. The S151 Officer remains a key member of the Corporate Leadership Team and formally retains a direct reporting line to the Chief Executive when required. The appointment to the role was made by a Member Appointment Panel following a robust assessment process which included an experienced existing Section 151 officer to provide independent and external advice to the Panel.

3.12 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 2017:

- 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 2016, did not highlight any significant concerns. The Company redeemed the remaining £4.4m of preference shares held by Coventry City and Solihull Metropolitan Borough Councils in 2015/16.

- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. Two of the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2016. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although from 2017/18 it is engaged in providing business development services to the City Council.

- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. Two of 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 2016.

4. Review of effectiveness

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

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

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

- On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.

- Regular reviews of Council's strategies and procedures to ensure they continue to reflect the needs of the Council.

This framework has been further strengthened by the revision to the Code of Corporate Governance and the introduction of an annual review against the national framework and guidance which will inform future Annual Governance Statements.

4.3 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 2016-17. 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.

4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Procurement Committee, and can provide reasonable assurance that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework and that a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

5.1 The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. The review of effectiveness has informed identification of the following key challenges, along with the actions taken / proposed to take to deal with these issues:

Governance issue	**Actions taken / proposed to take**
Sustainable improvement in children's services	Building on the recent progress in Children's Services identified by Ofsted during the inspection of Children's Services in March 2017, continue to focus on securing long term sustainable

	improvement in Children's Services. For the immediate future this will continue to be overseen by an Improvement Board and Independent Chair.
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 and existing strategies. The Council is part-way through delivering this stage of transformation which will be fundamental to enabling the Council to achieve the projected balanced medium term financial position set out in the 2017/18 Budget Report. A full meeting of the Council approves the Medium Term Financial Strategy and sets the revenue and capital Budgets each year. Members will receive regular briefings prior to them making Budget decisions. Delivery of the budget is monitored on a regular basis by the Council's Cabinet and its Audit and Procurement Committee.
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, which is overseen by a Kickstart Board, 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.
Raising educational standards	Over the last three years the primary school improvement strategy has had a significant impact upon the percentage of pupils attending good and outstanding schools. Currently 95% of pupils attend a good or outstanding primary school compared to 91% nationally. Action taken includes new Primary Networks which are now established and meeting regularly, and the Network Leads have reported back on progress with network-wide priorities and individual school priorities. Currently 73% of pupils attend a good or outstanding secondary school compared to 81% nationally. Action taken to deliver the secondary school improvement strategy includes meetings of the Secondary Improvement Board and collaborative groupings with action plans agreed and costed with a range of support ratified by the Board. Local Authority Quality Assurance Monitoring officers are currently visiting schools and reporting on impact of support. The on-going governance arrangements are through the Secondary and Primary Partnerships and the Education Standards Board.

Implementation of the Information Management Strategy	To embed the actions taken following the Information Commissioner's audit and continue to implement the Council's wider Information Management Strategy. The Information Management Strategy Group will continue to maintain 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 Information Management Strategy Group will report to the Corporate Leadership Team on the work undertaken to date and the need to embed practices throughout the Council.
Long term sustainability of adult social care in the context of financial and demand issues	This includes making the best use of additional resources available to Adult Social Care through the Integrated Better Care Fund (iBCF) to support long term sustainability. A revised iBCF plan for 2017-2019 is to be agreed between the City Council and the Coventry and Rugby Clinical Commissioning Group which will be overseen through the Preventative and Proactive workstream of the Sustainability and Transformation Plan. In addition to this, work will continue to ensure we are supporting people with eligible social care needs in the most effective way (cost being a major consideration) and using alternatives to paid support wherever possible. The Adult Social Care improvement programme includes a number of savings schemes that are to be delivered over 2017/18 and 2018/19 contributing to the Council's Medium Term Financial Strategy. This programme is overseen through the Connecting Communities Board.
Delivery of the workforce strategy	A project team (s) is in place and a robust governance structure is being developed by the end of June 2017. The totality of the workforce strategy programme will be overseen by the Council's Strategic Management Board. The workforce reform programme (a significant element of the workforce strategy) will include, increasing the Council's employment governance, improving the Council's employment policies and practice and a review of our pay, reward and benefits. Follow up of Internal Audit recommendations linked to employment governance will also be undertaken to assess progress made.
Code of corporate governance	During the 2016/17 municipal year, the Council reviewed and updated its Code of Corporate Governance following the publication of new national guidance. An annual review process has been introduced to ensure that the principles of the Code are effectively embedded in the organisation and that our policies and practices meet best practice. The outcomes of the annual review, including any actions required, will be reported to the Audit and Procurement Committee and will inform the preparation of future Annual Governance Statements.

Establishing a Counter Fraud Framework	This includes updating the Council's Fraud and Corruption Strategy and developing a framework to underpin implementation of the strategy and the governance arrangements linked to this. The Council's Audit and Procurement Committee will have oversight of this work.
Risk Management Strategy	The Risk Management Policy and Strategy has been reviewed and updated. Once formally adopted by the Council in line with the required governance process, appropriate actions will be taken to embed the new requirements of the revised Policy and Strategy, with oversight by senior management.

5.2 In addition to the actions taken detailed above, in the last year the Council has resolved the following issues raised in the 2015-16 Annual Governance Statement; review and update of the Council's Whistleblowing procedure and improved internal controls linked to the consistent application of procedures for the award of council tax exemptions and discounts.

5.3 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.

Cllr George Duggins
Leader of Coventry City Council

Martin Reeves
Chief Executive of Coventry City Council

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Coventry City Council

Public report

Report to

Audit and Procurement Committee 26th June 2017

Name of Cabinet Member:
Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
City Wide

Title:
Internal Audit Plan 2017-18

Is this a key decision?
No

Executive summary:

The purpose of this report is to share the draft Internal Audit Plan for 2017-18 with the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

Recommendations:

Audit and Procurement Committee is recommended to consider the draft Internal Audit Plan for 2017-18 (Appendix One) and provide any comments on the content and scope of the proposed Plan.

List of Appendices included:

Appendix 1 Draft Internal Audit Plan 2017-18

Background papers:

None

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:
Draft Internal Audit Plan 2017-18

1. Context (or background)

1.1 The Audit and Procurement Committee, within its terms of reference, is required 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'*.

1.2 In terms of proposed audit activities, the draft Internal Audit Plan attached at Appendix One documents the outcome of the audit planning process for 2017-18. This report provides the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility as highlighted above, but also enables the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

2. Options considered and recommended proposal

2.1 **Background** – Internal Audit is an essential part of the Council's corporate governance arrangements. In considering the Public Sector Internal Standards (PSIAS) which became applicable to local authorities in April 2013, Internal Audit is defined 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".*

In delivering against this expectation, we do have to acknowledge that resources available are limited and, therefore, need to undertake a planning exercise to ensure that resources are appropriately focused to meet the needs of the Council. This report documents the planning process and identifies the outcome of this process, namely the draft Internal Audit Plan for 2017-18.

In developing the Audit Plan, we aim to achieve the following objectives:

- To provide a cost effective, targeted and value added Service to our customers. This requires the Service to achieve a balance between delivering standard audit reviews and responding to new / emerging risks faced by the Council, both at the operational and corporate level.

- To provide the Service with a degree of flexibility to allow it to be able to respond to the changing needs of stakeholders during the year.

- Ensuring that the level and skills of audit resources available is appropriate to meet the audit needs of the Council.

- To allow the Acting Chief Internal Auditor to provide the Council with an annual opinion on the effectiveness of the organisation's risk management, control and governance arrangements.

2.2 **Draft Audit Plan 2017-18** – The results of the initial assessment of priorities are shown in Appendix One. Key points to note include:

- The draft plan is based on an allocation of priorities against the current level of audit resources available. For 2017-18, the resources available are 550 days for audit and corporate fraud work. This is an increase of approximately 60 days when compared with 2016-17 and reflects that the Service is no longer impacted by long term absences. In focusing these resources to meet the needs of the Council, the following approach has been taken:

  - An exercise was undertaken in 2016-17 to identify the Council's audit universe (i.e all the areas of activity which the Council undertakes in support of achieving its aims and objectives) and establish what sources of assurance exist in relation to this and upon which the organisation can place reliance. This has been used to establish priorities in those areas where other sources of assurance are not available and is subject to on-going review and update as required.

  - A risk based approach to the audit of schools based on links with School Finance rather than a fixed programme of audit work.

  - A flexible and responsive approach to issues highlighted by Senior Officers with on-dialogue to ensure resources are directed in accordance with their priorities.

  - A more flexible response to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.

  As a result, we do believe that the draft Audit Plan for 2017-18 is sufficient for the work required to report on key risks and controls in the year and to prepare our annual opinion and report.

- Corporate Risks – The focus of audit coverage in 2017-18 in regards to the corporate risk register is aligned to those areas where it is clear Internal Audit can make a contribution to the management of these risks, including emerging issues linked to these activities.

- Corporate Governance – The work related to corporate governance is reflected in both the Council/Audit Priorities area of work and Regularity. This is because it includes mandatory audit requirements such as the co-ordination of the Annual Governance Statement and Declarations of Interest exercise (regularity work) and audit work linked to specific Council priorities around governance which have a corporate impact such as the annual review of the Code of Corporate Governance and reviews linked to the Code of Conduct, e.g. gifts and hospitality.

- Contingency / Directorate risks – This audit area includes those issues highlighted by both review of the audit universe and through dialogue with senior officers which, whilst they may not have a corporate impact, could affect the achievement of operational objectives.

3. Results of consultation undertaken

3.1 There is an on-going process of consultation with Senior Officers across the Council to inform development of the Audit Plan and areas of specific focus throughout the year.

4. Timetable for implementing this decision

4.1 The Internal Audit Plan is an annual plan and is based on a completion date of the 31st March 2018. Progress is monitored by the Audit and Procurement Committee. In addition to the planned quarterly progress reports, the Internal Audit Service is required to produce an annual report. This report is due in June / July 2018 and will include the opinion of the Acting Chief Internal Auditor on the adequacy of the Council's control environment, highlighting issues relevant to the preparation of the Annual Governance Statement.

5. Comments from the Director of Finance and Corporate Services

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

The effective planning of audit activity across the organisation ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

6. Other implications

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

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 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. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. The risk is managed through on-going communication with customers to agree timing and identify issues at an early stage to allow for remedial action to be taken.

- 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

Report author(s):
Karen Tyler

Name and job title:
Acting Chief Internal Auditor

Directorate:
Place

Tel and email contact
024 7683 4305 – Karen.tyler@coventry.gov.uk
Enquiries should be directed to the above person.

Contributor/approver name	**Title**	**Directorate or organisation**	**Date doc sent out**	**Date response received or approved**
Contributors:				
Lara Knight	Governance Services Co-ordinator	Place	31/5/17	1/6/17
Paul Jennings	Finance Manager Corporate Finance	Place	31/5/17	31/5/17
Names of approvers: (officers and members)				
Barry Hastie	Director of	Place	31/5/17	2/6/17

	Finance & Corporate Services			
Legal: Helen Lynch	Legal Services Manager (Place and Regulatory)	Place	31/5/17	2/6/17

This report is published on the council's website:
www.coventry.gov.uk/meetings

Appendix One – Internal Audit Plan 2017-18

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
Corporate Risk			
	High	ICT *	25
	High	Data Protection	10
	High	Adult Social Care	15
	High	Childrens Services	15
	High	Workforce Strategy	10
Council / Audit Priorities			
	High	Corporate governance	30
	Medium	Fraud and corruption framework	15
	Medium	Procurement	25
Financial Systems			
	High	Accounts Payable	10
	High	Accounts Receivable	10
	High	Care Director income and expenditure	20
	High	Council Tax	10
	High	Business Rates	10
	Medium	Local Income Systems	10
	Medium	Payroll	10
	Medium	Housing Benefits	10
	Medium	Payment Audit	5
Regularity			
		Grants	70
		Corporate Governance (mandatory)	20
		Risk Management	10
		Other	35
Other			
		Contingency / Directorate Risks	100
		Fraud	30
		Follow up	40
		2016/17 b/f	5
		Total Days Available	**550**

**Audits partly undertaken by third party*

Coventry City Council

Public report

Audit & Procurement Committee

26 June 2017

Name of Cabinet Member:
Strategic Finance and Resources (Councillor J Mutton)

Director Approving Submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
All

Title:
Unaudited 2016/17 Statement of Accounts

Is this a key decision?
No

Executive Summary:
The purpose of this report is to give Audit and Procurement Committee the opportunity to review the 2016/17 Statement of Accounts and raise any points that need to be addressed prior to their formal approval in July 2017. The Committee is the sole body for approval of this Statement in line with the Accounts and Audit Regulations 2011.

Recommendations:
Audit and Procurement Committee is recommended to review and comment on as appropriate, the 2016/17 Statement of Accounts.

List of Appendices included:
The Statement of Accounts is appended in its entirety.

Other useful background papers: Final Accounts Working papers – 5th Floor Broadgate House

Has it been or will it be considered by Scrutiny?: The Audit and Procurement Committee will consider the Statement.

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

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Report title:
Unaudited 2016/17 Statement of Accounts

1. Context (or background)

This report presents the 2016/17 Statement of Accounts (SoA). The Council is required by law to produce this document and it is prescribed heavily by regulation. It is presented in draft format within this report to give the Audit and Procurement Committee the opportunity to review and comment on it. It is also subject to audit currently by the Council's external auditors, Grant Thornton. It will be brought back to Audit and Procurement Committee for formal approval in July 2017 reflecting any changes recommended by Grant Thornton and agreed by the Director of Finance and Corporate Services.

2. Options considered and recommended proposal

2.1 Given the highly technical, heavily prescribed and retrospective nature of the Statement of Accounts there are no options to consider. The Audit and Procurement Committee is recommended to review the draft statements and make any comments as appropriate prior to final approval. The paragraphs below explain the key aspects of the Statement.

2.2 In terms of the financial aspects of the SoA, the Committee should be aware that the Council's accounts are presented in line with International Financial Reporting Standards (IFRS). The Council is required to include financial statements that are explained in Section 2.1 of the appended draft (unaudited) Statement of Accounts document.

2.3 The Statement of Accounts must ensure that any surplus or deficit that arises within the financial year is equal to the change in the net value of the authority's assets and liabilities and the change in the value of its equity. For 2016/17 the Council is reporting a £61 million deficit within its Comprehensive Income and Expenditure Statement (CIES). This deficit is matched by a decrease in the value of the Balance Sheet and the same decrease is reflected in the level of (useable plus unusable) reserves in the Movement in Reserves Statement.

2.4 The CIES surplus referred to above does not reflect the genuine position of the Council's General Fund, for which a £0.7m overspend has been reported in the Revenue and Capital Outturn Report which was considered by Cabinet on 13th June. The headline differences between the Income and Expenditure Account and the General Fund are explained below and detailed in the table that follows:

- The key reason for the deficit relates to the Council's pensions deficit position increasing (getting worse) by £60 million, as a result largely of a decrease in the discount rate from 3.5% to 2.7%. This rate is used by the actuary to discount the expected cost of future pensions to current values. The lower the rate used the higher the calculated cost of liabilities.
- There are a number of asset related adjustments: Under IFRS the value of assets has to be split into several individual components necessitating assessments of the value of each component part of each asset. This, and the removal of recent academy school converters from the Council's accounts (£27m) has led to £47m of asset value being derecognised and removed from the balance sheet in 2016/17, In addition, asset disposals of £17m have occurred within the year whilst the Capital Programme undertaken by the Council has led to asset additions of £58m. Revaluation of assets is undertaken on a five yearly rolling programme and in 2016/17 this has led to only small net adjustments in asset values. In total, the overall value of the Council's asset base has reduced by £27m in the year.

2.5 These circumstances within the Statement have not affected the Council's cash flows of income and expenditure in 2016/17. Instead they are either events that will never result in a reduced level of income or increased need to spend or at worst will only do so many years in the future. For this reason they do not form part of the management accounts which reflect a more current (and statutorily based) view of the need to spend and to finance this spend through grants, taxation and charges. The differences between the Statement of Account and management accounts are shown in the table below.

	£000	£000
Deficit Shown in Comprehensive Income & Expenditure Account (CIES)		**60,942**
<u>Less changes that made the CIES worse than the management accounts</u>		
Asset related adjustments including the rate that our assets go down in value over their lifetime due to wear and tear (depreciation) and any charges reflecting extra-ordinary one-off reductions in the value of our assets (impairment, revaluation and de-recognition).	(68,909)	
The difference between a calculated whole-life cost of pensions and the pension contributions paid by the Council in the year. The pensions' deficit position has gone up this year due in large part to a change in the discount rate from 3.5% to 2.7%.	(59,684)	
Items such as external schemes (e.g. Disabled Facilities Grants) that the Council funds from capital resources not revenue which do not result in the creation of new asset value for the Council.	(11,804)	
A decrease in the overall value of general fund reserves which is reflected in the CIES but not in the management accounts	(8,331)	
Sub-Total – changes that made the CIES worse than the management accounts		**(148,728)**
<u>Add changes that made the CIES better than the management accounts</u>		
Capital grants and other capital funding that is reflected in the CIES but not in the management accounts.	74,474	
A charge for the amount that we need to put aside to repay debt in the future, peculiar to local authorities, referred to as the minimum revenue provision. This is reflected in the management accounts but not the CIES	9,987	
Difference between tax income amount credited to the CIES & tax income for the year	2,960	
All Other Items	1,054	

Sub-Total – changes that made the CIES better than the management accounts		**88,475**
Deficit Shown in Outturn Report		**689**

3. Results of consultation undertaken

3.1 Given the nature of the report no consultation has been undertaken.

4. Timetable for implementing this decision

4.1 Forthcoming regulations will shorten the timescale for completing local authority accounts from financial year 2017/18 onwards. These will require the draft accounts to be prepared by 31st May (currently 30th June) and the final audited Statement to be approved by 31st July (currently 30th September). As a result the Council has taken measures to bring forward its accounting timetable. These draft accounts were issued on 26th May and it is anticipated will be signed off by Audit Committee on 24th July once they have been audited by Grant Thornton and therefore already comply with the new tighter statutory timescales. Any material changes to the accounts following the audit of them will be reported to Audit and Procurement Committee at its July meeting.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications
The Statement is a heavily prescribed, highly technical and very detailed document and it is no exaggeration to say that even experienced finance professionals find it difficult to understand some of the more complex areas of the Statement. For this reason, this report only summarises the key aspects of the Statement and its implications for the Council. In reality, the 2016/17 Revenue and Capital Outturn Report which contains the end of year position of the Council's management accounts is a more representative summary of the Council's in-year financial performance.

The Statement of Accounts provides a retrospective record of the Council's financial position on an accounting basis and it does not in itself have any specific financial implications for the Council. However, there is one material area of analysis contained within the Statement that requires further explanation – the Council's pension liability.

Long-term trends have witnessed a significant worsening of the Council's Pension liabilities over time. In general, this means that the contributions and other income flows into the pension fund are not sufficient to meet the calculated cost of future outflows (the payment of pension benefits) from the fund. Action has been taken to reform local government pensions on a national level with the introduction of a revised Local Government Pension Scheme from 1st April 2014. In addition, employer contributions have been increased across all West Midlands authorities to pay for the past service cost of pensions and in Coventry's case these have been built into the budgets since 2014/15. It is not clear whether or not these measures will redress the overall pension deficit over the medium to long term, since other factors are always likely to cause year on year volatility which makes it difficult to assess any long-term trends in the early years. The Council's overall £613m pension deficit, albeit that this is the result largely of factors outside of the Council's control, represents a continued worrying position. The recent triennial review of the Council's pension position effective on 31st March 2016 has resulted in employer pension contributions being changed once again and are predicated on the fund being balanced over the long-term. However, continued short-term volatility in this area is anticipated to continue to be a feature of local authority accounts generally.

It is worth noting that previously publicised changes to accounting regulations with regard to highways assets had implied massive increases in the value of the Council's highways assets included within the local authority accounts. However, these accounting changes have not been implemented and there is no immediate prospect that they will happen.

5.2 Legal implications

The Council is required by legislation to complete a draft Statement signed by the Chief Financial Officer by 30th June and to approve and publish audited accounts by 30th September in line with the Accounts and Audit Regulations 2011. The Audit and Procurement Committee approves the accounts on behalf of the Council. The Accounts and Audit Regulations will, for the 2017/18 and subsequent years' accounts bring these dates forward to 31st May and 31st July.

6. Other implications

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

The Statement of Accounts contributes to the Council's key objectives as one of the measures by which to judge whether the Council is using its resources effectively and that its performance is well managed.

6.2 How is risk being managed?

There is a detailed timetable for compiling the Statement of Accounts.

6.3 What is the impact on the organisation?

No specific impact.

6.4 Equalities / EIA

No specific implications.

6.5 Implications for (or impact on) the environment

None.

6.6 Implications for partner organisations?

None.

Report author(s):

Name and job title: Paul Jennings, Finance Manager (Corporate Finance)

Directorate: Resources

Tel and email contact: 02476833753 paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-Ordinator	Place	31/5/17	1/6/17
Phil Baggott	Lead Accountant	Place	5/6/17	5/6/17
Names of approvers for submission: (officers and members)				
Legal: Carol Bradford	Corporate Governance Lawyer – Legal Services	Place	31/5/17	1/6/17
Finance: Barry Hastie	Director of Finance and Corporate Services	Place	5/6/17	5/6/17

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Coventry City Council

Coventry City Council's 2016-2017 Statement of Accounts

This document presents the Council's financial performance for the year ending 31st March 2017.

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1 An Overview of the Council's Performance

1.1 Introduction

This Statement of Accounts presents the Council's financial performance for the year ending 31st March 2017. The Council is required to set out its accounts in line with strict standards and in a way that is very different to how it manages its day to day finances. The narrative report below helps to explain some of the Council's key financial information and links this to the statements and notes in this document.

1.2 Narrative Report

In recent years, Coventry's population has been one of the fastest growing in the country and now exceeds 345,000 on the most recent measures. It is also a young city with the average age of Coventry's residents (33.1) being notably lower than the England average (39.8). This feature of the city's age profile has a number of causes including a greater number of people being born than dying in the city, the number of economic migrants that have been drawn to the city and the growth of the city's student population.

Although unemployment in the city is only marginally above the national average, other economic indicators such as gross disposable household income and the proportion of adults with no qualifications indicate that the city performs below the national average. Coventry also continues to be a city of relatively high deprivation with 18.5% of Coventry residents living in neighbourhoods that are amongst the 10% most deprived in the country and levels of homelessness running well above the national average. In addition, Coventry health outcomes are generally worse than the England average based on measures such as life expectancy at birth and overall rates of school readiness.

Additionally, with the increasing life expectancy of the city's residents, an annually growing total number of elderly Coventry residents will put greater demand on the city's Adult Social Care services in the future.

From this it is clear that the city has some significant challenges although in this respect it is not unlike many other major urban areas. However, there are some strong signs that the city is undergoing transformation on a number of fronts and is demonstrating an increasing level of confidence in its position.

Both Warwick University and Coventry University have continued to experience sustained success and recognition at a national level. They have both become increasingly large employers in the city and have demonstrated significant success in attracting investment into the city and forging very strong links with manufacturing and business organisations.

One of the city's major employers, Jaguar Land Rover, is in the process of expanding its research and design facilities at its Whitley base in the city whilst the London Taxi Company and Amazon are progressing plans to open new premises in and around the city creating additional employment opportunities.

The city centre has undergone significant regeneration and improvement in recent years and has attracted new restaurants to enhance the look and feel of the night-time economy. Further redevelopment around Broadgate and the Cathedral quarter is expected over the coming 12 months.

The city is bidding currently to achieve UK City of Culture status for 2021 demonstrating a self-belief in the city's cultural heritage. If successful the bid would generate significant interest in the city and represent a further boost to the local economy.

The Council’s Operational Performance

The Council has previously announced its ambition to be a top ten city in the UK. It has twin headline priorities to promote the growth of a sustainable Coventry economy and improve the quality of life for Coventry people. Key information about the city and measures of the Council’s overall performance will be provided separately in the 2016/17 End of Year Performance Report due to be considered by the Council’s Cabinet in August.

The Council has recently undergone an Ofsted (Office for Standards in Education, Children's Services and Skills) inspection and is awaiting the outcome. This follows up the inspection three years ago when the Council received an inadequate rating. The updated position will provide a key update on the Council’s performance in this area.

There are a range of positive activities that indicate the city’s ambitions and the Council has played a fundamental role in supporting the bid for UK City of Culture status and facilitating the Whitley South infrastructure scheme to support Jaguar’s expansion plans. Other City Council led or supported developments include the near completion of the Council’s new Friargate administrative offices, the start of work on a new leisure and swimming facility, regeneration of the ‘City Centre South’ area of the city and redevelopment of Coventry Railway Station through the Coventry Station Masterplan. The Council is also in the early stages of progressing a Strategic Transport Investment Programme which will see massive investment in the city’s road and transport infrastructure over the coming years.

The Council has had to respond to reductions in its funding from Government of nearly £100m between 2010/11 and 2016/17. On the whole, it has done this through the continued delivery of large savings programmes, the majority of which have been delivered successfully. The fact that not all of these savings have been implemented demonstrates that there is still work to do in future years and this will still be a key focus for the Council in the period covered by its medium term plans. It is against this background that the Council's financial performance is examined below.

The Council’s Financial Performance – Revenue

In February 2016, the Council set an overall budget for its revenue expenditure of £613m. 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 *3.8 Analysis of Revenue Grants.*

	Budget £m
Council Tax	(110.8)
Local Business Rates	(58.4)
General Government Grant	(64.1)
Specific Government Grants	(380.2)
Fees and Charges	(79.1)
Total Funding	**(692.6)**

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 2016/17 by £0.7m as set out in the table to the right and set out more fully in note 3.3 *Revenue* Outturn.

The Council changed its management structure in February 2017 moving to a structure with two main service directorates. The functions of the previous Resources Directorate have been absorbed across the remaining People and Place directorates. However, these accounts have been prepared to reflect the previous structure that existed for the majority of the year.

2016/17	Total Income	Total Expenditure (including reserve movements)	Net Expenditure	Budget	Overspend/ (Underspend)
	£m	£m	£m	£m	£m
People Directorate	(278.6)	451.0	172.4	166.0	6.4
Place Directorate	(94.1)	127.6	33.5	33.5	0.0
Resources Directorate	(170.8)	181.5	10.7	11.4	(0.7)
Chief Executives Directorate	(1.4)	2.5	1.1	1.1	0.0
Contingency & Central Budgets	(118.7)	135.1	16.4	21.4	(5.0)
Total	**(663.6)**	**897.7**	**234.1**	**233.4**	**0.7**

Within 2016/17 the two main areas of budgetary overspend were social care services for adults and older people (£3.4m) and social care services for children (£3.5m), both within the People Directorate. The main causes of budgetary pressure were common to both areas, inability to achieve budgetary savings that had been assumed previously, higher numbers of service users and higher costs of individual care packages.

In adults’ social care, service pressures have been experienced by other councils across the country and the Government has taken steps to try and manage the costs. Councils have been allowed to increase Council Tax by an additional 3% for 2017/18 to pay specifically for social care services, a specific 2017/18 Adult Social Care grant has been made available and further amounts were allocated in the 2017 Spring Budget. Together, these resources should enable the Council to balance its adult social care budgets in 2017/18.

A greater challenge exists within Children’s Services. Although the service has a savings delivery plan and budgetary control action plan in place for 2017/18 in order to manage its significant underlying over-spend, there is a recognition that maintaining expenditure within budget will be very difficult. Delivery of the transformation savings required will be a key focus for the Council.

Other Council services spent less than budget, in particular in relation to the interest on and repayment of outstanding debt resulting from capital scheme delays.

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 made a deficit of £61m 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 decreased in value by £61m in the year.

The Council’s Financial Performance – Capital

The Council had set a Capital Programme budget of £117m for the year. Final expenditure was £72m and the schemes that have made slower progress than expected in 2016/17 are now expecting to spend the relevant sums in later years. Virtually all of this expenditure has been funded from external grants, as set out in note *3.19 Capital Expenditure and Capital Financing*. The most significant scheme undertaken in the year was the Council’s new administrative office building and its surroundings within the Friargate Business District, with continued significant investment into the city's Highways and Public Realm infrastructure representing the next largest area of expenditure.

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 use of external grants (rather than receipts) to fund 2016/17 capital expenditure has enabled the Council to carry forward capital resources to fund future expenditure plans. This is set out in note *3.13* on reserves.

The final Capital position has meant that no borrowing has been used to fund the Programme in the year. This is a key reason why the Council's long-term borrowing reflected in the Balance Sheet and its Capital Financing Requirement have both gone down marginally in the year. The borrowing approvals not used in 2016/17 will be available to fund future years' expenditure.

Reserve Balances

The total level of reserves owned and controlled by the Council to support its revenue spending activities has gone down by £3m in 2016/17 and now stands at £48m. A further £23m of reserve balances either belong to or have been set aside to support the city’s schools, a decrease of £3m in the year. These are not available for the Council to use for other purposes. In addition, there has been an increase of £18m in capital resources for one-off capital schemes. The underlying level of reserves has been subject to 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 revenue reserves are held for a number of reasons. Several of the largest balances relate to: £8m held to help the Council to restructure its workforce so that it can balance future budgets; £11m set aside to deliver the Council’s long-term Private Finance Initiative specific projects and £4m set aside to manage specific risks relating to insurance claims and Business Rates appeals.

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 *3.13 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 in the table to the right and set out in full in section *2.4*. The Council's property assets represent £659m or 63% of the Long Term Assets figure. Its pension liabilities are 62% of its Long-Term Liabilities.

Note *5.3 Significant Judgements Made Regarding Accounting Policies* 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.

Balance Sheet Category	2015/16 £m	2016/17 £m
Long-Term Assets	1,070	1,043
Net-Current Assets (Current Assets less Current Liabilities)	87	105
Long-Term Liabilities	(936)	(987)
Net Assets	**221**	**160**
Represented By Useable Reserves	(95)	(104)
Represented By Non-Useable Reserves	(125)	(56)

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 £613m between the current value of amounts paid into the pension fund and the forecast cost of pensions that will need to be paid out in future. This is £60m higher than the deficit recorded in the 2015/16 accounts and when compared with the total value of everything the Council owns (£1,233m) the overall pension deficit remains 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 have been looked at again as part of the latest three yearly review of the pension scheme that has just concluded. 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 *3.32 Retirement Benefits* and *3.33 Officers' Remuneration (including exit packages*).

Asset 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 2016/17, with only minor net movements being recorded in the year. Nevertheless, it is appropriate for this to be included as a significant assumption made in estimating assets and liabilities.

A total of five schools transferred to academy status in 2016/17. The day to day costs and funding of the schools are included up to the day on which they transferred. Their budget shares of £12m will not be included in the Council's accounts in future and £27m of asset value has been removed from the Council's accounts in the year. This forms the majority of the £47m de-recognition within note *3.18 Property, Plant & Equipment and Non-Operational Assets Summary*.

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 Director of Finance and Corporate Services, 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 £56m. 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 3.11.

University Hospital Business Rates Appeal

The Council received a request in February 2016 for mandatory Business Rates relief for University 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 3.39.

Arena Coventry Limited

A Judicial Review (JR1) into the original decision by the Council to make a loan to ACL, which was repaid in 2015/16, 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. In December 2016 the Supreme Court refused permission for an appeal on the Court of Appeal's decision.

Following the successful conclusion of JR1 the Council has received notification of a Judicial Review claim (JR2) relating to the sale of the Council's shares in ACL and the lease extension on the Ricoh Arena to London Wasps Holdings Ltd. 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 3.39

Significant Changes in Accounting Policies

Changes to accounting policies affecting the 2016/17 accounts are covered in section 5.5. The key difference this year relates to changes in the presentation of several key statements. The segmental analysis in the Comprehensive Income and Expenditure Statement is now based on the Council's management structure rather than Service Reporting Code of Practice.

The Council had previously expected a change to the way in which we account for our highways assets which would have seen these added to the net worth of the Council's Balance Sheet. However, the accounting authorities have decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities so this change will not now occur.

Future Plans

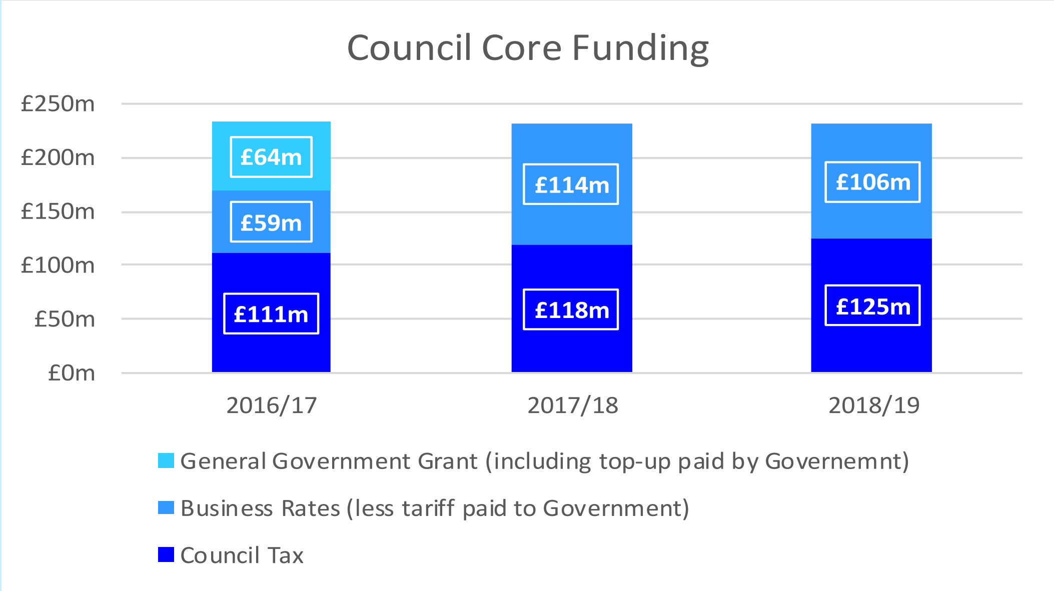
The Council's expressed aim of becoming a 'Top Ten City' incorporates a need for the city to become more prosperous and for the Council to lead the drive for economic growth and stimulate the local economy. The Council has been progressing its plans to regenerate the city for several years including the planned Friargate business district next to Coventry railway station. The first stage of this is represented by construction of the Council's new administrative centre building which is nearing completion and will be occupied by Council staff during 2017/18. It has always been the Council's intention that this will kickstart wider development of the area, and work has begun 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 2016/17 the Council formally joined the 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 has established a Devolution Deal which represents a funding package totalling £8bn to deliver major projects across the West Midlands. These will affect some of the financial arrangements of the member authorities such as the inclusion of schemes within individual authorities' capital programmes. The 2016/17 accounts include £4.9m of capital spend in relation to Devolution Deal related schemes and £0.2m of on-going costs related to the Council's membership of the WMCA in 2016/17.

The Council, supported by the Coventry and Warwickshire Local Enterprise Partnership, have helped to secure grant funding to implement the Whitley South Infrastructure Project. This will help one of the City's most prominent employers, Jaguar Land Rover, increase its presence in the city and open up new growth opportunities for local manufacturers and businesses in the supply chain, creating highly-skilled engineering and advanced manufacturing jobs. 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.

Coventry's general grant resources from Government have reduced each year since 2010 and the Council's medium term financial plans include projections based on this trend. However, it is anticipated that these reductions will be balanced broadly by estimates of the city's growing Business Rates and Council Tax resources in the next few years.

As a result of the Council's participation in the West Midlands Business Rates Retention Pilot scheme it will now retain 99% of its own Business Rates income in 2017/18. In addition it has moved from a position where it received a resource top-up from Government in 2016/17 to one where it will pay a resource tariff to Government from 2017/18 onwards. Taken together these developments provide for a relatively stable resource position for the next few years which is reflected in the graph below.



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Given the impending General Election referred to in note *3.38 Events after the Balance Sheet Date*, the incoming government will need to make a decision on whether to continue with the devolution and financing plans for local government.

The balance of revenue resources and a need to manage spending pressures 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 5,500 individuals, a reduction of more than 2,000 from the equivalent figure in 2010. This reduction has been required by the financial position facing the Council over this period and plans continue to be made for this trend to 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 have been assessed during 2016/17 as part of the latest regular three yearly review. This has resulted in an increase in the pension contributions from 25.9% to 27.3% that it is obliged to make to the West Midlands Pension Fund from 2017/18 onwards. This increase was below the level that the Council had planned for but should still enable the Council to reduce its pension deficit position over the long-term. For 2017/18 an upfront payment of £93m has been made to cover the Council's contributions for the next three years although in accounting terms the payments will be allocated across the whole period. This is a discounted amount that will that enable the Council to reduce the total amount of its pension contributions.

Recent budgetary trends including the 2016/17 outturn position have confirmed the issues that are likely to affect the Council's revenue budgetary control position in the next few years. These include the need to deliver existing savings plans and to manage within current budgets for both children's and adult's social care. Recent national coverage of issues surrounding adult social care has led to the Government providing additional grant resources on top of the flexibility for councils to raise additional income through ring-fenced Council Tax rises (Coventry has increased the Adult Social Care Precept by 3% for 2017/18). 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.

In 2016/17, the Council was subject to national arrangements within which it retained 50% of the Business Rates that it collected. From 2019/20, the Government is planning to move to a 100% Business Rates retention scheme although this is subject to future legislative arrangements. 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. However, as an interim measure the Council is participating in a 100% Business Rates Retention Pilot scheme, one of a number around the country, which is acting as a forerunner to the future national scheme.

This is a significant change for the Council, emphasising the need to sustain a successful local economy and a healthy local Business Rates base. A no detriment clause will provide some protection for the Council's financial position for the next two years and the scheme will be helpful to provide a guide as to how the national scheme could impact on the Council's financial position in the future. In overall terms 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 for the period from 2019/20 it is impossible to have any clarity on their impact.

1.3 Statement of Responsibilities

Coventry City Council's Responsibilities

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

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its employees has the responsibility for the administration of those affairs. In the case of the City Council, that employee is the Director of Finance and Corporate Services;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

The Director of Finance and Corporate Services' Responsibilities

The Director of Finance and Corporate Services is responsible for the preparation of the City Council's Statement of Accounts. In accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"), the accounts are required to present a true and fair view of the City Council's financial position at the accounting date and the income and expenditure for the year.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting;

The Director of Finance and Corporate Services has also:

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

Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31st March 2017 and its income and expenditure for the year ended 31st March 2017, and that the accounts are authorised for issue.

Barry Hastie, CPFA
Director of Finance and Corporate Services

26th May 2017

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 reviewed and approved a revised Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance Delivering Good Governance in Local Government (2016). A copy of the Code is available on our website 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 2017 and up to the date of approval of the Statement of Accounts.

The governance framework

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

There is a governance / internal control environment that support 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 was adopted in January 2014 and last updated in August 2016. The plan, called "Coventry: A Top Ten City", 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 communities and empowered citizens. 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 Constitution includes the Council’s senior management structure and a scheme of delegation which sets out the principles for decision making and responsibility for functions. The Council facilitates policy and decision making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee. The Member decision making, advisory and scrutiny bodies are shown at http://www.coventry.gov.uk/howthecouncilworks

Coventry City Council has developed a comprehensive set of policies and procedures, including those relating to the standards expected of Members and officers. These are subject to regular review to ensure the Council continues to enhance and strengthen its internal control environment. Systems exist to ensure compliance with policies and procedures, including statute and regulations. Internal Audit, through its annual risk based plan assesses compliance with key procedures and policies.

The Council has an equal opportunities policy which is available on our website at: http://www.coventry.gov.uk/downloads/file/6999/equal_opportunities_policy This sets out the Council’s commitment to a diverse community and equal opportunity to contribute and benefit from society. The policy is implemented through setting equality objectives linked to the Council Plan. : Equality objectives | Equality and diversity | Coventry City Council
Progress is monitored and reported to Cabinet Member. The latest progress reports can be found here: Equality objectives | Equality and diversity | Coventry City Council. In addition, the Council carries out Equality and Consultation Analysis on all key decisions taken by Cabinet or Cabinet Member.

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 a periodic self-assessment to measure its effectiveness, based on recommended CIPFA practice.

For the financial year 2016-17, 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 up until 22nd February 2017. From this date the nominated Section 151 officer was the Director of Finance and Corporate Services, within a new senior management structure. The Council last carried out an assessment of the role of the S151 Officer against the requirements stated in the in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in March 2016 in respect of the Executive Director of

Resources. This assessment concluded that the Authority met the five principles 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 Council will conduct a full assessment in respect of the Director of Finance and Corporate Services' role of S151 Officer in 2017-18, but at this stage is satisfied that the new senior management structure will provide an appropriate framework under which the principles can continue to be met. The S151 Officer remains a key member of the Corporate Leadership Team and formally retains a direct reporting line to the Chief Executive when required. The appointment to the role was made by a Member Appointment Panel following a robust assessment process which included an experienced existing Section 151 officer to provide independent and external advice to the Panel.

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 2017:

• 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 2016, did not highlight any significant concerns. The Company redeemed the remaining £4.4m of preference shares held by Coventry City and Solihull Metropolitan Borough Councils in 2015/16.

• North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. Two of the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2016. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although from 2017/18 it is engaged in providing business development services to the City Council.

• Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. Two of 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 2016.

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.

- On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.

- Regular reviews of Council's strategies and procedures to ensure they continue to reflect the needs of the Council.

This framework has been further strengthened by the revision to the Code of Corporate Governance and the introduction of an annual review against the national framework and guidance which will inform future Annual Governance Statements.

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 2016-17. 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.

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 can provide reasonable assurance that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework and that 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. The review of effectiveness has informed identification of the following key challenges, along with the actions taken / proposed to take to detail with these issues:

Governance issue	**Actions taken / proposed to take**
Sustainable improvement in children's services	Building on the recent progress in Children's Services identified by Ofsted during the inspection of Children's Services in March 2017, continue to focus on securing long term sustainable improvement in Children's Services. For the immediate future this will continue to be overseen by an Improvement Board and Independent Chair.
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 and existing strategies. The Council is part-way through delivering this stage of transformation which will be fundamental to enabling the Council to achieve the projected balanced medium term financial position set out in the 2017/18 Budget Report. A full meeting of the Council approves the Medium Term Financial Strategy and sets the revenue and capital Budgets each year. Members will receive regular briefings prior to them making Budget decisions. Delivery of the budget is monitored on a regular basis by the Council's Cabinet and its Audit and Procurement Committee.
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, which is overseen by a Kickstart Board, 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.

Raising educational standards	Over the last three years the primary school improvement strategy has had a significant impact upon the percentage of pupils attending good and outstanding schools. Currently 95% of pupils attend a good or outstanding primary school compared to 91% nationally. Action taken includes new Primary Networks which are now established and meeting regularly, and the Network Leads have reported back on progress with network-wide priorities and individual school priorities. Currently 73% of pupils attend a good or outstanding secondary school compared to 81% nationally. Action taken to deliver the secondary school improvement strategy includes meetings of the Secondary Improvement Board and collaborative groupings with action plans agreed and costed with a range of support ratified by the Board. Local Authority Quality Assurance Monitoring officers are currently visiting schools and reporting on impact of support. The on-going governance arrangements are through the Secondary and Primary Partnerships and the Education Standards Board.
Implementation of the Information Management Strategy	To embed the actions taken following the Information Commissioner's audit and continue to implement the Council's wider Information Management Strategy. The Information Management Strategy Group will continue to maintain 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 Information Management Strategy Group will report to the Corporate Leadership Team on the work undertaken to date and the need to embed practices throughout the Council.
Long term sustainability of adult social care in the context of financial and demand issues	This includes making the best use of additional resources available to Adult Social Care through the Integrated Better Care Fund (iBCF) to support long term sustainability. A revised iBCF plan for 2017-2019 is to be agreed between the City Council and the Coventry and Rugby Clinical Commissioning Group which will be overseen through the Preventative and Proactive workstream of the Sustainability and Transformation Plan. In addition to this, work will continue to ensure we are supporting people with eligible social care needs in the most effective way (cost being a major consideration) and using alternatives to paid support wherever possible. The Adult Social Care improvement programme includes a number of savings schemes that are to be delivered over 2017/18 and 2018/19 contributing to the Council's Medium Term Financial Strategy. This programme is overseen through the Connecting Communities Board.

Delivery of the workforce strategy	A project team (s) is in place and a robust governance structure is being developed by the end of June 2017. The totality of the workforce strategy programme will be overseen by the Council's Strategic Management Board. The workforce reform programme (a significant element of the workforce strategy) will include, increasing the Council's employment governance, improving the Council's employment policies and practice and a review of our pay, reward and benefits. Follow up of Internal Audit recommendations linked to employment governance will also be undertaken to assess progress made.
Code of corporate governance	During the 2016/17 municipal year, the Council reviewed and updated its Code of Corporate Governance following the publication of new national guidance. An annual review process has been introduced to ensure that the principles of the Code are effectively embedded in the organisation and that our policies and practices meet best practice. The outcomes of the annual review, including any actions required, will be reported to the Audit and Procurement Committee and will inform the preparation of future Annual Governance Statements.
Establishing a Counter Fraud Framework	This includes updating the Council's Fraud and Corruption Strategy and developing a framework to underpin implementation of the strategy and the governance arrangements linked to this. The Council's Audit and Procurement Committee will have oversight of this work.
Risk Management Strategy	The Risk Management Policy and Strategy has been reviewed and updated. Once formally adopted by the Council in line with the required governance process, appropriate actions will be taken to embed the new requirements of the revised Policy and Strategy, with oversight by senior management.

In addition to the actions taken detailed above, in the last year the Council has resolved the following issues raised in the 2015-16 Annual Governance Statement; review and update of the Council's Whistleblowing procedure and improved internal controls linked to the consistent application of procedures for the award of council tax exemptions and discounts.

Martin Reeves
Chief Executive of Coventry City Council

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.

Cllr George Duggins
Chief Executive of Coventry City Council

2 Main Financial Statements

2.1 Overview of Main Financial Statements

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

Comprehensive Income & Expenditure Statement CIES *(section 2.2)*

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis *(section 3.1)* and the Movement in Reserves Statement.

The Movement in Reserves Statement *(section 2.3)*

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

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. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement *(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 receipts of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

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2.2 Comprehensive Income & Expenditure Statement

2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000	Directorates	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
458,175	(284,132)	174,043	People Directorate	463,496	(272,244)	191,252
144,807	(27,798)	117,009	Place Directorate*	108,061	(28,368)	79,693
148,872	(135,747)	13,125	Resources Directorate	152,708	(131,872)	20,836
1,438	(38)	1,400	Chief Executive's Directorate	1,184	(32)	1,152
723	(22,389)	(21,666)	Contingency & Central Budgets**	11,620	(17,304)	(5,684)
754,015	**(470,104)**	**283,911**	**Cost of Services**	**737,069**	**(449,820)**	**287,249**
		20,510	(Profit) / Loss on Disposal of Fixed Assets***			27,176
		15,656	Levy Payments to Other Bodies			15,090
		4	Contribution of Housing Capital Receipts to Government Pool			0
		5	Precepts of Local Precepting Authorities			29
		36,175	**Other Operating Expenditure**			**42,295**
		21,018	Interest Payable and Similar Charges			21,927
		(2,288)	External Investment Income			(2,177)
		17,963	Net interest on the net defined benefit liability (see section 3.32)			18,362
		(10,078)	Net (Surplus)/Deficit from Trading Operations (section 3.6)			(8,253)
		(6,779)	Dividends and Interest Receivable			(5,764)
		19,836	**Finance and Investment Income and Expenditure**			**24,095**
		(106,832)	Council Tax			(115,932)
		(58,247)	Retained Business Rates			(60,400)
		(16,311)	Business Rates Top-up			(16,735)
		(61,851)	Revenue Support Grant			(47,626)
		(10,623)	General Government Grants			(10,694)
		(78,656)	Capital Grants (section 3.7)			(74,473)
		(332,520)	**Taxations and Non-Specific Grant Income**			**(325,860)**
		7,402	**(Surplus)/Deficit on the Provision of Services**			**27,779**
		2,294	(Surplus)/Deficit on revaluation of non current assets			(16,587)
		(832)	(Surplus)/Deficit on revaluation of available for sale financial assets			(2,453)
		(38,928)	Remeasurement of the net defined benefit liability (section 3.32)			52,203
		(37,466)	**Sub-total of Other Comprehensive Income & Expenditure**			**33,163**
		(30,064)	**Total Comprehensive Income & Expenditure**			**60,942**

* The reduction in the gross expenditure for the Place Directorate is due mostly to changes in the level of capital charges, particularly derecognition, between the two years.
** The increase in the gross expenditure for Contingency and Central Budgets is due mostly to a significant downward revaluation of investment properties that occurred in 2015/16.
*** The 2016/17 ‘Loss on Disposal of Fixed Assets’ includes £26,633k of derecognition as a result of schools transferring to academy status during the year. The equivalent figure for 2015/16 was £20,287k.

2.3 Movement in Reserves Statement

Usable Reserves and Overall Position 2016/17

	General Fund Balance	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£001
31st March 2016	**(82,985)**	**(5,736)**	**(6,660)**	**(95,381)**	**(125,485)**	**(220,866)**
Total Comprehensive Income and Expenditure	27,779	0	0	27,779	33,163	60,942
Adjustments between Accounting Basis and Funding Basis under Regulations	(18,759)	(4,001)	(13,829)	(36,589)	36,589	0
Net (Increase)/ Decrease	**9,020**	**(4,001)**	**(13,829)**	**(8,810)**	**69,752**	**60,942**
31st March 2017	**(73,965)**	**(9,737)**	**(20,489)**	**(104,191)**	**(55,733)**	**(159,924)**

Unusable Reserves 2016/17

	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	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2016	**(433,185)**	**(177,351)**	**(5,871)**	**1,880**	**(6,238)**	**553,552**	**3,375**	**(61,647)**	**(125,485)**
Total Comprehensive Income and Expenditure	0	(16,587)	0	0	0	52,203	0	(2,453)	33,163
Adjustments between Accounting Basis and Funding Basis under Regulations	12,128	24,303	(4,959)	(103)	(2,960)	7,481	746	(47)	36,589
Net (Increase)/ Decrease	**12,128**	**7,716**	**(4,959)**	**(103)**	**(2,960)**	**59,684**	**746**	**(2,500)**	**69,752**
31st March 2017	**(421,057)**	**(169,635)**	**(10,830)**	**1,777**	**(9,198)**	**613,236**	**4,121**	**(64,147)**	**(55,733)**

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

Usable Reserves and Overall Position 2015/16 Comparatives.

	General Fund Balance	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000		£000	£000	£000
31st March 2015	**(84,215)**	**(384)**	**0**	**(84,599)**	**(106,203)**	**(190,802)**
Total Comprehensive Income and Expenditure	7,402	0	0	7,402	(37,466)	(30,064)
Adjustments between Accounting Basis and Funding Basis under Regulations	(6,172)	(5,352)	(6,660)	(18,184)	18,184	0
Net (Increase)/ Decrease	**1,230**	**(5,352)**	**(6,660)**	**(10,782)**	**(19,282)**	**(30,064)**
31st March 2016	**(82,985)**	**(5,736)**	**(6,660)**	**(95,381)**	**(125,485)**	**(220,866)**

Unusable Reserves 2015/16 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	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2015	**(445,966)**	**(189,455)**	**0**	**1,984**	**(3,336)**	**586,089**	**5,296**	**(60,815)**	**(106,203)**
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)**

2.4 Balance Sheet

31st March 2016 £000	Balance Sheet	31st March 2017 £000	Section Ref.
783,468	Property, Plant and Equipment	751,751	3.15
25,893	Heritage Assets	25,893	3.16
161,771	Investment Property	163,877	3.17
78,514	Long Term Investments	80,527	3.22
20,199	Long Term Debtors	20,452	3.23
1,069,845	**Long Term Assets**	**1,042,500**	
79,123	Short Term Investments	120,001	3.35
480	Inventories	249	
63,330	Short Term Debtors	48,289	3.24
17,650	Cash and Cash Equivalents	17,169	2.5
2,458	Assets held for Sale	5,008	3.17
163,041	**Current Assets**	**190,716**	
(6,797)	Short Term Borrowing	(13,560)	3.35
(67,588)	Short Term Creditors	(70,860)	3.25
(2,066)	Short Term Provisions	(1,698)	3.26
(76,451)	**Current Liabilities**	**(86,118)**	
(8,882)	Long Term Provisions	(8,684)	3.26
(369,586)	Long Term Borrowing	(359,545)	3.35
(553,552)	Other Long Term Liabilities	(613,236)	3.32
(3,549)	Capital Grants Receipts in Advance	(4,605)	3.7
0	Donated Assets Account	(1,104)	3.29
(935,569)	**Long Term Liabilities**	**(987,174)**	
220,866	**Net Assets**	**159,924**	
(95,381)	Usable Reserves	(104,191)	2.3
(125,485)	Unusable Reserves	(55,733)	2.3
(220,866)	**Total Reserves**	**(159,924)**	

The unaudited accounts were authorised for issue on 26th May 2017.

2.5 Cash Flow Statement

2015/16		Cash Flow Statement	2016/17	
£000's	£000's		£000's	£000's
7,402		Net (Surplus) or Deficit on the Provision of Services	27,779	
(53,282)		Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(119,263)	
51,299		Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	54,214	
	5,419	**Net Cash Flows from Operating Activities**		**(37,270)**
	(10,143)	Investing Activities		(10,628)
	(2,706)	Financing Activities		48,379
	(7,430)	**Net (Increase) or Decrease in Cash and Cash Equivalents**		**481**
	(10,220)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(17,650)
	(17,650)	Cash and Cash Equivalents at the End of the Reporting Period		(17,169)

Section 3.28 presents an analysis of the amounts included in the provision of services for non-cash movements and items included in investing and financing activities.

3 Notes to the Main Financial Statements

3.1 Expenditure and Funding Analysis

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

	2015/16				2016/17	
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Directorate Analysis	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
156,902	17,141	174,043	People Directorate	171,601	19,651	191,252
34,569	82,440	117,009	Place Directorate	37,716	41,977	79,693
11,865	1,260	13,125	Resources Directorate	11,756	9,080	20,836
1,400	0	1,400	Chief Executive's Directorate	1,152	0	1,152
(53)	(21,613)	(21,666)	Contingency & Central Budgets	(3,992)	(1,692)	(5,684)
204,683	**79,228**	**283,911**	**Net Cost of Services**	**218,233**	**69,016**	**287,249**
(203,453)	(73,056)	(276,509)	Other Income and Expenditure	(209,213)	(50,257)	(259,470)
1,230	**6,172**	**7,402**	**Surplus or Deficit**	**9,020**	**18,759**	**27,779**
(84,215)			Opening General Fund	(82,985)		
1,230			Plus Surplus/(Deficit) on General Fund	9,020		
(82,985)			**Closing General Fund at 31 March**	**(73,965)**		

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3.2 Note to the Expenditure and Funding Analysis

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

2015/16					2016/17			
Adjustment for Capital Purposes (Note 1) £000	Net Changes for the Pension Adjustment (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000	Directorate Analysis	Adjustment for Capital Purposes (Note 1) £000	Net Changes for the Pension Adjustment (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
17,141	0	0	17,141	People Directorate	19,651	0	0	19,651
82,440	0	0	82,440	Place Directorate	41,977	0	0	41,977
1,260	0	0	1,260	Resources Directorate	9,080	0	0	9,080
0	0	0	0	Chief Executive's Directorate	0	0	0	0
(25,750)	6,391	(2,254)	(21,613)	Contingency & Central Budgets	(9,636)	7,481	463	(1,692)
75,091	**6,391**	**(2,254)**	**79,228**	**Net Cost of Services**	**61,072**	**7,481**	**463**	**69,016**
(70,154)	0	(2,902)	(73,056)	Other Income and Expenditure	(47,297)	0	(2,960)	(50,257)
4,937	**6,391**	**(5,156)**	**6,172**	**Surplus or Deficit**	**13,775**	**7,481**	**(2,497)**	**18,759**

Note 1: Adjustments for Capital Purposes – This column adds in depreciation and impairment and revaluation gain and losses on the services line, and includes adjustments for the following:
Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
Capital grant income and expenditure - these are adjusted for income not chargeable under generally accepted accounting practices
Note 2: Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

Note 3: Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices.

3.3 Revenue Outturn

2016/17	Net Expenditure Chargeable to the General Fund £000	Adjustment for elements within the Provision of Service that are not included in the Cost of Services £000	Contributions to/(from) revenue earmarked reserves £000	Revenue Outturn Position £000	Budget £000	Overspend/ (Underspend) £000
People Directorate	171,601	2,346	(1,520)	**172,427**	166,029	6,398
Place Directorate	37,716	(4,049)	(163)	**33,504**	33,548	(44)
Resources Directorate	11,756	(520)	(568)	**10,668**	11,366	(698)
Chief Executive Directorate	1,152	(58)	0	**1,094**	1,117	(23)
Contingency & Central Budgets	(3,992)	26,449	(6,080)	**16,377**	21,321	(4,944)
Net Cost of Services	**218,233**	**24,168**	**(8,331)**	**234,070**	**233,381**	**689**
Other Income and Expenditure	(209,213)	(24,168)	0	**(233,381)**	(233,381)	0
Surplus or Deficit	**9,020**	**0**	**(8,331)**	**689**	**0**	**689**

2015/16	Net Expenditure Chargeable to the General Fund £000	Adjustment for elements within the Provision of Service that are not included in the Cost of Services £000	Contributions to/(from) revenue earmarked reserves £000	Revenue Outturn Position £000	Budget £000	Overspend/ (Underspend) £000
People Directorate	156,902	10,915	104	**167,921**	162,480	5,441
Place Directorate	34,569	(4,373)	(619)	**29,577**	29,494	83
Resources Directorate	11,865	(407)	(2,681)	**8,777**	10,137	(1,360)
Chief Executive Directorate	1,400	190	(10)	**1,580**	1,639	(59)
Contingency & Central Budgets	(53)	28,579	3,313	**31,839**	34,607	(2,768)
Net Cost of Services	**204,683**	**34,904**	**107**	**239,694**	**238,357**	**1,337**
Other Income and Expenditure	(203,453)	(34,904)	0	**(238,357)**	(238,357)	0
Surplus or Deficit	**1,230**	**0**	**107**	**1,337**	**0**	**1,337**

3.4 Segmental Analysis

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

2016/17	Income from Grants and Contributions	Recharge Income	Income from Tax Income	Income from Fees and Charges	Total Income	Total Expenditure	Net Total Expenditure	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position
	£000	£000	£000	£000	£000	£000	£000	£000	£000
People Directorate	(248,971)	(6,313)	0	(23,273)	**(278,557)**	452,504	**173,947**	(1,520)	**172,427**
Place Directorate	(11,248)	(44,221)	0	(38,582)	**(94,051)**	127,718	**33,667**	(163)	**33,504**
Resources Directorate	(126,182)	(38,593)	0	(6,069)	**(170,844)**	182,080	**11,236**	(568)	**10,668**
Chief Executive Directorate	0	(1,273)	0	(91)	**(1,364)**	2,458	**1,094**	0	**1,094**
Contingency & Central Budgets	(86,295)	(1,531)	(7,313)	(23,558)	**(118,697)**	141,154	**22,457**	(6,080)	**16,377**
Net Cost of Services	**(472,696)**	**(91,931)**	**(7,313)**	**(91,573)**	**(663,513)**	**905,914**	**242,401**	**(8,331)**	**234,070**
Other Income and Expenditure	(47,626)	0	(185,755)	0	**(233,381)**	0	**(233,381)**	0	**(233,381)**
Surplus or Deficit	**(520,322)**	**(91,931)**	**(193,068)**	**(91,573)**	**(896,894)**	**905,914**	**9,020**	**(8,331)**	**689**

2015/16	Income from Grants and Contributions	Recharge Income	Income from Tax Income	Income from Fees and Charges	Total Income	Total Expenditure	Net Total Expenditure	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position
	£000	£000	£000	£000	£000	£000	£000	£000	£000
People Directorate	(260,238)	(5,614)	0	(24,083)	**(289,935)**	457,752	**167,817**	104	**167,921**
Place Directorate	(9,937)	(49,220)	0	(38,368)	**(97,525)**	127,721	**30,196**	(619)	**29,577**
Resources Directorate	(130,026)	(38,144)	0	(6,435)	**(174,605)**	186,063	**11,458**	(2,681)	**8,777**
Chief Executive Directorate	(6)	(1,331)	0	(97)	**(1,434)**	3,024	**1,590**	(10)	**1,580**
Contingency & Central Budgets	(87,703)	(56)	(4,884)	(32,259)	**(124,902)**	153,428	**28,526**	3,313	**31,839**
Net Cost of Services	**(487,910)**	**(94,365)**	**(4,884)**	**(101,242)**	**(688,401)**	**927,988**	**239,587**	**107**	**239,694**
Other Income and Expenditure	(61,851)	0	(176,506)	0	**(238,357)**	0	**(238,357)**	0	**(238,357)**
Surplus or Deficit	**(549,761)**	**(94,365)**	**(181,390)**	**(101,242)**	**(926,758)**	**927,988**	**1,230**	**107**	**1,337**

3.5 Income and Expenditure Analysis

This note provides an analysis of the income received and expenditure incurred within the Provision of Services in the Comprehensive Income and Expenditure Statement.

Expenditure/ Income	31st March 2016 £000	31st March 2017 £000
Income		
Fees, charges and other service income	(171,801)	(161,311)
Interest and investement income	(23,806)	(22,194)
Income from council tax and non-domestic rates	(181,390)	(193,067)
Government grants and contributions	(549,761)	(520,322)
Total Income	**(926,758)**	**(896,894)**
Expenditure		
Employee benefits expenses	291,321	285,053
Other services expenses	442,560	438,342
Support service recharges	46,458	46,117
Depreciation, amortisation, impairment	78,665	72,577
Interest payments	38,981	40,289
Precept and levies	15,661	15,119
Payments to Housing Capital Receipts Pool	4	0
Gain on Disposal of Assets	20,510	27,176
Total Expenditure	**934,160**	**924,673**
Surplus/ Deficit on the Provison of Services	**7,402**	**27,779**

3.6 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 and Expenditure Statement.

2015/16		2016/17		
(Surplus)/Deficit £000	Trading Accounts	Expenditure £000	Income £000	(Surplus)/Deficit £000
(10,865)	Commercial Property	5,460	(15,832)	(10,372)
(568)	Highways Maintenance	10,312	(10,815)	(503)
555	Construction & Property Services	4,658	(4,615)	43
553	Building Cleaning	3,135	(2,519)	616
(564)	Fleet & Workshop	10,640	(9,296)	1,344
819	Catering Services	571	(504)	67
765	Monitoring Response Unit	1,406	(591)	815
(756)	Commercial Waste Services	6,259	(6,456)	(197)
19	School Finance Services	356	(364)	(8)
(36)	Advertising	3	(61)	(58)
(10,078)	**(Surplus)/Deficit from Trading Operations**	**42,800**	**(51,053)**	**(8,253)**

3.7 Analysis of Capital Grants

2015/16 £000	Grant / Grant Body	2016/17 £000
3,448	Education Funding Agency	4,939
10,139	Department for Transport	1,385
70	Department for Energy & Climate Change	19
1,040	Department of Health	50
20,307	Department for Communities & Local Government	23,294
5,434	Department for Business, Innovation & Skills	30,412
18,167	European Regional Development Fund	153
600	Heritage Lottery Fund	0
1,179	Centro Highways & Transportation Grants & Contributions	0
0	Innovate UK	62
0	West Midlands Combined Authority	5,778
12,920	Other Capital Grants & Contributions	4,380
73,304	**Total**	**70,472**

The Capital Grant total of 2017/18 is the amount of grant applied during the year. This represents the total level of grant received of £74,473k net of £4,001k which has been transferred to the Capital Grants Unapplied Reserve (see section 2.3). In addition the Council's Balance Sheet (as at 31/03/2017) reflects Capital Grants received in advance of £4,605k.

3.8 Analysis of Revenue Grants

2015/16 £000	Grant	2016/17 £000
181,644	Dedicated Schools Grant (DSG) *	169,596
127,213	Housing Benefit Subsidy	122,840
61,851	Revenue Support Grant (Formula Grant element)	47,626
4,834	EFA School Sixth Form Grant	3,456
6,272	Skills Funding Agency Grants	6,443
8,607	Private Finance Initiative Grants	8,607
13,382	Pupil Premium Grant	12,194
3,848	Education Support Grant	3,311
528	Primary Care Trust Contribution	1,375
20,903	Public Health Grant	23,129
7,084	New Homes Bonus	9,413
13,790	Better Care Fund	10,453
19,433	Other revenue grants & contributions (Govt.)	22,594
1,716	Other revenue grants & contributions (Non-Govt.)	4,812
471,105	**Total**	**445,849**

* Section 3.9 identifies a total 2016/17 Dedicated Schools Grant (DSG) funded budget of £169,931k . This is £335k higher than the DSG figure shown in the table above, which includes additional elements retained by the Education Funding Agency in the year.

3.9 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) regulations 2015. 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 2016/17 are as follows:

Notes	Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for 2016/17 before Academy Recoupment	28,478	246,833	275,311
B	Academy figure recouped for 2016/17	186	105,194	105,380
C	**Total DSG after Academy Recoupment for 2016/17**	**28,292**	**141,639**	**169,931**
D	Plus: Brought forward from 2015/16	5,849	0	5,849
E	Less: Carry forward to 2017/18 agreed in advance	3,798	0	3,798
F	Agreed initial budgeted distribution in 2016/17	30,343	141,639	171,982
G	In year adjustments	(111)	0	(111)
H	Final budgeted distribution for 2016/17	30,232	141,639	171,871
I	Less: Actual central expenditure	29,538	0	29,538
J	Less: Actual ISB deployed to schools	0	141,639	141,639
K	Plus: Local authority contribution for 2016/17	0	0	0
L	**Carry forward to 2017/18**	**694**	**0**	**4,492**

Notes

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2017 early years block adjustment.

B: Figure recouped from the authority in 2016/17 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after EFA Academy recoupment for 2016/17.

D: Figure brought forward from 2015/16 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 2017.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2017/18 rather than distribute in 2016/17.

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 2016/17- 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 2016/17 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2017/18, ie:

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.

3.10 Related Party Transactions

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Transactions with related parties are disclosed to allow users of the financial statements to judge their impact on the accounts.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances is shown in note 3.34. During 2016/17, works and services to the value of £823,577 were commissioned from companies that 27 members had an interest in. Contracts were entered into in full compliance with the council's standing orders. In addition, the Council paid grants totalling £3,582,548 to voluntary organisations in which 14 members had an interest. In all instances, the grants were made with proper consideration to declarations of interest. Individual members' declarations of interest are available on the City Councils website.

Officers

During 2016/17, the Council's Chief Executive undertook the role of Interim Chief Executive of the West Midlands Combined Authority on a part-time basis for which he received no further emolument. In addition to the Levy payments detailed in section 2.2, the City Council paid the Combined Authority £287,719. The Chief Executive did not take part in any discussion, decision or administration relating to these payments.

The Executive Director (Place) is also the Chief Executive of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and a senior officer is seconded to the role of Operations Director at the same organisation. CWLEP was paid £1,021,619 in 2016/17. CWLEP is a company limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy ad increase prosperity. The LEP also has a role in coordinating elements of government funding for growth.

In addition, during 2016/17, works and services to the value of £1,750,214 were commissioned from companies that 14 officers had an interest. Grants to the value of £348,820 were made to voluntary bodies in which 4 officers had an interest. Contracts were entered into in full compliance with the council's standing orders. In all instances, the payments were made with proper consideration to declarations of interest.

A number of senior officers represent us on the boards of other related companies, however there were no significant transactions with these other entities

Central Government

Central Government has significant influence over the general operations of the authority– it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the authority has with other parties. Details of the main transactions between the Council and Government departments are set out in the income and expenditure statement (section 2.2).

Other Public Bodies

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

- Pension payments are made to the West Midlands Metropolitan Authorities Pension Fund, the Teachers' Pension Agency and the NHS Business Service Authority. Further details of these payments are included in section 3.31.
- Precept payments are made to the West Midlands Crime and Police Commissioner and the West Midlands Fire Authority, and these are shown within the Collection fund Income and Expenditure Statement, see section 2.2.
- Levy payments are made to the West Midlands Combined Authority and to the Environment Agency. These are shown within the Income and Expenditure Statement, see details in section 2.2
- The authority has a pooled budget arrangement with Coventry and Rugby Clinical Commissioning group to operate a Better Care Fund (BCF). Transactions and balances are detailed in section 3.11.

Organisations Controlled or Significantly Influenced by the Council

The Council has a combination of financial investment interests and/or group interest. Individual Members' declaration of interest forms are available on the City Council's website. The authority has 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 £7,497,260 to the company for services received and in return provided services to the value of £108,250.

In addition the Council received Business Rates payments of £650,601 and dividends of £2,666,667 and £1,023,898.

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 2016/17 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 £18,119 in March 2017. The company receives contributions from the City Council to cover its expenses. In 2016/17 the total was £3,632 of which £1,672 related to administrative services provided by the City Council.

Culture Coventry Ltd

Payment of £2.5m was made to Culture Coventry Trust on a long term arrangement for the provision of museum services on behalf of the authority. The Trust is deemed to be influenced by the authority through its representation on the Trust Board.

3.11 Pooled Budgets

Better Care Fund

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

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 Contribution 2016/17 £000	Coventry and Rugby CCG Contribution 2016/17 £000	Total Contribution 2016/17 £000	Coventry City Council Expenditure Internal[1] 2016/17 £000	Coventry City Council Expenditure Lead Commissioner[2] 2016/17 £000	Coventry City Council Expenditure Shared[3] 2016/17 £000	Coventry City Council Expenditure Total 2016/17 £000
Urgent Care	0	(6,456)	**(6,456)**	0	0	**0**	**0**
Long Term Care	(6,886)	(8,910)	**(15,796)**	1,743	7,300	**0**	**9,043**
Short Term Care	(3,039)	(6,265)	**(9,304)**	1,935	1,217	**815**	**3,967**
Dementia	(7,229)	(4,083)	**(11,312)**	6,953	0	**0**	**6,953**
Care Act Implementation	0	(863)	**(863)**	0	932	**0**	**932**
Disabled Facility Grants	(2,851)	0	**(2,851)**	2,078	0	**0**	**2,078**
Acceleration Fund	0	(2,046)	**(2,046)**	0	0	**1,453**	**1,453**
Protecting Social Care	0	(7,271)	**(7,271)**	0	7,108	**0**	**7,108**
Total	**(20,005)**	**(35,894)**	**(55,899)**	**12,709**	**16,557**	**2,268**	**31,534**

1 - This is where resources are controlled and expended by City Council
2 - The City Council acts as lead commissioner and accounts for expenditure with service providers
3 - Resources are pooled and the City Council and CCG account for their share of the expenditure as a joint operation in line with the Section 75 agreement

The following table provides details of the total contribution and expenditure made by the two partner organisations.

(Surplus) / Deficit	Coventry City Council	Coventry and Rugby CCG	Total
	£000	£000	£000
Contribution	(20,005)	(35,894)	**(55,899)**
Expenditure	31,534	19,921	**51,455**
Net Position	**11,529**	**(15,973)**	**(4,444)**

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 2017 are outlined in the following table.

(Surplus) / Deficit	Coventry City Council	Coventry and Rugby CCG	Total
	£000	£000	£000
Retained	(1,291)	(221)	**(1,512)**
Carried Forward	(121)	0	**(121)**
Total	**(1,412)**	**(221)**	**(1,633)**

3.12 Audit Note

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

2015/16* £000	Audit Fees	2016/17 £000
187	Fees Payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	189
8	Fees payable in respect of other services provided by external auditors during the year in relation to other services	29
195	**Total Fees**	**218**

**restated to give a consistent classification of fees*

Since 2012/13 the appointed external auditors have been Grant Thornton UK LLP. The fees in respect of other services provided by Grant Thornton in 2016/17 relate to certification of the Teachers' Pension return (£4,200), provision of the CFO Insights online tool that delivers financial analysis against all local authority accounts (£10,000) and fees for the Opportunity West Midlands Training Programme to improve the commercialisation skills of Council officers (£15,000).

3.13 Usable and Unusable Reserves

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

Usable Reserves

Usable Reserves	Balance at 31st March 2016 £000	Contributions from reserves 2016/17 £000	Contributions to reserves 2016/17 £000	Balance at 31st March 2017 £000
General Fund Balance - Uncommitted *	**(3,823)**	**689**	**0**	**(3,134)**
Earmarked Revenue Reserves:				
Schools Reserves (specific to individual schools)	(19,983)	1,857	0	(18,126)
Schools Reserves (retained centrally)	(5,841)	2,361	(1,013)	(4,493)
Total Schools Reserves	**(25,824)**	**4,218**	**(1,013)**	**(22,619)**
Private Finance Initiatives	(11,771)	1,369	(906)	(11,308)
Potential Loss of Business Rates Income	(2,670)	700	0	(1,970)
Early Retirement and Voluntary Redundancy	(12,500)	4,239	0	(8,261)
Birmingham Airport Dividend	(4,400)	0	0	(4,400)
Children's Social Care	(2,000)	2,000	0	0
Leisure Development	(876)	811	(829)	(894)
Public Health	(1,037)	352	(55)	(740)
Health and Social Care Schemes	(280)	280	0	0
Troubled Families	(701)	15	0	(686)
Insurance Fund	(2,402)	2,647	(2,031)	(1,786)
Management of Capital	(2,337)	904	(4,133)	(5,566)
Other Corporate **	(2,343)	1,692	(322)	(973)
Other Directorate	(6,920)	3,472	(5,377)	(8,825)
Other Directorate funded by Grant	(3,101)	1,603	(1,305)	(2,803)
Revenue Earmarked Reserves (Non-School)	**(53,338)**	**20,084**	**(14,958)**	**(48,212)**
Total Revenue Earmarked Reserves	**(79,162)**	**24,302**	**(15,971)**	**(70,831)**
Other Usable Reserves:				
Useable Capital Receipts Reserve	(6,660)	16,459	(30,288)	(20,489)
Capital Grant Unapplied Account	(5,736)	41,223	(45,224)	(9,737)
Total Other Usable Reserves	**(12,396)**	**57,682**	**(75,512)**	**(30,226)**
Total Usable Reserves	**(95,381)**	**82,673**	**(91,483)**	**(104,191)**

* This is a working balance that is maintained to assist in managing unforeseen financial challenges.
** Other Corporate Reserves includes a balance brought forward of £892k, which was previously identified as 'Achievement of Future Savings'

Unusable Reserves

2015/16 Capital Adjustment Account [CAA] £000	2015/16 Revaluation Reserve [RR] £000	2015/16 CAA & RR Combined £000	Category of Reserve Movement	2016/17 Capital Adjustment Account [CAA] £000	2016/17 Revaluation Reserve [RR] £000	2016/17 CAA & RR Combined £000
(445,966)	**(189,455)**	**(635,421)**	**Opening Balance**	**(433,185)**	**(177,351)**	**(610,536)**
29,166	0	29,166	Depreciation	31,377	0	31,377
859	0	859	Impairment	0	0	0
62,800	7,408	70,208	Derecognitions	46,815	0	46,815
(557)	(5,114)	(5,671)	Revaluations	9,877	(16,587)	(6,710)
(23,248)	0	(23,248)	Investment Property Revaluations	(3,370)	0	(3,370)
2,333	0	2,333	Intangibles	2,706	0	2,706
(73,304)	0	(73,304)	Capital grants and contributions applied	(70,472)	0	(70,472)
27,599	0	27,599	Revenue Expenditure funded from Capital	11,804	0	11,804
(29,832)	0	(29,832)	Capital receipts applied	0	0	0
25,809	0	25,809	Disposal of Assets	16,545	0	16,545
13,608	0	13,608	Repayment of Loans	2,787	0	2,787
2,950	0	2,950	Other Capital Receipts	0	0	0
223	0	223	Loss on Deferred Capital Receipt	0	0	0
4	0	4	Housing Pooling	0	0	0
(1,143)	0	(1,143)	Capital Expenditure funded from Revenue	(530)	0	(530)
(940)	0	(940)	Issue of Loans	(1,033)	0	(1,033)
(9,810)	9,810	0	Written out of the Revaluations Reserve	(24,303)	24,303	0
(13,605)	0	(13,605)	Revenue provision for the Repayment of Deb	(9,987)	0	(9,987)
(131)	0	(131)	Other Gains and Losses	(88)	0	(88)
(433,185)	**(177,351)**	**(610,536)**	**Closing Balance**	**(421,057)**	**(169,635)**	**(590,692)**

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

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.

3.14 Adjustments between Accounting Basis & Funding Basis under Regulations

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

2015/16 £000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	2016/17 £000
	Reversal of items debited or credited to the CIES	
	Usable Reserves	
5,352	**Capital grants & contributions unapplied movement to CIES**	**4,001**
	Unusable Reserves	
(29,166)	Charges for depreciation of non-current assets	(31,379)
(859)	Charges for impairment of non-current assets	0
(62,800)	Charges for derecognition of non-current assets	(46,815)
23,805	Revaluation of Property, Plant & Equipment & Assets Held for sale	(6,506)
(2,333)	Amortisation of intangible assets	(2,706)
73,304	Capital grants and contributions applied	70,473
(27,599)	Revenue expenditure funded from capital under statute	(11,804)
(223)	Loss on Disposal funded from Capital Receipts	(543)
(6,391)	Retirement benefit adjustments debited or credited to the CIES	(7,481)
2,902	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	2,960
1,921	Accumulated Absences Account (difference between renumeration charged to the CIES and renumeration paid for the year)	(746)
329	Other movements	237
	Inclusion of items not debited or credited to the CIES	
13,605	Statutory provision for the financing of capital investment	9,987
838	Repayment of Transferred Debt Principal	1,033
1,143	Capital expenditure charged against the General Fund balance.	530
(11,524)	**Subtotal of adjustments affecting Unusable Reserves**	**(22,760)**
(6,172)	**Total Adjustments**	**(18,759)**

3.15 Property, Plant and Equipment

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

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total £000
Cost or Valuation							
1st April 2016	**882,719**	**42,315**	**357,496**	**15,737**	**164**	**10,339**	**1,308,770**
Additions	3,468	2,236	18,577	285	0	31,163	55,729
Revaluation increase/(decreases) to Revaluation Reserve	6,360	(190)	0	0	0	0	6,170
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(10,980)	(8,838)	0	0	0	0	(19,818)
Disposals	(550)	(450)	0	0	0	0	(1,000)
Derecognition	(28,664)	0	(17,963)	(188)	0	0	(46,815)
Reclassifications	(1,036)	0	0	0	0	0	(1,036)
31st March 2017	**851,317**	**35,073**	**358,110**	**15,834**	**164**	**41,502**	**1,302,000**
Depreciation and Impairment							
1st April 2016	**399,931**	**27,535**	**97,836**	**0**	**0**	**0**	**525,302**
Depreciation Charge	22,071	2,225	7,072	0	9	0	31,377
Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	3,473	60	0	0	0	0	3,533
Depreciation written out to the Surplus/Deficit on the Provision of Services	(7,045)	(2,896)	0	0	0	0	(9,941)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Reclassifications	(22)	0	0	0	0	0	(22)
31st March 2017	**418,408**	**26,924**	**104,908**	**0**	**9**	**0**	**550,249**
Net Book Value							
31st March 2017	432,909	8,149	253,202	15,834	155	41,502	**751,751**
1st April 2016	482,788	14,780	259,660	15,737	164	10,339	**783,468**

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 5.7

Depreciation is a calculation of the amount an asset has decreased in value due to general wear and tear etc and is provided for on all assets with a determinable finite life (except for land, community assets, heritage assets and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

The basis upon which depreciation is charged for the different asset types is detailed in the accounting policies, see section 5.7.

3.16 Heritage Assets

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. These valuations were last updated in 2007 and have not been reassessed during 2016/17 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 2016 and the carried forward balance on 31st March 2017. 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 2016 £000	31st March 2017 £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).

3.17 Non-Operational Assets

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

	Investment Property £000	Assets Held for Sale £000	Heritage Assets £000	Under Construction* £000	Total £000
Cost or Valuation					
1st April 2016	**274,952**	**10,022**	**25,893**	**2,978**	**313,845**
Additions	1,338	0	0	530	1,868
Revaluation increase/(decrease) to Revaluation Reserve	(17)	13,967	0	0	13,950
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	420	2,927	0	0	3,347
Disposals	(339)	(15,206)	0	0	(15,545)
Derecognition	0	0	0	0	0
Reclassifications	174	862	0	0	1,036
31st March 2017	**276,528**	**12,572**	**25,893**	**3,508**	**318,501**
Depreciation and Impairment					
1st April 2016	**116,158**	**7,564**	**0**	**1**	**123,723**
Depreciation Charge	0	0	0	0	0
Disposals	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(22)	0	0	0	(22)
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	22	0	0	0	22
31st March 2017	**116,158**	**7,564**	**0**	**1**	**123,723**
Net Book Value					
31st March 2017	160,370	5,008	25,893	3,507	**194,778**
1st April 2016	158,794	2,458	25,893	2,977	**190,122**

* 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.

3.18 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 Asset

Property, Plant & Equipment Total	Non-Operational Assets Total	Total		Property, Plant & Equipment Total	Non-Operational Assets Total	Total
	2015/16				2016/17	
£000	£000	£000	**Cost or Valuation**	£000	£000	£000
1,304,338	**308,963**	**1,613,301**	**1st April 2016**	**1,308,770**	**313,845**	**1,622,615**
75,611	3,316	**78,927**	Additions	55,729	1,868	**57,597**
2,086	552	**2,638**	Revaluation increase/(decrease) to Revaluation Reserve	6,170	13,950	**20,120**
525	23,242	**23,767**	Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(19,818)	3,347	**(16,471)**
(2,250)	(23,559)	**(25,809)**	Disposals	(1,000)	(15,545)	**(16,545)**
(70,208)	0	**(70,208)**	Derecognitions	(46,815)	0	**(46,815)**
(1,332)	1,331	**(1)**	Reclassifications	(1,036)	1,036	**0**
1,308,770	**313,845**	**1,622,615**	**31st March 2017**	**1,302,000**	**318,501**	**1,620,501**
			Depreciation and Impairment			
497,791	**123,724**	**621,515**	**1st April 2016**	**525,302**	**123,723**	**649,025**
29,156	9	**29,165**	Depreciation Charge	31,377	0	**31,377**
0	0	**0**	Disposals	0	0	**0**
(2,485)	10	**(2,475)**	Depreciation written out to the Revaluation Reserve	3,533	0	**3,533**
(19)	(20)	**(39)**	Depreciation written out to the Surplus/Deficit on the Provision of Services	(9,941)	(22)	**(9,963)**
0	0	**0**	Impairment losses/reversals to Revaluation Reserve	0	0	**0**
859	0	**859**	Impairment losses/reversals to Surplus/Deficit on the Provision of Services	0	0	**0**
0	0	**0**	Reclassifications	(22)	22	**0**
525,302	**123,723**	**649,025**	**31st March 2017**	**550,249**	**123,723**	**673,972**
			Net Book Value			
783,468	190,122	**973,590**	**31st March 2017**	751,751	194,778	**946,529**
806,547	185,239	**991,786**	**1st April 2016**	783,468	190,122	**973,590**

3.19 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2016/17 has been financed:

31st March 2016 £000		31st March 2017 £000
400,370	Opening Capital Financing Requirement	**391,833**
	Capital Investment	
75,611	Property, Plant and Equipment	55,729
3,317	Investment Properties	1,867
2,333	Intangible Assets	2,706
27,599	Revenue Expenditure Funded from Capital Under Statute	11,804
1,204	Debtors	0
110,064	Total Capital Investment	**72,106**
	Sources of Finance	
(29,609)	Capital Receipts	0
(73,304)	Government Grants and Other Contributions	(70,472)
(1,143)	Revenue Contributions	(530)
(13,605)	Revenue Provision for Debt Repayment	(9,987)
0	Donated Assets	(1,104)
(940)	Other Adjustments	(1,033)
(118,601)	Total from Sources of Finance	**(83,126)**
391,833	Closing Capital Financing Requirement	**380,813**
	Explanation of movement in year	
(13,605)	Revenue Provision for Debt Repayment	(9,987)
(838)	Repayment of Transferred Debt Principal	(921)
0	Capital Investment funded by borrowing	0
0	Capital Receipts Applied to Repay Debt	0
6,008	Assets acquired under PFI/PPP contracts	0
0	Reduction of Capitalised Provision	0
(102)	Restatement of Historic Debt Liability	(112)
(8,537)	**Increase/(decrease) in Capital Financing Requirement**	**(11,020)**

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£71,002k) includes all the items recorded under capital investment above (£72,106) less new assets recorded as part of the Street Lighting PFI contract (£1,104k) see section 3.29.

3.20 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2012/13 to 2016/17. 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	8,149	253,202	15,834	0	41,502	318,687
Valued at current value as at:							
31st March 2013	72,019	0	0	0	0	0	72,019
31st March 2014	3,829	0	0	0	0	0	3,829
31st March 2015	281,865	0	0	0	0	0	281,865
31st March 2016	30,366	0	0	0	155	0	30,521
31st March 2017	44,830	0	0	0	0	0	44,830
Total Cost or Valuation	**432,909**	**8,149**	**253,202**	**15,834**	**155**	**41,502**	**751,751**

3.21 Capital Commitments

The City Council has an approved capital programme for 2017/18 of £123.1m and a provisional programme of £199.2m for 2018/19 and £98.0m for 2019/20. The following are significant contracts legally committed to finish projects already started on 31st March 2017.

Significant Capital Commitments 2016/17	Outstanding Commitment £000	Contract Value £000	Date for Completion
Intelligent Variable Messaging System (Siemens)	410	900	31/03/2018
Intelligent Variable Messaging System (Coventry University)	206	400	31/03/2018
Intelligent Variable Messaging System (Horiba MIRA)	183	475	31/03/2018
Intelligent Variable Messaging System (Serious Games)	135	325	31/03/2018
Growth Deal - R&D Steel (Warwick University)	850	1,000	31/03/2019
Growth Deal - Coton Arches (Warwickshire County Council)	1,845	2,000	31/03/2018
Growth Deal - A46 N-S Corrider (Stanks) (Warwickshire County Council)	3,774	4,100	31/03/2018
Growth Deal - National Transport Design Centre (Coventry University)	878	7,000	01/06/2017
Growth Deal - WMG Academy Pre-Dev (Warwick University)	320	770	31/03/2018
Tiverton School New Build (Farrans)	8,019	9,224	31/12/2017
ICT Strategy Systems & Development (Arcus Global Ltd)	167	250	31/03/2018
Friargate Council Office (Friargate LLP)	12,254	40,500	31/08/2017
Nuckle 1.1 (Buckinghams)	245	7,600	31/05/2017
Warwick Road Station Access (Jacksons Civil Engineering Group Ltd)	297	1,801	31/05/2017
Nuckle 1.2 (AECOM)	358	396	05/12/2017
Coventry Station Masterplan (Network Rail)	156	311	29/09/2017
City Centre Destination Lesiure Facility (Buckingham Group)	26,874	27,745	01/04/2019
City Centre Destination Lesiure Facility (Appleyard & Trew)	257	499	01/04/2019
Alan Higgs 50m Pool (Appleyard & Trew)	199	250	28/02/2019
Alan Higgs 50m Pool (NEPRO Ltd)	579	732	28/02/2019
	58,003	**106,277**	

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3.22 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 3.36 Associated Company Interest and Holdings.

31st March 2016 £000	Long Term Investments	31st March 2017 £000
22,913	Birmingham Airport Holdings Ltd	22,913
46,667	Coventry Solihull Waste Disposal Co (CSWDC)	46,667
0	University of Warwick Science Park Innovation Centre Ltd	0
5,525	Coventry Building Society Secured Bond	5,294
706	Coombe Abbey Park Ltd	2,950
2,703	North Coventry Holdings Limited	2,703
78,514	**Total Long Term Investments**	**80,527**

A valuation exercise undertaken jointly with BDO LLP in 2012 valued Coventry City Council's shareholding in Birmingham Airport Holdings Ltd at £22.9m. Subsequent valuation exercises have indicated that there is no material change in this valuation. A further valuation exercise by BDO LLP is underway currently and any material change in valuation will be reflected in the Council's final audited accounts.

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. A valuation exercise relating to the Council's remaining shareholding is currently being undertaken and any material change in valuation will be reflected in the Council's final audited accounts.

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 2017.

A treasury management investment of £5.3m 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 £2.95m as at 31st March 2017.

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3.23 Long Term Debtors

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

31st March 2016 £000	Long Term Debtors	31st March 2017 £000
101	Housing Loans	108
1,066	Binley Innovation Centre	1,066
292	Pathways to Care Loans	292
1,707	Residential Property Debts	1,092
5	Coventry North Regeneration Ltd	5
123	Mortgages	123
264	Belgrade Theatre	250
9	Spon End Building Preservation Trust	0
36	Commercial Property	36
4,783	City College Car Park	4,917
2	Car Loans	2
2,260	Kickstart	2,143
880	Coventry Investment Fund - Cathedral Lanes	0
1,300	Coventry Investment Fund - FARGO	0
5,390	Coombe Abbey Park Ltd	4,931
1,981	Bellway Homes - Land Sale	0
0	BDW Trading Ltd	5,487
20,199	**Total Long Term Debtors**	**20,452**

3.24 Short Term Debtors

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

31st March 2016					31st March 2017			
Debtor	Payment In Advance	Impairment Allowance	Total	Debtors Classification	Debtor	Payment In Advance	Impairment Allowance	Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
13,330	0	0	**13,330**	Central Government Bodies	5,226	0	0	**5,226**
1,154	35	0	**1,189**	Other Local Authorities	1,850	213	0	**2,063**
10,175	0	0	**10,175**	NHS Bodies	1,180	0	0	**1,180**
0	0	0	**0**	Public Corporations	13	0	0	**13**
34,859	11,526	(15,351)	**31,034**	All Other Bodies	32,827	11,949	(13,219)	**31,557**
14,039	0	(6,437)	**7,602**	Debts Relating to Local Taxation	13,926	0	(5,676)	**8,250**
73,557	**11,561**	**(21,788)**	**63,330**	**Total Debtors**	**55,022**	**12,162**	**(18,895)**	**48,289**

3.25 Short Term Creditors

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

31st March 2016				31st March 2017		
Creditors	Receipts in Advance	Total	Creditors Classification	Creditors	Receipts in Advance	Total
£000s	£000s	£000s		£000s	£000s	£000s
(6,980)	(2,362)	**(9,342)**	Central Government Bodies	(8,156)	(398)	**(8,554)**
(1,363)	(140)	**(1,503)**	Other Local Authorities	(1,232)	(37)	**(1,269)**
(1,568)	(36)	**(1,604)**	NHS Bodies	(3,184)	(42)	**(3,226)**
(6)	0	**(6)**	Public Corporations	0	0	**0**
(34,674)	(13,470)	**(48,144)**	All Other Bodies	(35,430)	(12,598)	**(48,028)**
(3,474)	(3,515)	**(6,989)**	Credits Relating to Local Taxation	(5,532)	(4,251)	**(9,783)**
(48,065)	**(19,523)**	**(67,588)**	**Total Creditors**	**(53,534)**	**(17,326)**	**(70,860)**

3.26 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 2016/17 is explained below:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
1st April 2016	**(5,810)**	**(4,224)**	**(914)**	**(10,948)**
Increase in provision	(250)	(1,539)	0	**(1,789)**
Amounts used	163	1,046	0	**1,209**
Unused amounts reversed	0	1,146	0	**1,146**
31st March 2017	**(5,897)**	**(3,571)**	**(914)**	**(10,382)**

The split between short and long term provisions, as at 31st March 2017, is provided in the following table:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
Short Term Provisions	0	(1,541)	(157)	**(1,698)**
Long Term Provisions	(5,897)	(2,030)	(757)	**(8,684)**
Total	**(5,897)**	**(3,571)**	**(914)**	**(10,382)**

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 up by £87k in 2016/17 and now stands at £5,897k. 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 3.13.

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 2016/17 and earlier financial years. As a result, the Council has estimated that a provision of £3,571k is required relating to Business Rates appeals, although the amount and timing of future payments are uncertain. This represents a reduction of £653k in 2016/17.

3.27 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 2017 was £10,326k (£10,061k as at 31st March 2016) and is held on the balance sheet as a creditor. The main funds held relate to:

- Developers contributions of £8,015k - e.g. Section 106 amounts;
(£7,888k as at 31st March 2016)
- Tenants contributions of £1,661k - towards essential repair and maintenance of common areas in multi occupied buildings;
(£1,617k as at 31st March 2016)
- Social Services Clients Funds of £147k
(£160k as at 31st March 2016),
- Other funds of £503k
including bequests/donations for maintenance of gardens, landscape works, education and environmental services and charity donations.
(£396k as at 31st March 2016)

3.28 Notes to the Cash Flow

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

2015/16 £000	Adjust Net Surplus/Deficit on the Provision of Services for Non Cash Movements	2016/17 £000
(29,166)	Depreciation	(31,379)
(859)	Impairment	0
(62,800)	Derecognition of Non-current Assets	(46,815)
23,805	Revaluation of Non-current Assets	(6,506)
(2,333)	Amortisation	(2,706)
(2,896)	(Increase)/ Decrease in Impairment Provision for Bad Debts	2,132
1,967	(Increase)/ Decrease in Creditors and Provisions	(6,157)
15,619	Increase/ (Decrease) in Debtors	(20,120)
117	Increase/ (Decrease) in Inventory	(231)
(6,391)	Pension Liability	(7,481)
9,655	Other Non Cash items charged to the Net Surplus or Deficit on the Provision of Services *	0
(53,282)	**Total**	**(119,263)**

2015/16 £000	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2016/17 £000
46,659	Net Application of grants to capital financing	58,668
4,640	Council Tax & Business Rates Adjustments	(4,454)
51,299	**Total**	**54,214**

2015/16 £000	Net Cash Flows from Investing Activities	2016/17 £000
96,634	Purchase of Property, Plant and Equipment, Investment Property & Intangible Assets	71,346
(16,915)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(11,271)
(16,558)	Proceeds from Short Term & Long Term Investments	(231)
(73,304)	Other Receipts from Investing Activities *	(70,472)
(10,143)	**Total**	**(10,628)**

* This was the amount of received capital grants applied during the year.

2015/16 £000	Net Cash Flows from Financing Activities	2016/17 £000
(68)	Cash Receipts of Short and Long Term Borrowing	95
(4,640)	Council Tax & Business Rates Adjustments	4,454
1,818	Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts	2,118
17,833	Repayments of Short and Long Term Borrowing	1,043
(17,649)	Other Payments for Financing Activities	40,669
(2,706)	**Total**	**48,379**

2015/16 £000	Cash Flows from Interest and Dividends	2016/17 £000
(2,288)	Interest received	(2,177)
21,018	Interest paid	21,927
(6,779)	Dividends received	(5,764)
11,951	**Total**	**13,986**

2015/16 £000	Breakdown of Cash and Cash Equivalents	2016/17 £000
(131)	Cash held by the council	(133)
(9,269)	Bank current accounts	(10,536)
(8,250)	On call deposits	(6,500)
(17,650)	**Total**	**(17,169)**

3.29 Private Finance Initiative (PFI)

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

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

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

Caludon Castle School PFI Contract

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

In February 2013 Caludon Castle School transferred to Academy Status. 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 2016/17 expenditure on unitary charge payments to the contractor was £3,123k, compared with £3,177k in 2015/16. 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
2017/18	1,323	716	798	2,837
2018/19 - 2021/22	5,972	2,646	2,554	11,172
2022/23 - 2026/27	8,529	3,264	1,886	13,679
2027/28 - 2031/32	9,991	3,285	271	13,547
2032/33 - 2034/35	5,397	2,335	(271)	7,461
Total	**31,212**	**12,246**	**5,238**	**48,696**

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

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

Loans	£000
Liability brought forward	(13,007)
Unitary Charge (Lease repayment)	761
Liability carried forward (breakdown below)	**(12,246)**
Long term liability	(11,530)
Current liability	(716)

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 2016/17 expenditure on unitary charge payments to the contractor was £6,876k, compared with £6,648k in 2015/16. 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	Repayment of Liability	Interest Charge	Total Unitary Charge
	£000	£000	£000	£000
2017/18	4,417	806	1,895	7,118
2018/19 - 2021/22	20,930	2,618	6,844	30,392
2022/23 - 2026/27	29,473	5,226	7,999	42,698
2027/28 - 2031/32	33,863	7,804	6,937	48,604
2032/33	1,703	496	354	2,553
Total	**90,386**	**16,950**	**24,029**	**131,365**

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2016/17 are shown in the tables below.

Operational Assets Other Land & Buildings	£000
Cost or Valuation	
Brought forward	24,716
Adjustment to brought forward position	(2,958)
Carried forward	21,758
Depreciation and Impairments	
Brought forward	(15,976)
Adjustment to brought forward position	2,958
Charged this year	(168)
Carried forward	(13,186)
Balance Sheet carried forward	**8,572**
Balance Sheet brought forward	**8,740**

Long Term Loans	£000
Liability brought forward	**(17,558)**
Unitary Charge (Lease repayment)	608
Liability carried forward (breakdown below)	**(16,950)**
Long term liability	(16,144)
Current liability	(806)

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 2016/17 expenditure on unitary charge payments to the contractor was £7,479k, compared with £7,286k in 2015/16.
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
2017/18	1,987	872	4,485	7,344
2018/19 - 2021/22	7,668	5,200	17,184	30,052
2022/23 - 2026/27	12,346	8,465	18,405	39,216
2027/28 - 2031/32	14,054	13,756	13,464	41,274
2032/33 - 2035/36	10,300	15,312	5,406	31,018
Total	**46,355**	**43,605**	**58,944**	**148,904**

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 are shown in the tables below.

Operational Assets - Infrastructure	£000
Cost or Valuation	
Brought forward	48,876
Initial recognition - Donated Asset	1,104
Carried forward	49,980
Depreciation and Impairments	
Brought forward	(2,757)
Adjustment to brought forward position	(118)
Charged this year	(1,314)
Carried forward	(4,189)
Balance Sheet carried forward	**45,791**
Balance Sheet brought forward	**46,119**

Long Term Loans	£000
Liability brought forward	**(44,357)**
Adjustment to brought forward position	3
Unitary Charge (Lease repayment)	749
Liability carried forward (breakdown below)	**(43,605)**
Long term liability	(42,733)
Current liability	(872)

Donated Assets Account	£000
Donated Assets account brought forward	**0**
Donated Assets recognised in year	(1,104)
Credited to Comprehensive Income & Expenditure account	0
Donated Assets account carried forward	(1,104)

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

3.30 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 2016 £000	31st March 2017 £000
Other Land and Buildings	1,232	1,232
Vehicles, Plant, Furniture and Equipment	8	3
	1,240	**1,235**

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 2016 £000	31st March 2017 £000
Finance lease liabilities :		
- current	0	0
- non-current	0	0
Finance costs payable in future years	242	242
Minimum Lease Payments	**242**	**242**

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

	31st March 2016 £000	31st March 2017 £000
Not later than one year	0	0
Later than one year and not later than five years	24	24
Later than five years	218	218
	242	**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 2016/17 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 2016 £000	31st March 2017 £000
Not later than one year	238	193
Later than one year and not later than five years	391	296
Later than five years	0	0
	629	**489**

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 2016 £000	31st March 2017 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	0	184
- non-current	4,783	4,733
Unearned finance income	3,378	3,139
Unguaranteed residual value of property	0	0
Gross Investment in the lease	**8,161**	**8,056**

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

	31st March 2016 £000	31st March 2017 £000
Not later than one year	105	430
Later than one year and not later than five years	1,719	1,719
Later than five years	6,337	5,907
	8,161	**8,056**

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 2016/17, 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 2017 £000
Not later than one year	4,285
Later than one year and not later than five years	3,980
Later than five years	4,744
Total	**13,009**

3.31 Pension Costs

Officers
In 2016/17 the City Council paid an employer's contribution of £33,323k, (£29,734k in 2015/16). Representing 25.9% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. The contributions were set in line with local government pension regulations, following the actuarial review by Mercer Human Resource Consulting as at March 2013.

This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service.

For 2017/18 an upfront payment of £93,300k has been made to cover contributions for the next three years.

The Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2016/17, this amounted to £4,028k (£5,170k in 2015/16).

Further details on pension liabilities are provided in note 3.32.

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 2016/17, the City Council paid £11,170k (£11,223k in 2015/16) to the Department for Education (DfE) for teachers' pension costs, which represents 16.4% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension contributions. In 2016/17, these amounted to £2,509k (£2,604k in 2015/16) 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 2016/17 the City Council paid £73k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, which represents 14.3% of pensionable pay.

3.32 Retirement Benefits

Coventry participates in the Local Government Pension Scheme (LGPS) through the West Midlands Authorities Pension Fund, which is administered by Wolverhampton Council. This is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.
In addition to this scheme, Coventry is also responsible for all pension payments relating to added years awarded for allowing premature retirement of teachers. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liability, and cash has to be generated to meet actual pension payments as they fall due.
Barnett Waddingham LLP, the current actuary for the pension fund, has undertaken the assessment of the value of assets and liabilities on behalf of the member authorities of the West Midlands Pension Fund.

Summary of Outcome

The overall increase in the deficit is analysed as follows:

2015/16 LGPS £000	2015/16 Teachers £000	2015/16 Total £000		2016/17 LGPS £000	2016/17 Teachers £000	2016/17 Total £000
(550,080)	(36,009)	**(586,089)**	Deficit b/fwd	(517,704)	(35,848)	**(553,552)**
(33,097)	0	**(33,097)**	Current Service Cost	(30,947)	0	**(30,947)**
35,613	2,604	**38,217**	Employer Contributions	35,654	2,509	**38,163**
0	0	**0**	Past Service Gain/(Loss)	0	0	**0**
30,460	0	**30,460**	Return on Assets	32,846	0	**32,846**
(47,347)	(1,076)	**(48,423)**	Interest on Pension Liabilities	(50,274)	(934)	**(51,208)**
40,295	(1,367)	**38,928**	Remeasurements	(52,037)	(166)	**(52,203)**
6,862	0	**6,862**	Curtailment Gain/(Loss)	4,150	0	**4,150**
(410)	0	**(410)**	Administration Expenses	(485)	0	**(485)**
(517,704)	**(35,848)**	**(553,552)**	**Surplus/(Deficit)**	**(578,797)**	**(34,439)**	**(613,236)**

The liabilities show the underlying commitments that the authority has in the long term to repay retirement benefits. The total liability has a substantial impact on the net worth of the authority as recorded on the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The increase in the LGPS deficit is largely accounted for by a decrease in the discount rate. The discount rate is the rate of interest used to discount post-employment benefits. The discount rate is based on market yields at 31st March on high quality corporate bonds.

The deficit on the local government scheme will be made good by increased contributions over the working life of the employees and other scheme changes, as assessed by the scheme's actuary.

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

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge we are required to make against Council Tax is based on the cash payable in the year based on the current level of Employer Superannuation contributions. The difference between the two is adjusted as part of the Adjustments between Accounting Basis and Funding Basis under Regulations.

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

2015/16 LGPS £000	2015/16 Teachers £000	2015/16 Total £000		2016/17 LGPS £000	2016/17 Teachers £000	2016/17 Total £000
			Net Cost of Services			
33,097	0	33,097	Current Service Cost	30,947	0	30,947
0	0	0	Past Service Costs (Gain)	0	0	0
(6,862)	0	(6,862)	Settlements and curtailments	(4,150)	0	(4,150)
410	0	410	Administration Expenses	485	0	485
			Financing and Investment Income and Expenditure			
47,347	1,076	48,423	Interest cost	50,274	934	51,208
(30,460)	0	(30,460)	Expected return on scheme assets	(32,846)	0	(32,846)
43,532	1,076	44,608	**Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services**	44,710	934	45,644
			Other Post Employment Benefit Charged to CIES			
(40,295)	1,367	(38,928)	Actuarial (gains) and losses	52,037	166	52,203
3,237	2,443	5,680	**Total Post Employment Benefit Charged to the CIES**	96,747	1,100	97,847
			Movement in Reserves Statement			
(43,532)	(1,076)	(44,608)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(44,710)	(934)	(45,644)
			Actual amount charged against the General Fund for pensions in the year:			
35,613		35,613	Employers contributions payable to scheme	35,654		35,654
	2,604	2,604	Retirement benefits payable to pensioners		2,509	2,509

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2017 is a loss of £143.472m

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

Local Government Pension Scheme	2015/16 £000	2016/17 £000
Opening balance at 1st April	957,316	942,917
Expected rate of return	30,460	32,846
Actuarial gains and losses	(33,601)	230,445
Employer contributions	35,613	35,654
Contributions by scheme participants	8,357	8,194
Benefits paid	(54,200)	(51,981)
Settlements	(618)	(498)
Administration Expenses	(410)	(485)
Closing balance at 31st March	**942,917**	**1,197,092**

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a £202m gain (compared to a £3m loss in 2015/16).

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	2015/16 £000	2016/17 £000
LGPS & Teachers		
Opening Balance at 1st April	1,543,405	1,496,469
Current Service Cost	33,097	30,947
Interest Cost	48,423	51,208
Contributions from scheme participants	8,357	8,194
Remeasurement (gains) and losses:		
(Gain)/loss arising from changes in financial assumptions	(72,529)	395,321
(Gain)/loss arising from changes in demographic assumptions	0	(45,567)
Experience (gain)/loss	0	(67,106)
Past service cost	0	0
Losses/(gains) on curtailment	3,960	1,221
Liabilities assumed on entity combinations	0	0
Benefits paid	(56,804)	(54,490)
Liabilities extinguished on settlements	(11,440)	(5,869)
Closing balance at 31st March	1,496,469	1,810,328

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 2016	31st March 2017
Rate of CPI inflation	2.00%	2.70%
Rate of increase in salaries	3.75%	4.20%
Rate of increase in pensions	2.00%	2.70%
Discount rate	3.50%	2.70%
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	23.0	21.8
Women	25.7	24.2
Longevity at 65 for future pensioners in 20 years time		
Men	25.2	23.9
Women	28.0	26.5

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

Sensitivity Analysis - LGPS				
Adjustments to Discount Rate		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	1,745,614	1,775,889	1,806,719
Projected Service Cost	£000	45,861	46,955	48,077
Adjustment to Pension increases & deferred valuation		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	1,802,795	1,775,889	1,749,447
Projected Service Cost	£000	48,076	46,955	45,859
Adjustment to life expectancy assumptions		**+ 1 Year**	**None**	**- 1 Year**
Present Value of Total Obligation	£000	1,844,020	1,775,889	1,710,354
Projected Service Cost	£000	48,453	46,955	45,504

Sensitivity Analysis - Unfunded Teachers				
Adjustments to Discount Rate		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	34,014	34,439	34,779
Adjustment to Pension increases & deferred valuation		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	34,778	34,439	34,104
Adjustment to life expectancy assumptions		**+ 1 Year**	**None**	**- 1 Year**
Present Value of Total Obligation	£000	36,024	34,439	32,924

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

Asset Categories	31st March 2016		31st March 2017	
	£000	%	£000	%
Equities	570,677	59.1%	771,048	64.4%
Bonds	117,382	18.5%	146,765	12.3%
Property	77,758	8.7%	92,218	7.7%
Cash/Liquidity	43,068	4.1%	34,166	2.9%
Other	134,032	9.6%	152,895	12.8%
Total	942,917		1,197,092	

History of experience gains and losses

The actuarial gains/losses identified as movements in the pension reserve in 2016/17 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2017.

	2011/12	2012/13	2013/14	2015/16	2016/17
LGPS					
Asset Gain/(Loss)	5.6%	0.2%	9.5%	(3.6%)	19.3%
Liability Gain/(Loss)	(10.6%)	6.4%	(12.7%)	5.1%	(15.9%)
Unfunded Teachers					
Liability Gain/(Loss)	11.8%	0.0%	(7.5%)	(3.8%)	(0.5%)

Scheme History	2011/12 £000's	2012/13 £000's	2013/14 £000's	2015/16 £000's	2016/17 £000's
Present value of liabilities					
LGPS	(1,309,245)	(1,270,042)	(1,507,396)	(1,460,621)	(1,775,889)
Teachers	(35,900)	(34,528)	(36,009)	(35,848)	(34,439)
Fair value of assets					
LGPS	816,341	838,661	957,316	942,917	1,197,092
Teachers	0	0	0	0	0
Surplus/(deficit) in scheme					
LGPS	(492,904)	(431,381)	(550,080)	(517,704)	(578,797)
Teachers	(35,900)	(34,528)	(36,009)	(35,848)	(34,439)
TOTAL (deficit)	(528,804)	(465,909)	(586,089)	(553,552)	(613,236)

3.33 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 2016/17 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:

2015/16					2016/17			
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
39	21	24	**84**	£50,000 - £54,999	39	12	26	**77**
22	13	24	**59**	£55,000 - £59,999	21	6	14	**41**
18	3	19	**40**	£60,000 - £64,999	17	5	23	**45**
13	7	12	**32**	£65,000 - £69,999	15	3	11	**29**
8	3	7	**18**	£70,000 - £74,999	6	1	7	**14**
4	0	4	**8**	£75,000 - £79,999	4	0	4	**8**
3	1	4	**8**	£80,000 - £84,999	3	0	1	**4**
2	2	8	**12**	£85,000 - £89,999	4	1	6	**11**
0	0	4	**4**	£90,000 - £94,999	0	0	1	**1**
1	1	3	**5**	£95,000 - £99,999	0	0	2	**2**
0	0	0	**0**	£100,000 - £104,999	1	0	3	**4**
0	1	2	**3**	£105,000 - £109,999	0	0	2	**2**
0	0	0	**0**	£110,000 - £114,999	0	0	3	**3**
0	0	2	**2**	£120,000 - £124,999	0	0	1	**1**
0	0	0	**0**	£125,000 - £129,999	0	0	1	**1**
0	0	1	**1**	£130,000 - £134,999	0	0	0	**0**
0	0	1	**1**	£135,000 - £139,999	0	0	1	**1**
0	0	1	**1**	£190,000 - £194,999	0	0	0	**0**
0	0	0	**0**	£205,000 - £209,999	0	0	1	**1**
0	0	0	**0**	£225,000 - £229,999	0	0	1	**1**
110	**52**	**116**	**278**	**Total**	**110**	**28**	**107**	**245**

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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 2016/17	Salary Inc Fees & Allowances £	Loss of Office £	Pension Contributions £	Total Remuneration £
CHIEF EXECUTIVE				
Martin Reeves	206,302	0	24,690	230,992
MANAGEMENT BOARD				
Executive Director Resources (Section 151 Officer)	122,135	448,230	15,970	586,335
Deputy Chief Executive (Place)	133,647	0	16,841	150,488
Deputy Chief Executive (People)	139,160	0	18,162	157,322
Director Public Health	100,000	0	7,398	107,398
Interim Director of Public Health	15,813	0	1,170	16,983
Director of Finance and Corporate Services (Section 151 Officer)	7,589	0	1,017	8,606
Legal Services Manager Place & Regulatory (Monitoring Officer)	65,549	0	8,784	74,333
TOTAL	**790,195**	**448,230**	**94,032**	**1,332,457**

Senior Employees 2015/16	Salary Inc Fees & Allowances £	Loss of Office £	Pension Contributions £	Total Remuneration £
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 - New	69,896	0	9,086	78,982
Executive Director People - Former	72,500	295,014	9,425	376,939
Legal Services Manager Place & Regulatory (Monitoring Officer)	64,180	0	8,343	72,523
Director of Public Health	120,000	0	17,160	137,160
TOTAL	**779,386**	**295,014**	**102,553**	**1,176,953**

During 2016/17 there were two holders of the post designated as the Council's Section 151 Officer (the Council's chief finance officer). The relevant table shows the part year remuneration for both post holders. The Executive Director Resources left the Council during the year and the loss of office amount represents the early retirement and voluntary redundancy costs of this decision to the Council.
There were also two holders of the post designated as the Council's Director of Public Health during 2016/17. The table shows the part year remuneration for both post holders. The incumbent Director of Public Health has been seconded to another organisation from 6th February 2017.
The Legal Services Manager (Place & Regulatory) is the Council's Monitoring Officer (the Council's chief legal officer). As a statutory post this has been newly added to the analysis of Senior Officers Remuneration. The 2015/16 table has been restated to include the relevant costs.

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£000	£000
£0 - £20,000	15	31	156	117	**171**	**148**	1,137	1,120
£20,001 - £40,000	4	14	25	25	**29**	**39**	803	1,073
£40,001 - £60,000	0	3	14	17	**14**	**20**	693	1,012
£60,001 - £80,000	0	2	3	9	**3**	**11**	220	802
£80,001 - £100,000	0	1	7	5	**7**	**6**	636	538
£100,000 - £150,000	0	0	10	7	**10**	**7**	1,223	820
£150,001 - £200,000	0	0	2	2	**2**	**2**	346	326
£200,001 - £250,000	0	1	2	3	**2**	**4**	429	906
£250,001 - £300,000	0	0	1	0	**1**	**0**	295	0
£300,001 - £350,000	0	0	0	0	**0**	**0**	0	0
£350,001 - £400,000	0	0	0	0	**0**	**0**	0	0
£400,001 - £450,000	0	0	0	1	**0**	**1**	0	448
Total	**19**	**52**	**220**	**186**	**239**	**238**	**5,782**	**7,045**

3.34 Members' Allowances

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

Financial Year	2015/16 £000s	2016/17 £000s
Basic Allowances	716	717
Other Allowances	264	268
Expenses	4	3
Total	984	988

3.35 Financial Instruments

The Balance Sheet includes the following categories of financial instruments:

	Long Term		Current	
	31st March 2016	31st March 2017	31st March 2016	31st March 2017
	£000	£000	£000	£000
Financial Assets				
Loans & Receivables - principal	0	0	41,021	69,018
Loans & Receivables - interest	0	0	65	154
Available for Sale Investments - principal	78,514	80,527	37,888	50,736
Available for Sale Investments - interest	0	0	149	93
Total Investments	78,514	80,527	79,123	120,001
Loans & Receivables - Cash & Cash Equivalents	0	0	17,650	17,169
Total Financial Assets (excluding debtors)	**78,514**	**80,527**	**96,773**	**137,170**
Debtors *	20,199	20,452	34,859	32,827
Financial Liabilities				
Loans at Amortised Cost				
- principal sum borrowed	280,462	273,963	532	6,937
- accrued interest	0	0	3,105	3,082
- equivalent interest rate adjustment	885	875	9	10
Total Borrowing	281,347	274,838	3,646	10,029
Other Long Term Liabilities at amortised cost:				
- PFI arrangements	72,801	70,407	2,118	2,394
- Finance Leases	0	0	0	0
- Transferred Debt	15,438	14,300	1,033	1,137
Total Financial Liabilities (excluding creditors)	369,586	359,545	6,797	13,560
Creditors*			34,674	35,430

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

	Short Term Debtors	Short Term Creditors
Included in Financial Instruments	32,827	35,430
Other	15,462	35,430
Total Short Term Debtors	**48,289**	**70,860**

Current borrowings and investments represent amounts due to be settled within 12 months, including accrued interest. In 2016/17 there were no borrowing costs on qualifying assets to be capitalised.

The 2016/17 Comprehensive Income and Expenditure Statement include the following amounts in relation to financial instruments:

	Financial Liabilities measured at amortised cost	Financial Assets			
		Loans and receivables	Available for sale assets	Fair Value	Total
	£000	£000	£000	£000	£000
Interest expense	21,927	0	0	0	21,927
Losses on derecognition	0	0	0	0	0
Impairment (gains)/losses	0	(2,132)	0	0	(2,132)
Interest payable and similar charges	**21,927**	**(2,132)**	**0**	**0**	**19,795**
Interest income	0	(2,177)	(5,764)	0	(7,941)
Interest and investment income	**0**	**(2,177)**	**(5,764)**	**0**	**(7,941)**
Gains on revaluation	0	0	(2,453)	0	(2,453)
Amounts recycled to the Income & expenditure statement after impairment	9	0	0	0	9
Surplus arising on revaluation of financial assets	**9**	**0**	**(2,453)**	**0**	**(2,444)**
Net (gain) / loss for the year	**21,936**	**(4,309)**	**(8,217)**	**0**	**9,410**

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 2017
- 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 creditworthines

	Fair Value Level	31st March 2016 Carrying amount £000	31st March 2016 Fair value £000	31st March 2017 Carrying amount £000	31st March 2017 Fair value £000
Financial Liabilities at amortised cost					
▪ PWLB	2	211,712	281,383	211,696	314,567
▪ Market Loans	2	60,492	91,338	60,478	104,911
▪ Stock Issue	1	12,248	18,681	12,246	19,046
▪ Other Local Authorities	2	16,471	19,946	15,437	19,022
▪ PFI	2	74,919	130,959	72,801	133,631
▪ Short Term Creditors	n/a	34,674	34,674	35,430	35,430
▪ Other	n/a	541	541	447	447
Total Liabilities		**411,057**	**577,522**	**408,535**	**627,054**
Financial Assets at fair value:					
▪ Money Market Funds	1	8,250	8,250	6,500	6,500
▪ Collective Investment Funds	1	28,868	28,868	42,578	42,578
▪ Corporate and Government Bonds	2	6,701	6,701	13,566	13,566
▪ Certificates of Deposits	2	8,014	8,014	0	0
▪ Shares in Unlisted Companies	3	72,989	72,989	75,233	75,233
Financial Assets at amortised cost:					
▪ Short Term Cash Deposits	n/a	41,066	41,066	69,151	69,151
▪ Long Term Debtors	3	20,199	23,018	20,452	23,432
▪ Short Term Debtors	n/a	34,859	34,859	32,827	32,827
▪ Bank Accounts	n/a	9,400	9,400	10,669	10,669
Total Financial Assets		**230,346**	**233,165**	**270,976**	**273,956**

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 3.22. 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 3.23. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2017. A 1% variation in the discount rate would alter the value of the loans by £1.2m.

During 2016/17 the classification of PFI liabilities was reviewed. PFI has been reclassified from Level 3 to Level 2, on the basis that observable inputs, in the form of market interest rates, can be used in calculating fair value. The fair value of PFI liabilities at 31st March 2017 is £133.6m (£131.0m as at 31st March 2016).

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

Credit risk – the possibility that other parties might fail to pay amounts due to the authority.

Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. 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 2016/17 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 2017 the policy limited the maximum that can be deposited with an institution at any point in time to £8m. Under the Treasury Management Strategy the Section 151 officer will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

The following analysis summarises the authority's potential maximum exposure to credit risk, 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 2016	31st March 2017 £000	31st March 2016 %	31st March 2017 %
AAA	5,425	5,464	29,003	39,018
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	8,011	5,013
A+	0	0	0	0
A	0	0	28,053	14,045
A-	0	0	8,012	10,107
BBB+	0	0	1,149	3,194
Unrated Local Authorities	0	0	3,000	45,001
Unrated Building Socities	0	0	2,003	0
Unrated Pooled Funds	0	0	8,106	10,000
Total Investments	**5,425**	**5,464**	**87,337**	**126,378**

The deposits set out above as at 31st March 2017 were held with financial institutions domiciled in a number of countries:

Country	£000
United Kingdom	110,004
Germany	5,013
Ireland	16,825
Total	**131,842**

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. £2,969k of the £32,872k 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	2,268
Three to six months	210
Six months to one year	83
More than one year	408
Total	**2,969**

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	31st March 2016 £000	31st March 2017 £000
Less than one year	1,033	7,637
Between one and two years	7,637	8,574
Between two and five years	17,638	10,729
Between six and ten years	31,907	30,243
More than ten years	238,718	238,718
Total	**296,933**	**295,901**

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 £78.3m in 2016/17. 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 2017, 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 . 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 £75m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value of shares.

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

All movements in the value of shares will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general value of shares (positive or negative) would thus have resulted in a gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2016/17.

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.

3.36 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 3.22.

Name and Nature of Business	Financial Results	Year ending £000	£000
Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)		**31st March 2016 Audited (restated)**	**31st March 2017 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	126,802 25,064 18,156	Not Available Not Available Not Available
Coventry North Regeneration Ltd (Company Registration Number: 4523598)		**31st March 2016**	**31st March 2017**
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,			
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 2016 Audited**	**31st March 2017 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. The City Council owns: 66% of the ordinary share capital	Net Assets Profit before taxation Profit (loss) after taxation	21,607 7,557 6,206	22,611 7,219 5,817

Name and Nature of Business	Financial Results	Year ending £000	£000
Culture Coventry (Registration Number: 08359113)		**31st March 2016 Audited**	**31st March 2017 Audited**
The merger of Coventry Transport Museum and The Herbert Art Gallery Museum was completed in August 2013. Culture Coventry is the new Charitable Trust set up to run both museums and is also responsible for running the Lunt Roman Fort and the Priory Visitor Centre	Net Assets	5,864	Not Available
	Net incoming/(outgoing) resources	961	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.

North Coventry Holdings Ltd (Company Registration Number: 4931967)		**31st March 2016 Audited**	**31st March 2017 Audited**
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	2,708	2,703
	Profit (loss) before taxation	7	(6)
	Profit (loss) after taxation	5	(5)

NCH's main 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 2015 Audited (restated)**	**31st Jul 2016 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)	(1,278)	(1,045)
	Profit (loss) before taxation	404	234
	Profit (loss) after taxation	404	234

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.

Where not specifically stated above, copies of company accounts can be obtained directly from Companies House (www.companieshouse.gov.uk)

3.37 Prior Period Restatements

This prior period restatement is required as a result of a change in the segmental categories used for the Cost of Services within the Comprehensive Income and Expenditure Statement (section 2.2). The table below shows how the Cost of Services for 2015/16 would have been split against these segments.

Expenditure	Net Expenditure £000	People Directorate £000	Place Directorate £000	Resources Directorate £000	Chief Executive Directorate £000	Contingency & Central Budgets £000
Adult Social Care	**107,078**	106,417	64	18	0	579
Central Services to the Public	**203**	1,838	713	10,530	(11)	(12,867)
Children's & Education Services	**329,202**	322,063	223	199	0	6,717
Cultural & Related Services	**21,176**	4,872	16,174	0	0	130
Environmental & Regulatory Services	**28,504**	54	28,173	0	0	277
Planning Services	**27,352**	589	26,639	0	0	124
Highways and Transport Services	**69,454**	0	69,346	0	0	108
Housing services	**129,763**	(2,793)	283	132,181	0	92
Public Health	**22,796**	21,243	1,544	0	0	9
Corporate and democratic core	**13,457**	3,893	1,648	5,944	1,449	523
Non-distributed costs	**5,031**	0	0	0	0	5,031
Net Expenditure	**754,016**	**458,176**	**144,807**	**148,872**	**1,438**	**723**

Income	Net Expenditure £000	People Directorate £000	Place Directorate £000	Resources Directorate £000	Chief Executive Directorate £000	Contingency & Central Budgets £000
Adult Social Care	**(33,220)**	(33,176)	0	(44)	0	0
Central Services to the Public	**(7,355)**	0	(340)	(6,977)	(38)	0
Children's & Education Services	**(237,243)**	(228,011)	(2)	0	0	(9,230)
Cultural & Related Services	**(2,222)**	(211)	(2,011)	0	0	0
Environmental & Regulatory Services	**(5,619)**	(54)	(5,565)	0	0	0
Planning Services	**(5,173)**	(70)	(5,103)	0	0	0
Highways and Transport Services	**(14,277)**	0	(14,277)	0	0	0
Housing services	**(130,104)**	(1,427)	(47)	(128,630)	0	0
Public Health	**(20,293)**	(19,856)	(437)	0	0	0
Corporate and democratic core	**(3,159)**	(1,328)	(16)	(96)	0	(1,719)
Non-distributed costs	**(11,440)**	0	0	0	0	(11,440)
Net Expenditure	**(470,105)**	**(284,133)**	**(27,798)**	**(135,747)**	**(38)**	**(22,389)**

3.38 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 26th May 2017. The financial statements and notes have not been adjusted for the following event which took place after 31st March 2017 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.

2017 General Election

On 18th April 2017 the Prime Minister announced that a General Election would be held on 8th June. Until the election has occurred there will be uncertainty about the political composition of the next Government. After the election there will be a period in which the new Government will need to begin to implement its policies, which may potentially affect some of the previous plans for local government. In particular this could delay or affect the future funding arrangements surrounding councils, the current 100% Business Rates Pilots, existing Combined Authority arrangements and the proposals to move to a national 100% Business Rates funding scheme from 2019/20. Any such changes could have a significant impact on the Council's financial position although the Council is clear that this will not affect its going concern status.

Pensions Payment

On 28th April 2017 the Council made a payment of £93.3m to the West Midlands Pension Fund. This represents the Council's estimated employer pension contributions in respect of both current and past service which will fall due over the three years from 2017/18 to 2019/20. The level of contributions due follows an actuarial review by the Fund's actuary Barnett Waddingham.

The Council has negotiated with the Fund to pay these contributions via a discounted one-off payment although in accounting terms this will be spread over three years. This payment will reduce the Council's long term pension liability and in each of the years 2017/18 to 2019/20 a contribution of £31.1m will be made from the General Fund to the Pension Reserve. Where required, further contributions will be made if the actual amount of current service costs in any year exceeds this amount.

The up-front payment reduces the Council's level of cash balances, held in the form of short-term treasury investments, by £93.3m. The Council has maintained a high level of such balances in recent years. The discounted payment to the Pension Fund will enable the Council to achieve better for money compared with the existing level of investment returns that it is achieving through its short-term investments.

3.39 Contingent Liabilities and Assets

Contingent Liabilities

Council Loan to Arena Coventry Limited – Legal Challenge

A Judicial Review (JR1) 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. In December 2016 the Supreme Court refused permission for an appeal on the Court of Appeal's decision. Following the successful conclusion of JR1 the Council has received notification of a Judicial Review claim (JR2) relating to the sale of the Council's shares in ACL and the lease extension on the Ricoh Arena to London Wasps Holdings Ltd. The Council's view is that it has acted lawfully in all respects and it will continue to strongly defend its position on these matters.

Given the nature and significance of this issue it is appropriate to record it as a contingent liability.

University Hospital Mandatory Business Rates Relief

The Council received a letter in February 2016 sent on behalf of University Hospitals Coventry and Warwickshire NHS Trust requesting mandatory Business Rates relief for University Hospital. The appeal for relief replicates similar claims made to other local authorities across the country. If the relief were to be granted this would

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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.

Connecting Communities Grant Claw-Back

The Council has previously invested capital resources into a number of children's centres and youth centres in the city funded by Government grants including Surestart Grant. Some of these buildings are amongst those being affected by the Council's Connecting Communities Programme. Should the buildings no longer be used for the purposes set out within the grant conditions they could face a potential claw-back of grant as a result. In order to mitigate against this risk, the Council is endeavouring to ensure that the buildings will continue to be used for similar activities such that it is able to avoid the need for any grant claw-back. The level of Capital spend involved is in the region of £2.3m.

3.40 Collection Fund

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.

2015/16 Business Rates £000	2015/16 Council Tax £000	2015/16 Total £000	Collection Fund	2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000
			INCOME			
0	(120,241)	(120,241)	Council Tax Receivable	0	(130,265)	(130,265)
(121,807)	0	(121,807)	Business Rates Receivable	(123,104)	0	(123,104)
138	0	138	Transitional Relief	126	0	126
(121,669)	**(120,241)**	**(241,910)**	**Total Income**	**(122,978)**	**(130,265)**	**(253,243)**
			EXPENDITURE: Precepts, Demands & Shares			
58,770	0	58,770	Central Government	59,640	0	59,640
57,595	102,171	159,766	Coventry City Council	58,447	110,817	169,264
0	7,916	7,916	West Midlands Police	0	8,648	8,648
1,175	4,082	5,257	West Midlands Fire	1,193	4,343	5,536
117,540	114,169	231,709	Total: Precepts, Demands & Shares:	119,280	123,808	243,088
			Distribution of previous years' surplus/deficit			
1,664	0	1,664	Central Government	(363)	0	(363)
1,630	781	2,411	Coventry City Council	(355)	4,464	4,109
0	60	60	West Midlands Police	0	346	346
33	31	64	West Midlands Fire	(7)	178	171
3,327	872	4,199	Total: Distribution of previous years Surplus/(Deficit)	(725)	4,988	4,263
120,867	**115,041**	**235,908**	**TOTAL EXPENDITURE**	**118,555**	**128,796**	**247,351**
			Charges to Collection Fund			
1,930	1,496	3,426	Less: Write offs uncollectable amouts	998	1,418	2,416
(183)	(632)	(815)	Less: Increase/(Decrease) in Bad Debt Provision	(332)	(669)	(1,001)
671	0	671	Less: Increase/(Decrease) in Appeals Provision	(1,332)	0	(1,332)
381	0	381	Less: Costs of Collection	379	0	379
2,799	**864**	**3,663**	Total Charges to Collection Fund	**(287)**	**749**	**462**
1,997	**(4,336)**	**(2,339)**	(Surplus)/Deficit Arising During Year	**(4,710)**	**(720)**	**(5,430)**
(55)	(3,697)	(3,752)	(Surplus)/Deficit b/fwd	1,942	(8,033)	(6,091)
1,942	(8,033)	(6,091)	(Surplus)/Deficit c/fwd	(2,768)	(8,753)	(11,521)
			Commitments			
(725)	4,988	4,263	Surplus/(Deficit) committed in future year's budget setting	2,510	3,045	5,555
1,217	(3,045)	(1,828)	**Excess (Surplus)/Deficit c/fwd to following year's tax setting.**	(258)	(5,708)	(5,966)

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 2016/17 was 97.8%.The Government determines the level of rates payable, which was 49.7p per £ of rateable value (49.3p in 2015/16).

The Valuation Office Agency sets the rateable value of each property and the total was £300,731,063 at 31st March 2017 (£300,002,421 at 31st March 2016). 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 98.3%. The total number of dwellings on the valuation list is 138,679 of which 6,235 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	131	55.6
A	53,633	25,489.5
B	39,793	23,107.9
C	21,971	14,799.2
D	8,745	6,700.1
E	4,477	4,263.5
F	2,264	2,555.5
G	1,336	1,753.8
H	94	140.7
Total	**132,444**	**78,865.8**

Estimated eventual collection rate		98.3%
Total Council Tax Base Band D	2016/17	77,525.1
Total Council Tax Base Band D	2015/16	74,296.2

Provisions and Write Offs

Level of Provisions & Write Offs	Business Rates Bad Debt Provision £000	Council Tax Bad Debt Provision £000	Business Rates Appeals Provision * £000
Provision brought forward	**(3,044)**	**(5,526)**	**(8,620)**
Written off in year	998	1,418	2,135
(Increase)/decrease in provision	(666)	(749)	(803)
Provision carried forward	**(2,712)**	**(4,857)**	**(7,288)**

* 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	**5,917**	**12,448**
Gross Debtors carried forward	**5,547**	**12,521**

Precepts and Demands on the Collection Fund

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

2015/16 Total £000	Council Tax	2016/17 Precept / Demand £000	Share of surplus /(deficit) £000	Total £000
106,832	Coventry City Council	110,817	5,115	115,932
8,279	West Midlands Fire Service	8,648	397	9,045
4,266	West Midlands Police	4,343	195	4,538
119,377	**Total**	**123,808**	**5,707**	**129,515**

2015/16 Total £000	Business Rates	2016/17 Precept £000	Share of surplus /(deficit) £000	Top Up £000	Total £000
59,435	Central Government (50%)	59,640	1,993	0	61,633
74,558	Coventry City Council (49%)	58,447	1,953	16,735	77,135
1,188	West Midlands Fire Service (1%)	1,193	40	0	1,233
135,181	**Total**	**119,280**	**3,986**	**16,735**	**140,001**

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 3.36 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 and University of Warwick Science Park Business Innovation Centre have not been included within the Group as it was deemed under IAS 28 that the Council did not have the power to exercise significant influence over the business and financial affairs of these companies. Culture Coventry Limited and Coventry & Warwickshire Local Enterprise Partnership Limited 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 2017 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 and Invoice Expenditure Account

2015/16				2016/17		
Gross Expenditure	Gross Income	Net Expenditure	SERVICE ANALYSIS	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
458,175	(284,132)	174,043	People Directorate	463,496	(272,244)	191,252
144,807	(27,798)	117,009	Place Directorate	108,092	(28,375)	79,717
148,872	(135,747)	13,125	Resources Directorate	152,708	(131,872)	20,836
1,438	(38)	1,400	Chief Executive Directorate	1,184	(32)	1,152
728	(22,394)	(21,666)	Contingency & Central Budgets	11,620	(17,304)	(5,684)
0	(17,296)	(17,296)	Turnover Joint Venture	0	(16,525)	(16,525)
12,208	0	12,208	Cost of Sales Joint Venture	11,623	0	11,623
766,228	**(487,405)**	**278,823**	**Cost of Services**	**748,723**	**(466,352)**	**282,371**
		36,179	Other Operating Expenditure			42,335
		19,894	Finance and Investment Income and Expenditure			24,148
		0	Profit or Loss on Discontinued Operations			0
		(332,520)	Taxations and Non-Specific Grant Income			(325,860)
		2,376	**(Surplus) / Deficit on the Provision of Services**			**22,994**
		(24)	Associates and JV's accounted for on Equity Basis			(23)
		902	Tax Expenses			933
		3,254	**Group (Surplus) or Deficit**			**23,904**
		2,294	(Surplus)/Deficit on revaluation of non current assets			(16,587)
		(832)	(Surplus)/Deficit on revaluation of available for sale financial assets			(2,453)
		(38,928)	Actuarial (gains) or losses on pension assets and liabilties			52,203
		4,311	Share of other comprehensive income and expenditure of associates & joint			3,204
		(33,155)	**Sub-total of other Comprehensive Income and Expenditure**			**36,367**
		(29,901)	**Total Comprehensive Income and Expenditure (Surplus)/Deficit**			**60,271**

4.3 Group Movement in Reserves Statement

Group Useable Reserves and Overall Position

	General Fund Balance	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£001
31st March 2016	**(82,985)**	**(5,736)**	**(6,660)**	**(95,381)**	**(101,120)**	**(196,501)**
Total Comprehensive Income and Expenditure	27,779	0	0	27,779	32,492	60,271
Adjustments between Accounting Basis and Funding Basis under Regulations	(18,759)	(4,001)	(13,829)	(36,589)	36,589	0
Net (Increase) / Decrease	**9,020**	**(4,001)**	**(13,829)**	**(8,810)**	**69,081**	**60,271**
31st March 2017	**(73,965)**	**(9,737)**	**(20,489)**	**(104,191)**	**(32,039)**	**(136,230)**

Group Unusable Reserves

	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
31st March 2016	**(466,374)**	**(177,351)**	**(5,871)**	**1,880**	**(6,238)**	**553,552**	**3,375**	**(14,980)**	**10,887**	**(101,120)**
Total Comprehensive Income and Expenditure	0	(16,587)	0	0	0	52,203	0	(2,453)	(671)	32,492
Adjustments between Accounting Basis and Funding Basis under Regulations	12,128	24,303	(4,959)	(103)	(2,960)	7,481	746	(47)	0	36,589
Net (Increase) / Decrease	**12,128**	**7,716**	**(4,959)**	**(103)**	**(2,960)**	**59,684**	**746**	**(2,500)**	**(671)**	**69,081**
31st March 2017	**(454,246)**	**(169,635)**	**(10,830)**	**1,777**	**(9,198)**	**613,236**	**4,121**	**(17,480)**	**10,216**	**(32,039)**

Group Usable Reserves and Overall Position Comparatives

	General Fund Balance £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
31st March 2015	**(84,215)**	**(384)**	**0**	**(84,599)**	**(82,001)**	**(166,600)**
Total Comprehensive Income and Expenditure	7,402	0	0	7,402	(37,303)	(29,901)
Adjustments between Accounting Basis and Funding Basis under Regulations	(6,172)	(5,352)	(6,660)	(18,184)	18,184	0
(Increase) / Decrease in Year	**1,230**	**(5,352)**	**(6,660)**	**(10,782)**	**(19,119)**	**(29,901)**
31st March 2016	**(82,985)**	**(5,736)**	**(6,660)**	**(95,381)**	**(101,120)**	**(196,501)**

Group Unusable Reserves 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	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)**
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
Net (Increase) / Decrease	**12,781**	**12,104**	**(5,871)**	**(104)**	**(2,902)**	**(32,537)**	**(1,921)**	**(832)**	**163**	**(19,119)**
31st March 2016	**(466,374)**	**(177,351)**	**(5,871)**	**1,880**	**(6,238)**	**553,552**	**3,375**	**(14,980)**	**10,887**	**(101,120)**

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 2016 £000	Group Balance Sheet	As at 31st March 2017 £000	Section Ref.
783,468	Property, Plant and Equipment	751,751	
25,893	Heritage Assets	25,893	
161,771	Investment Property	163,877	
29,144	Long Term Investments	31,157	4.6
25,011	Investment in Associates and Joint Ventures	25,679	4.6
20,199	Long Term Debtors	20,452	
1,045,486	**Long Term Assets**	**1,018,809**	
79,123	Short Term Investments	120,001	
480	Inventories	249	
63,332	Short Term Debtors	48,287	4.6
17,650	Cash and Cash Equivalents	17,169	
2,458	Assets held for Sale	5,008	
163,043	**Current Assets**	**190,714**	
(6,797)	Short Term Borrowing	(13,560)	
(67,596)	Short Term Creditors	(70,861)	4.6
(2,066)	Short Term Provisions	(1,698)	
0	Liabilities in Disposal Groups	0	
(76,459)	**Current Liabilities**	**(86,119)**	
(8,882)	Long Term Provisions	(8,684)	
(369,586)	Long Term Borrowing	(359,545)	
(553,552)	Other Long Term Liabilities	(613,236)	
0	Donated Assets Account	(1,104)	
(3,549)	Capital Grants Receipts in Advance	(4,605)	
(935,569)	**Long Term Liabilities**	**(987,174)**	
196,501	**Net Assets**	**136,230**	
(95,381)	Usable Reserves	(104,191)	
(101,120)	Unusable Reserves	(32,039)	4.6
(196,501)	**Total Reserves**	**(136,230)**	

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.

2015/16 £000's	Cash Flow Statement	2016/17 £000's
3,254	Net (Surplus) or Deficit on the Provision of Services	23,904
(49,134)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(115,388)
51,299	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	54,214
5,419	**Net Cash Flows from Operating Activities**	**(37,270)**
(10,143)	Investing Activities	(10,628)
(2,706)	Financing Activities	48,379
(7,430)	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**481**
(10,220)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(17,650)
(17,650)	Cash and Cash Equivalents at the End of the Reporting Period	(17,169)

Note 3.28 presents an analysis of the amounts included in the provision of services for non-cash movements, items included in the provision of services that are investing and financing activities, investing activities and financing activities.

4.6 Reconciliation of Single Entity to Group Accounts

Income and Expenditure Surplus/Deficit Adjustments

2015/16 £000	Reconciliation of Single Entity to Group (Surplus)/Deficit	2016/17 £000
7,402	(Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year	27,779
(10)	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	(18)
7,392	(Surplus)/Deficit in the Group Income & Expenditure attributable to the Authority	**27,761**
	Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
10	Subsidiaries	18
(4,148)	Joint Ventures	(3,875)
3,254	**Group Account (Surplus)/Deficit for the year**	**23,904**

Adjustment for Non Cash Items in the Cash Flow Statement

2015/16 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non-Cash Items	2016/17 £000
(53,282)	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(119,263)
4,148	Total Non Cash Adjustments included in the Group Accounts	3,875
(49,134)	Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	**(115,388)**

Balance Sheet Adjustments

As at 31st March 2016				As at 31st March 2017		
Single Entity £000	Group Adjustment £000	Group Accounts £000	Balance Sheet Category	Single Entity £000	Group Adjustment £000	Group Accounts £000
78,514	(49,370)	**29,144**	Long Term Investment	80,527	(49,370)	**31,157**
0	25,011	**25,011**	Investment in Associates and Joint Ventures	0	25,679	**25,679**
63,330	2	**63,332**	Short Term Debtors	48,289	(2)	**48,287**
(67,588)	(8)	**(67,596)**	Short Term Creditors	(70,860)	(1)	**(70,861)**
(125,485)	24,365	**(101,120)**	Unusable Reserves	(55,733)	23,694	**(32,039)**

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.

2015/16 £000	Group Tax Expense	2016/17 £000
	CURRENT TAX:	
1,081	Current Tax Expense / (Income)	1,034
(11)	Adjustment Recognised in the Period for Current Tax of Prior Periods	(3)
1,070	Total Current Tax	**1,031**
	DEFERRED TAX:	
(72)	Origination and Reversal of Temporary Differences	(57)
(96)	Changes in Tax Rates or the Imposition of New Taxes	(40)
0	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	0
(168)	Total Deferred Tax	**(97)**
902	**Total Tax Expense**	**934**

4.7 Group Companies Disclosure

Coventry & Solihull Waste Disposal Company (CSWDC)

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

CCC hold ‘A’ class shares and SMBC hold ‘B’ class shares.

With the agreement of CCC and SMBC, CSWDC raised a new class of share (Class C). 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.

As at 31st March 2017 the Company had Capital Commitments of £393,000.

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.

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

Coventry North Regeneration Limited (CNR)

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

Related Party Transactions

Details of related party transactions are provided in section 3.10.

4.8 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 ,'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 2017	CSWDC £000	NCH £000	Total £000
Share in Gross Assets of Joint Ventures	34,023	2,703	36,726
Share in Gross Liabilities of Joint Ventures	(11,046)	(4)	(11,050)
Total	**22,977**	**2,699**	**25,676**
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**

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	2015/16 £000	2016/17 £000
Single Entity	(125,485)	(55,733)
CSWDC	24,360	23,690
NCH	5	4
Group Unusable Reserves	**(101,120)**	**(32,039)**

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 to the single entity accounts.

5 Statement of Accounting Policies

5.1 General

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017 . It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

5.2 Significant Assumptions made in estimating Assets and Liabilities

The Authority's Balance Sheet contains some estimated figures that are based on assumptions. Some of these assumptions have a significant risk of resulting in material adjustments within the next financial year. The items in the Authority's Balance Sheet for which there is a significant risk are:

Pensions Liability - This liability stands at £613.2m, at the end of the 2016/17 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 2016/17, the updating of data and assumptions by the Council's actuaries has led to an increase in the net pension liability of £59.7m.

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.

5.3 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:

<u>Going Concern Status</u>

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.

<u>Treatment of Schools in the Council's Accounts</u>

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 3.11 details the respective contributions to the pooled budget during 2016/17 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were envisaged at the time, including management and control of expenditure decisions. However, the details of the expenditure identified in note 3.11 have been determined by applying principles of 'substance over form' in which the level of expenditure allocated to each partner reflects the actual degree of control and influence over that spend during the year (the 'substance') rather than allocating it on the basis of the control and influence outlined in the BCF agreement (the 'form').

5.4 Accounting standards issued, but not yet adopted

It is not currently expected that there will be material impact on the Council's accounts through future changes in respect of:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- and IFRS 16 Leases;

each of which will have an effective date of 2018/19 or later.

5.5 Changes in Accounting Policies

The main change in policy in 2016/17 has been in respect of the presentation of the Council's financial statements. The Council has revised the presentation of the Consolidated Income and Expenditure statement, in line with Code of Practice requirement on segmental reporting. The service analysis in the Consolidated Income and Expenditure is now based on the Council's internal organisational structure, rather than the standard Service Reporting Code of Practice (SerCOP) headings.

In 2016/17 the accounting policy for Financial Instruments (financial liabilities) has been amended in line with the Council's adoption of a policy of capitalising borrowing costs, where these are in respect of qualifying assets and are material. This change in policy allows the full costs of the implementation of major capital schemes to be better identified. There are no material changes to be applied retrospectively, therefore opening balances have not been adjusted.

5.6 Accounting Policies – Categories

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

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

5.7 Accounting Policies

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
Fees, charges and rents due from customers are accounted for 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.

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.

Reserves

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

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

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

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

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

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

Recognition
Expenditure on the acquisition, creation or enhancement of Non-Current Assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. The de minimis policy for capital expenditure is £20,000 for construction/acquisitions and nil for enhancement expenditure.

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

Measurement
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. After recognition, assets are then carried in the balance sheet using the following measurement bases:

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

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

The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arm’s length transaction (with reference to observable prices in an active market or recent market transactions on arm’s 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, other than Investment properties, are categorised at Level 1 within the fair value hierarchy.
For Investment property assets the method of valuation is the capitalisation of an income stream at a yield derived from market evidence, and are therefore at Level 2.

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

Intangible Assets

Are those assets that do not have a physical substance and are identifiable and controlled by the council e.g. software licenses. The balance is amortised on a straight-line basis over the economic life of the investment to reflect the pattern of consumption of benefits. Unless identified otherwise, assets have been acquired separately and the asset lives are finite. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading on the income statement.

Revenue Expenditure Funded from Capital Under Statute

Legislation allows for some expenditure, for example grants and expenditure on property not owned by the authority, to be classified as capital for funding purposes when it does not result in the expenditure being carried as an asset on the Balance Sheet. Expenditure that falls into this category has been charged to Cost of Services in the Comprehensive Income and Expenditure Statement. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Adjustments between Accounting Basis and Funding Basis under Regulation so there is no impact on the level of Council Tax.

Government Grants and Contributions

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

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

Value Added Tax (VAT)

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

Investments

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

Financial Instruments

Financial Liabilities

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, subject to a 10 year limit set in the case of a discount, as required by capital finance regulations. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Adjustments between Accounting Basis and Funding Basis under Regulation.

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

Financial Assets

Financial assets are classified 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.

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.

<u>The Authority as Lessor</u>

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)

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

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.

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).

Operating Leases

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

Employee Benefits

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
Unitised securities – average of the bid and offer rates
Property – market value

The change in the net pensions liability is analysed into the following components:

Current service cost – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Interest on pension liabilities – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Interest on pension assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Gains/losses on settlements and curtailments – settlements which relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees and curtainments 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.

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 2016/17 (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:

Private Finance Initiatives (PFI)

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

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

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

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

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

Group Accounts

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

Cash and Cash Equivalents

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.
Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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.

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.

Events after the Balance Sheet date

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

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

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

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

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

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

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

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

6 Glossary of Terms

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

Actuarial Assumptions
These are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation
The gradual write off of initial costs of intangible assets.

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.

Donated Assets

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

Earmarked Reserves
Money set aside for a specific purpose.

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

Finance Lease
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease owns the asset then this is known as a finance lease (see also operating lease).

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

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

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

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

IFRS
International Financial Reporting Standards

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

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

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

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

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 completion of the audit.)

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Coventry City Council

Public report
Cabinet

Cabinet — 13th June 2017
Audit and Procurement Committee — 26th June 2017

Name of Cabinet Member:
Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:
Director of Finance and Corporate Services

Ward(s) affected: All

Title:
Revenue and Capital Outturn 2016/17

Is this a key decision?
Yes
The Council's final outturn position for the year relates to financial matters in excess of £1.0m

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Executive Summary:

This report outlines the final revenue and capital outturn position for 2016/17 and reviews treasury management activity and 2016/17 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- Revenue overspending of £0.7m which is required to be funded by a contribution from Council reserves.
- Within this position, headline variations including an over-spend of £6.4m within the People Directorate and an under-spend of £5.0m within Corporate budgets including the Asset Management Revenue Account (AMRA).
- £6.7m of costs incurred as a result of early retirement and voluntary redundancy decisions, consistent with approval of the programme of staffing reductions agreed by Cabinet in November 2015.
- Capital Programme expenditure of £71m which is £52m less than envisaged at the start of the year.
- A reduction in the level of Council revenue reserves from £57m to £51m and an increase in balances held relating to capital grants and capital receipts to fund future projects from £12m to £30m.

The report seeks retrospective approval for a change to the Capital Programme reflecting final scheme costs on the completed Whitley Infrastructure, Friargate Bridgedeck and South West Coventry Junction Improvement schemes delivered by Costain.

Recommendations:

Cabinet is requested to:

1. Approve the final revenue outturn position of a £0.7m overspend, balanced to nil by a £0.7m contribution from Corporate reserves.
2. Approve the final capital expenditure and resourcing position, incorporating expenditure of £71m against a final budget of £82.3m; £12.5m expenditure rescheduled into 2017/18 and a net over-spend of £1.3m.
3. Give retrospective approval for a £1.4m virement reflecting final unfunded scheme costs on the completed Whitley Infrastructure, Friargate Bridgedeck and South West Coventry Junction Improvement schemes.
4. Approve the outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

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 26th June 2017

Will this report go to Council?

No

Report title: Revenue and Capital Outturn 2016/17

1. Context (or background)

1.1 This report sets out the Council's revenue and capital outturn position in 2016/17 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £233.4m and a Directorate Capital Programme of £117m.

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 £0.7m. This will be funded by a contribution from Council reserves. The outturn presentation retains the previous reporting structure that existed for the majority of the year, prior to the Directorate restructure that occurred in February.

Table 1 Summary Outturn Position

Directorate	Net Budget £m	Outturn £m	Variance £m	Variance %
Chief Executives	1.1	1.1	0.0	0.0%
Place	33.5	33.5	0.0	0.0%
People	166.0	172.4	6.4	3.8%
Resources	11.4	10.7	(0.7)	6.5%
	212.0	217.7	5.7	2.7%
Contingency & Central Budgets	21.4	16.4	(5.0)	(23.4%)
Resourcing of Net Budget	(233.4)	(233.4)	0.0	0%
Bottom Line Variance	**0.0**	**0.7**	**0.7**	**0.3%**
Reserve Contribution	**0.0**	**(0.7)**	**(0.7)**	
Final Outturn	**0.0**	**0.0**	**0.0**	

2.1.2 A projected over-spend of £4.8m was reported at quarter 3. The underlying movements between quarter 3 and outturn are as follows:

- Contingency and Central - £1.7m improvement
- People Directorate - £1.4m improvement
- Resources - £0.7m improvement
- Place Directorate - £0.3m improvement

This results in an overall underlying net under-spend of £4.1m in the final quarter resulting in the overall over-spend of £0.7m.

Further detail is set out below.

2.1.3 **Directorate Positions**

Contingency and Central

Central budgets reflect an under-spend of £2.4m within the Asset Management Revenue Account (AMRA) and of £2.6m within remaining budgets. The AMRA figure results principally from rescheduled capital expenditure leading to lower capital financing costs. The year-end position is a marginal improvement on quarter 3. The remaining under-spent budgets have improved by £1.6m on the position reported previously. This relates primarily to an increased underspend on contingency budgets and greater under-spends and delivery of savings on pension costs.

People

The People directorate continued to face significant financial challenges throughout the year, and a large underspend on centralised salaries (£5.05m) masked a significant overspend across other areas (£11.45m), including undelivered savings targets and budgetary control pressure.

The net position of a £6.4m overspend is made up of undelivered savings targets - most significantly the cross cutting kickstart and headcount targets in Children's and Adult's Services £2.6m, in addition to budgetary control pressures. The service has saving and delivery plans in place to manage the saving targets, but they were unable to be delivered within the 2016/17 financial year.

The most significant budgetary control variances relate to Looked After Children Placements, and supported accommodation provision for care leavers and homeless 18-24 year olds (£3m) and an overspend in external packages of care in Adult Services (£3.9m). £1.3m of one-off grant funding has supported the bottom line within Children's Services.

Although the overspend in Adult Social Care has been managed within forecast, it has not yet reduced due to the increasing demand with regard to younger adults entering the service. It is anticipated that the emerging plans for further review of the all age disability service as well as the additional funding identified as part of the budget will help to address this in future years. Children's Services has a savings delivery plan and budgetary control action plan in place for 2017/18 in order to manage the significant overspend.

Resources

The Resources Directorate has an under spend against salary budgets and turnover target of £0.8m. This is partly offset by a non-salary overspend of £0.1m resulting in a net position of £0.7m underspend. Areas of financial pressure within the directorate include Legal Services, where due to vacancies and activity pressure spend has been incurred on agency and barristers. Pressure has also been experienced in Housing Benefit Subsidy grant arrangements due to high numbers of clients being in temporary accommodation, which means the Council cannot fully reclaim the Housing Benefit paid out. These have been offset against one-off underspends in ICT, Transformation & Customer Services as a result of delays in system implementation, and income generation within the Transformation Team.

Place
The Place Directorate has out-turned at a breakeven position although there are a number of compensating variations within this position.

Shortfalls totalling £1.2m occurred in some of the directorate's income generating areas. The largest of these related to unbudgeted debt write off of £650k for unrecoverable parking enforcement PCN's. The others are known trading pressures in Schools Cleaning, CCTV & alarm monitoring, and St Marys catering & events. All of these are being pursued.

These income pressures have been offset by higher income earned in other areas totalling £0.8m, due to increased car parking, bus lane enforcement, and Planning income

Cost overspends within the directorate totalled £0.9m. The vast majority of this relates to the use of agency staff to cover key vacancies which cannot be recruited to in the traffic and transportation services. This is currently being worked on to resolve. These have been offset by waste disposal and street lighting energy contract underspends totalling £0.3m, together with management actions of £0.7m. Management actions relate largely to one additional grant received in relation to project work carried out by senior staff, and also the accelerated delivery of workforce strategy targets which come in in 17/18

2.1.4 In order to help deliver the savings programmes required within the Council's budget, staff were invited towards the end of 2016 to apply to take early retirement or voluntary redundancy. In total, decisions to release c230 of staff have been agreed incurring a cost of £6.7m compared with £5.8m in 2015/16. A budget of £2.5m exists to part fund these costs and the remaining £4.2m has been funded from the £12.5m reserve balance established for this purpose by a report to Cabinet in November 2015.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2016/17 is £51.3m, compared with £57.2 at the end of 2015/16. In addition, balances generated from capital receipts and capital grants to fund future capital projects have increased from £12.4m to £30.2m and reserve balances belonging to or earmarked to support schools which have reduced from £25.8m to £22.6m. The total reserve movement in 2016/17 is summarised in the table below.

2.2.2 The Council has applied £4.2m of balances held to fund ER/VR costs in the year and a further £2m has been applied to fund a budgeted contribution to in-year Children's Social Care costs. The Management of Capital reserve includes revenue reserves to fund future capital projects and has increased by £3.2m as a result of Capital Programme resourcing decisions considered within section 2.3 below.

2.2.3 The Cabinet Member for Strategic Finance and Resources will consider an analysis of these balances and potential future spending commitments shortly and will bring recommendations forward as part of Budget Setting proposals or specific reports to Cabinet later in the year. It is also envisaged that Scrutiny Board 1 will undertake a detailed review of reserve balances this year in line with recent practice.

Table 2 Summary of Reserve Movements in 2016/17

	Balance at 31st March 2016 £000	(Increase)/ Decrease £000	Balance at 31st March 2017 £000
Council Revenue Reserves			
General Fund Balance	(3,823)	689	(3,134)
Private Finance Initiatives	(11,771)	463	(11,308)
Potential Loss of Business Rates Income	(2,670)	700	(1,970)
Early Retirement and Voluntary Redundancy	(12,500)	4,239	(8,261)
Birmingham Airport Dividend	(4,400)	0	(4,400)
Children's Social Care	(2,000)	2,000	0
Leisure Development	(876)	(18)	(894)
Public Health	(1,037)	297	(740)
Health and Social Care Schemes	(280)	280	0
Troubled Families	(701)	15	(686)
Insurance Fund	(2,402)	616	(1,786)
Management of Capital	(2,337)	(3,229)	(5,566)
Other Corporate	(2,343)	1,370	(973)
Other Directorate	(6,920)	(1,905)	(8,825)
Other Directorate funded by Grant	(3,101)	298	(2,803)
Total Council Revenue Reserves	**(57,161)**	**5,815**	**(51,346)**
Council Capital Reserves			
Useable Capital Receipts Reserve	(6,660)	(13,829)	(20,489)
Capital Grant Unapplied Account	(5,736)	(4,001)	(9,737)
Total Council Capital Reserves	**(12,396)**	**(17,830)**	**(30,226)**
School Reserves			
Schools (specific to individual schools)	(19,983)	1,857	(18,126)
Schools (for centrally retained expenditure)	(5,841)	1,348	(4,493)
Total School Reserves	**(25,824)**	**3,205**	**(22,619)**
Total Council and Schools Reserves	**(95,381)**	**(8,810)**	**(104,191)**

2.3 Capital Outturn

2.3.1 The capital outturn position for 2016/17 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
82.3	71.0	(12.5)	1.3	(11.2)

The quarter 3 monitoring report to Cabinet on 21st February 2017 approved a revised capital budget of £81.0m for 2016/17. Since then there has been a net programme increase of c£1.3m giving a final budget for the year of £82.3m. Since February, a total of £12.5m 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	(0.3)	Expenditure on Warwick Road Access Tunnel has been subject to programme delays. This was caused primarily by unforeseen utilities, alongside issues encountered with the piling sub-contractor which meant that a decision was taken to omit further piling and excavation works and ring-fence the resources for these works to be undertaken as part of the wider Station Masterplan development when the tunnel will be brought into use.
Friargate Building	(4.5)	As a result of slower than anticipated progress on site with the external façade, whilst the overall programme is maintained, there has been slippage in expenditure to these elements. This will be fully utilised in the new financial year.
Public Realm and Highways	(1.1)	This is due largely to utility organisations creating delay to works on the Banner Lane/Broad Lane Junction. Also the Public Realm 4 programme has altered due to changing priorities, the scheme still remains on course to spend Growth Deal grant by March 2018.
Sports	(0.2)	The variance to the forecast spend on the City Centre Destination Leisure Facility scheme was due to the demolition element of the project coming in under the forecasted tender return. In addition the discovery of a small amount of asbestos resulted in a slight delay to programme which impacted on the project's cash flow forecast.
Growth 1&2	(0.3)	Due to bad weather, commencement of construction was delayed on the National Transport Design Centre, which has resulted in the programme being behind the anticipated position at year-end. Rescheduling has been approved by CWLEP Board.
CIF Schemes	(0.18)	Final elements of the CIF Programme relate to Lythalls Lane industrial Estate, where £100k has been set aside to refurbish unlet Units, if necessary to achieve a lease/sale.

Vehicle & Plant Replacement	(1.6)	Service reviews and service redesigns within Highways, Streetpride and Passenger Transport Services have meant that the operational life of existing vehicles has been extended,
Education Capital Programme	(0.7)	Specific issues around the mechanical and electrical works are delayed, along with the build of a wet room at Gosford Park which are both due to the capacity of the in-house design team. The Broad Spectrum School is slightly ahead of schedule with £0.5m accelerated spend.
ICT	(1.9)	Delays in the delivery/roll of specific ICT projects, including the relocation of the data centre, Mitel and the HR/Payroll system has caused slippage in the ICT Programme
City Centre South	0.2	Extra advisor costs not taken account of or unknown in the quarter 3 projections
Disabled Facilities Grant	(0.8)	The Better Care Fund has provided additional funding in 2016/17 in the region of £600k which was not anticipated or planned for. It has not been possible to utilise this additional funding within the year. In addition, Whitefriars housing (which manages its own DFG adaptations) has a backlog of jobs as a result of their contractor going out of business.
Other	(1.3)	This covers a mixture of Play areas, Grants to SME's to encourage regeneration and growth in their sector, and other grant funded schemes. Rescheduling reflects delays in the take up of grant and changes to scope or procurement issues.
TOTAL	(12.5)	

Table 5 Over and Underspends in the Capital Programme £1.2m

Project	Over/Underspend
NUCKLE Phase 1	(0.3)
Costain Projects (Friargate Bridedeck, Whitley Junction and SWCJIP	1.6
Total	1.3

2.3.2 Costain Projects £1.4m

The recommended Capital Programme outturn position within this report includes additional overall unfunded programme cost of £1.4m for 3 recent major schemes in the city delivered by Costain; Friargate Bridge-Deck, the Whitley road junction adjacent to the Jaguar Land Rover (JLR) site and road improvements around the University of Warwick. The figures in this section refer to the total costs for all three projects, the final total out-turn for which is £45.8m (£38.95m for construction and £6.85m of third party costs). This compares with budgets previously reported to and approved by Cabinet of £44.3m and approval is sought retrospectively for the additional cost incurred.

Following award of strictly time-limited Regional Growth Funding in 2013, Costain were appointed to construct the Friargate Bridge Deck and Whitley Junction. Further work to improve roads around, and funded by, the University of Warwick, was also awarded to Costain. To meet external funder timescales it was necessary to use a 'Target Cost' contract, which allows design and construction phases to start in parallel. This approach allows only limited initial design information to be shared with the contractor with costs being adjusted through Compensation Events (CEs) as more information becomes available. The contractor is incentivised through payment of their actual costs plus or minus a 'pain/gain' share which penalises or rewards the contractor depending on the difference between actual and target cost.

This approach was essential in order to secure the external funding and prevent grant claw-back by delivering these projects within the tight time-scales. The Whitley and Bridgedeck schemes respectively have enabled £0.5 billion investment by JLR and allowed the construction of the new Council building to proceed which will deliver significant cost savings.

The previously approved approvals and additional costs included within the final outturn position include increased construction costs from 1,035 claimed compensation events. These reflect issues such as uncharted utilities, additional deep drainage works and additional work around the Friargate area. The final settlement to Costain has been the subject of a protracted negotiation, Costain claiming amounts due of up to £41.9m compared with the Council's assessment of the cost at £38.0m. In order to establish a negotiating position, a number of approaches were used including looking at Costain's direct costs and a third party evaluation of the value of works. To mitigate the risk, the Council employed a firm of forensic Quantity Surveyors to work on the contracts.

Agreement was reached on the figure of £38.95m in March subject to the Council paying in full by March 31st 2017 (the remaining £6.85m scheme costs relating to third party amounts). Cabinet Member approval for the final element of the payment was obtained in accordance with the constitution and payment made. The constitution requires that such a payment is reported retrospectively and this is the purpose of the recommendation in this report.

It is proposed to fund the additional unfunded cost of £1.4m through a reallocation of growth deal funding for the Station Masterplan following revisions to the scope of that project in relation to land acquisition requirements. It should be noted that the proposed Station Master-plan project as approved by Cabinet in January 2017 will still be delivered in its entirety.

2.3.3 The 2016/17 and future 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 use of £2m Local Growth Deal funding, secured to deliver a number of city centre public realm schemes, including Greyfriars Lane, Fairfax Street/Hales St and Cuckoo Lane. In addition works continues on the resurfacing of roads, and Swanswell Viaduct.

- Connecting Coventry is a strategic transport programme of £620m investment in transport infrastructure in Coventry over the next 10 years. In 2016/17 £4.4m of spend has been incurred within in the Strategic Transport Programme, these currently funded from the Local Growth Deal. The primary source of funding going forward with be a mixture of WMCA – Devolution Deal, along with Local Growth Deal, DfT, Highways England and private investment.

- City Centre South (CCS) is a major regeneration project covering the southern part of Coventry city centre, which will transform the area by redeveloping approximately half (6.7 hectares) of the city centre retail core. WMCA funding worth just under £100m, and the Council is investing in the form of properties and land worth £28m which are being transferred into a Special Purpose Vehicle for the development formed with a private developer.

- Education capital grant funding is made up of two elements, Basic Need and Condition/ Maintenance. The programme this year has slipped due to some in-house capacity issues, but the City Council still has sufficient school places, in mainstream schools, secured by the primary school expansion programme in 2008-14. The replacement of Tiverton Primary School at Whitley, which is under construction, will start to address the shortage of places in special education provision in the City.

- City Centre Destination Facility (CCDF) - In September 2014, Coventry City Council approved the addition of £36.7m to its capital programme for 2014/15 onwards, for the development of a (CCDLF) on the existing Christchurch House and Spire House site. The design for the CCDLF has now been taken to RIBA stage 4, with full planning permission approved in July 2016 .The demolition of Christchurch House and Spire House site commenced September 2016 in and was completed in February 2017. The Councils preferred contractor Buckingham's Group Ltd starting the construction of the CCDLF in March 2017 and are currently working on the building foundations. The CCDLF is currently on programme and scheduled to be fully opened in spring 2019.

2.3.2 The funding in respect of this capital expenditure of £71.0m is summarised in Table 6 below The Programme has been resourced almost exclusively from capital grants including use of the £35m grant for Whitley infrastructure which has been applied ahead of the need to spend on the Whitley scheme. In order to fund future programmes of spend these resources will need to be back-filled by capital reserves, capital receipts and prudential borrowing over the next few years.

Table 6: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	0	0	0
Grants and Other Contributions	70.5	83.8	13.3
Revenue Contributions	0.5	0.5	0
Capital Receipts	0	20.5	20.5
Capital of Management Reserve	0	5.6	5.6
Total Resourcing	**71.0**	**110.4**	**39.4**

2.4 Treasury Management Activity

2.4.1 Political uncertainty has been the main driver of the economic landscape during 2016/17. Uncertainty over the outcome of the US Presidential election & the UK's future relationship with the EU resulted in significant market volatility during the year. UK inflation continued to be subdued in the first half of 2016/17, however, the sharp fall in the Sterling exchange rate following the EU referendum had an impact on import prices which resulted in inflation rising from 0.3% in April 2016 to 2.3% in March 2017. Despite the uncertainty, UK GDP grew steadily during the year & the unemployment rate dropped to 4.7% in February, its lowest level in 11 years. The fallout from the EU referendum also caused the Bank of England Base rate to be cut to 0.25% from 0.5%. Current forecasts expect the base rate to stay at 0.25% until at least June 2020, with a further reduction to close to zero more likely than a rate rise in the meantime.

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

Table 7: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2016/17	Maximum in 2016/17	Average in 2016/17
5 year	1.15%	2.00%	1.56%
20 year	2.20%	3.40%	2.85%
50 year	2.07%	3.28%	2.69%

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 £11m:-

Table 8: 2016/17 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1st April 2016	391.8
Borrowing to finance 2016/17 Capital Programme	0.0
PFI & Finance Leases liabilities	1.1
Donated Assets	(1.1)
Provision to Repay Debt (Minimum Revenue Provision)	(10.0)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(0.9)
Reduction of Provision and other restatements	(0.1)
Capital Financing Requirement at 1st April 2017	**380.8**

No new long term borrowing was taken out during 2016/17, 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 2017/18. Within 2016/17, the movements in long-term borrowing and other liabilities were:-

Table 9: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2016 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2017 £m
PWLB	209.4	0	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	**280.9**	**0**	**0**	**280.9**
Other Local Authority Debt	16.5	(1.1)	0	15.4
PFI & Finance Leasing Liabilities	74.9	(2.1)	1.1	73.9
Total	**372.3**	**(3.2)**	**1.1**	**370.2**

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

Table 10: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m	Short Term Borrowing £m
Under 12 Months	37.0	0
1 – 2 years	7.3	0
2 – 5 years	34.2	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 11. The average short term investment rate in 2016/17 was 0.66%.

Table 11: In House Investments at 31st March 2017

	At 30th June 2016 £m	At 30th Sept 2016 £m	At 31st Dec 2016 £m	At 31st Mar 2017 £m
Banks and Building Societies	54.0	54.4	53.4	14.0
Local Authorities	0.0	0.0	20.0	45.0
Money Market Funds	15.8	18.6	8.7	6.5
Corporate Bonds	23.2	34.9	24.3	13.6
Registered Providers	5.0	15.0	15.0	10.0
Total	**98.0**	**122.9**	**121.4**	**89.1**

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 12: External, Pooled Investments as at 31st March 2017

	Date Invested	Cost £m	Value £m	Annualised Return %
CCLA	Nov 2013	10.0	11.03	4.86%
Royal London Enhanced Cash Plus Fund	Sep 2016	4.8	4.83	1.22%
Payden Sterling Reserve	Feb 2012	7.5	7.93	1.14%
Federated Prime Rate Cash Plus	Mar 2013	7.7	7.85	0.65%
Deutsche Ultra Short Fund	Jan 2017	1.0	1.00	0.64%
Standard Life Investments Sterling Short Duration Fund	Mar 2015	7.8	7.90	0.61%
Royal London Cash Plus Fund	Sep 2016	3.0	3.01	0.59%
Total		**41.8**	**43.55**	**1.78%**

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 13.09%, as against a 14.03% 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 £357.1m was within the limit of £477.3m.

- **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 £357.1m was within the boundary of £437.3m.

- **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 2018/19 CFR limit of £479.7m.

- **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 13.2% of total debt that needs to be refinanced in 2017/18, compared to the PI limit of 40% in the 2017/18 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 Director of Finance and Corporate Services

5.1 Financial implications

The final revenue outturn picture for 2016/17 is over-spend of £0.7 balanced to nil by a contribution from Council reserves. Large overspends have occurred within individual service areas, most notably adults' and children's social care.

Within Adults' Social Care, additional funding identified as part of the February 2016 Budget Report and subsequent resources announced in early 2017 (the 3% Adult Social Care precept, the 2017/18 Adult Social Care Grant and resources announced within the Government's Spring 2017 Budget) should ensure that the service will be able to manage within budget in 2017/18.

A greater challenge exists within Children's Services. Although the service has a savings delivery plan and budgetary control action plan in place for 2017/18 in order to manage its significant underlying over-spend, there is a recognition that maintaining expenditure within budget will be very difficult. Delivery of the transformation savings required will be a key focus in this service area.

The Asset Management Revenue Account has delivered a significant saving compared to budget. This results from lower than anticipated capital spending 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 has enabled an on-going £1.5m saving to be built into the 2017/18 budget. 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.

The pressure to manage the large reductions in government funding and absorb the financial impact of current demographic and societal pressures continues to cause financial challenges 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, implementation of staff reduction programmes and continued attraction of significant external funding. These actions have helped to contribute to continued achievement of underspends and demonstrates the continued strength of the Council's budget management approach.

As referenced above, management of the Council's programme of savings targets has not achieved universal success across all service areas. Care will be needed to ensure that the scale and pace of savings targets remains realistic in the face of service demands, recognising also that all services need to contribute to the changes needed to deliver a balanced budget.

The application of grant funding has been maximised within the Capital Programme resulting in no prudential borrowing in the year. Prudential Borrowing approvals not utilised for the 2016/17 programme will be applied in future years as capital spending is incurred.

Notwithstanding an increase in reserves maintained to fund future capital projects the Council's revenue reserve levels have gone down in 2016/17. Current reserves 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.

Tight management of the Council's finances over recent years has enabled the Council to establish a balanced three year budget and generated capital resources that offer some limited future flexibility. Decisions will be required going forward to consider the best way in which these resources can be applied for strategic use. These might include meeting new/existing policy priorities, meeting potential spending pressures on existing schemes, identifying new opportunities for buying income generating assets or displacing Prudential Borrowing on existing capital schemes (effectively repaying debt).

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.

Report author(s):

Name and job title:
Paul Jennings, Finance Manager Corporate Finance

Directorate:
Place

Tel and email contact:
02476 83 3753 Paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Place	18/5/17	19/5/17
Michael Rennie	Lead Accountant	Place	15/5/17	15/5/17
Helen Williamson	Lead Accountant	Place	15/5/17	15/5/17
Paul Hammond	Accountant	Place	15/5/17	15/5/17
Rachael Sugars	Finance Manager	Place	18/5/17	19/5/17
Ewan Dewar	Finance Manager	Place	18/5/17	19/5/17
Phil Helm	Finance Manager	Place	18/5/17	19/5/17
Names of approvers for submission: (officers and Members)				
Finance: Barry Hastie	Director of Finance and Corporate Services	Place	19/5/17	19/5/17
Legal: Carol Bradford	Corporate Governance Lawyer	Place	18/5/17	23/5/17
Members: Councillor J Mutton	Cabinet Member for Strategic Finance and Resources	-		

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Appendix 1 Revenue Variations

Reporting Area	Explanation	£m
People	The People Directorate overall has underspent against its salary budgets and turnover target by £5.05m. This is partly as a result of high levels of vacancies in Childrens Social Care, which contributed £3.2m of the underspend. Part of the non-salary overspend is a result of agency staff in Childrens Social Care. During March this figure was down to 47 (compared to 76 at 31st March 2016). Internally provided services in Adult Social Care contributed a further £0.6m towards the overall underspend as a result of planned vacancies and efficiencies.	(5.1)
Resources	The Resources Directorate overall is underspending against its salary budgets and turnover target by £0.8M. This is due to vacancies and early delivery of staffing savings across all areas of the service.	(0.8)
Place	This variation is primarily caused by vacancies which have proved difficult to recruit to, net of turnover targets for the directorate. Some of the vacancies are key posts which have required agency appointments, which are under review with HR colleagues to appoint on a permanent basis	(0.3)
Total Non-Controllable Variances		**(6.2)**

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE		
Overspends:		
All Age Disability and Mental Health Community Purchasing	Underlying budget pressures continue to rise in part due to increasing demand for social care for eligible service users. Working age adults tend to receive expensive packages of care for a longer period of time. This increases the cumulative cost of services as younger people tend to receive services longer once they enter the care system. Control mechanisms are in place to ensure expenditure is robustly scrutinised and managed. Significant work on reducing retrospective packages has been undertaken this year so a more consistent and accurate budget forecast is achieved on a monthly basis.	3.1
LAC Services	An overspend on staffing due to use of agency staff to cover vacancies, which is partly offset by an underspend in the centralised salary forecast. Overall there is an overspend on LAC placements of £1M, this is due to an overspend on external residential placements for LAC driven by cost as although numbers have remained stable there has been an increase in more expensive placements, partially offset by an underspend on internal and external fostering as a result of lower numbers on average across the year in fostering placements than originally planned. Total LAC placements have increased over the year from 487 to 503.	2.6

Strategy & Commissioning (CLYP)	This budget pays for supported accommodation for care leavers, and vulnerable homeless aged 18-24. The overspend is a result of high levels of activity, and not enough of the the right types of provision. The strategy to to ensure that young people are in appropriate accommodation and not placed together with adults is also impacting as a result of needing to spot purchase more placements. A recovery plan is in place to plot and monitor move on timescales for individual young people, and this should improve the position in 2017/18. Recent work has also commenced on a review and refresh of the corporate housing and homelessness strategy.	2.2
Child Protection	Overspend on staffing costs due to use of agency incurred to fill vacancies. This is offset by an underspend on salaries reported as part of the centralised forecast, £0.1M underspend on Section 17 and discretionary payments due to greater scrutiny of expenditure, and £0.1M underspend on Educational Welfare service due to holding vacancies ahead of Education Services Grant fall out in 2017/18.	1.6
SCTEI Strategic Management	This is undelivered savings targets within Children's Services (headcount reduction and Kickstart). The service has saving and delivery plans in place to deliver these targets, but they cannot be achieved within the current timescale	1.5
Adult Social Care Director	This overspend is as result off all corporate budget savings allocations (£1.226m) being assigned against this budget. These savings targets were required to be delivered over the year across all of adult social care.	1.0
Older People Community Purchasing	Underlying budget pressures have reduced during the year through in part a reduction in residential placements, although pressures are still high. Management actions have ensured demand on social care is managed in the most cost effective way to reduce overall costs. Control mechanisms have been put in place to ensure expenditure is robustly monitored. Focused efforts to manage approved packages through the panel process have ensured packages of care are robustly scrutinised before being approved.	0.7
Inclusion & Participation	This overspend mainly relates to transport costs, offset by underspends in a number of other areas. The overspend is partly attributable to an increase in volume. All travel assistance policies have been reviewed and the revised policies will be implemented in September 17.	0.5
Internally Provided Services	The overspends (agency costs, other pay and overtime) have been offset by larger underspends on centralised salary costs due to a number of vacancies and planned efficiencies.	0.3
Adult Education	This is an undelivered savings target, that was due to be delivered through resource switching. This has been managed within the Budgetary Control Posiiton for the Education, Libraries & Adult Learning service.	0.2
Safeguarding	Overspend is due to agency costs being incurred to fill staffing vacancies within the Children's Safeguarding service. This is partially offset be an underspend on salaries reported as part of the centralised forecast underspend	0.1
School Enrichment Services	Performing Arts Service income has reduced during the year resulting in a £100k shortfall against budget. The service redesign will be implemented in September 17 which will achieved efficiencies, increase flexibility for customers and assist the service in achieving a break even position.	0.1
Underspends:		
Business Performance (SCTEI)	Underspend as a result of a reduction in activity on LAC transport, and a shift in the way LAC transport has been provided.	(0.1)

Planning	Planned underspend as a result of staff savings delivered ahead of the Education Services Redesign.	(0.1)
Integrated Youth Support Service	Public health have supported an additional £0.2M of activity in the Youth Service freeing up Core budget.	(0.2)
CPH Place	This underspend relates to lower than anticipated costs relating to the initial expected costs of supporting the development of Combined Authority proposals	(0.2)
Advice and Health Information Services	Underspend in respect of Migration grant income, which supports expenditure within other Council services.	(0.3)
Strategic Commissioning (Adults)	This underspend is the effect of better than anticipated efficiency savings across a number of contracts.	(0.4)
Early Years, Parenting & Childcare	Public Health have supported an additional £1.0m of activity freeing up core budget.	(1.1)
Other Variations less than 100k		(0.2)
	Forecast Overspend/(Underspend)	**11.3**
REPORTING AREA	**EXPLANATION**	**£m**
PLACE DIRECTORATE		
Overspends:		
Traffic	The primary reason for the variation is due to 2 key pressures, the use of agency staff to cover vacancies of £313k, together with the write-off of prior year parking enforcement debt amounting to £648k. Debt write off was greater than anticipated and insufficiently provided for in the bad debt provision. This is partly due to an increase in the level of bad debt attributable to vehicles that have been incorrectly registered with the DVLA and/or where it is not possible to trace the owner. Consequently, the average income yield per PCN has decreased below the levels that were used to forecast throughout the year. In addition, there has also been an increase in the number of cancelled PCNs for other reasons - including the cancellation of older debts and difficulty enforcing debts (e.g. persistent offenders and bailiff enforcement). An action plan is in place to mitigate some of these issues in 2017/18. This was offset by: • Increased bus lane enforcement PCN's generating £111k • Higher car parking income performance of £173k • Street Lighting energy saving of £220k due to contract price reduction	0.5
Environmental Services	Continued under recovery of new MTFS income targets relating to alarm monitoring and CCTV services. There is currently an ongoing review which will aim to reduce this pressure.	0.2
Streetpride & Parks	Primarily agency costs incurred in Streetpride during service reviews, together with traveller incursion cost pressures, offset by a net income surplus generated in bereavement services	0.2
Sports, Culture, Destination & Bus Relationships	Pressure caused primarily by a St. Mary's catering trading deficit of £140k, together with the £46k cost of the Free Passport to Leisure card issue	0.2
Waste & Fleet Services	Savings on Waste disposal costs and reduced Passenger Transport costs have helped offset a series of primarily one off pressures in fleet.	0.1

Commercial Property	Building cleaning trading deficit	0.1
Transport & Infrastructure	Expenditure on agency cover and reduced income from capitalised staff.	0.1
Underspends:		
Economy & Jobs	Grant funding identified to meet staffing costs	(0.1)
Development Services	Sale proceeds for Canley site for surveyors costs £177k received after Q3 forecast.	(0.1)
PTH Management & Support	Underspend due to charging for officer time spent on major projects.	(0.2)
Directorate & Support	In year accelerated delivery of workforce strategy targets for the directorate of c£0.5m, offset by under delivery of Kickstart targets. Both these targets increase significantly in 17/18 which will result in a net deficit target as yet to be achieved	(0.3)
Planning & Regulatory Services	Higher planning and enforcement income than budgeted	(0.5)
Other Variations less than 100k		(0.2)
	Forecast Overspend/(Underspend)	**0.1**
REPORTING AREA	**EXPLANATION**	**£m**
RESOURCES DIRECTORATE		
Overspends:		
Legal Services	Overspend due to high levels of activity within Children's Services (number of hearings per case) requiring external counsel to be instructed. In addition, due to vacancies on the team there has been the need for agency cover. The majority of the vacancies are now recruited to. There has also been increased activity within Coroners, which has led to an overspend. The unpredictable nature of some of this work has led to the increase in overspend since quarter 3.	0.5
Revenues and Benefits	A net overspend of £1.2M on Housing Benefit Subsidy, which is made up of an overspend on housing benefit paid for clients in temporary and supported accommodation, which is less than can be reclaimed from the Subsidy grant (£2.9M). This is reduced by £1.8M as a result of recovered overpaid housing benefit. There is also an underspend of £0.7M, as a result of 1-off grant from DWP, and other 1-off technical issues.	0.4
ICT Operations	Overspend relates to the costs of migrating users from the previous mobile phone contract to the new one (now complete) and some one-off spend relating to roll out of kit in preparation for Friargate. This was partially offset by tightened control and scrutiny around contracts within the Data & Voice Team.	0.3
Underspends:		
Financial Mgt	Underspend as a result of early delivery of 17/18 step up in savings target, funded from salary and non-salary savings including review of CIPFA apprenticeship programme, and additional income for services provided by the Finance Team.	(0.1)

Customer and Business Services	A £396K underspend as a result of increased internal income (printing) and early delivery of 17/18 step up in savings target, funded from salary and non-salary savings. This has been offset by a £243K overspend relating to support costs for statutorily homeless clients including storage costs for clients' possessions, and some additional temporary resource. This position is under ongoing review against a backdrop of national change with the imminent introduction of the Homelessness Reduction Bill.	(0.2)
Transformation Programme Office	Underspend relates to costs being charged to specific projects resulting in unexpected internal income.	(0.3)
ICT Strategy, Systems & Development	Underspend relates to delays in system implementations which have delayed requirement for revenue software licencing costs.	(0.4)
Other Variations less than 100k		(0.1)
	Forecast Overspend/(Underspend)	**0.1**
Contingency & Central Budgets		
Underspends:		
Corporate Finance	The Asset Management Revenue Account has under-spent by £2.4m at year-end compared with £2.3m at quarter 3. This is due mostly to reduced capital financing costs arising from lower than planned borrowing in 2015/16, higher than planned investment income resulting from large cash balances and newly declared share dividend income from Birmingham Airport and Coventry and Solihull Waste Disposal Company. The inflation contingencies budget has under-spent by £1.5m compared with £1.0m projected at quarter 3. Further under-spends have occurred within the Policy Contingency, the Coventry and Warwickshire Business Rates Pool budget and in budgets for pensions savings and pension costs.	(5.0)
	Forecast Overspend/(Underspend)	**(5.0)**

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES	(RESCHEDULING) / ACCELERATED SPEND	(UNDERSPEND) / OVERSPEND	EXPLANATION
PEOPLE DIRECTORATE				
DFG		(0.8)		BCF additional funding in the region of £600k was put into the Capital budget for DFG 2016/17. This was not anticipated or planned for. Therefore due to operational demands throughout the year we never developed an effective strategy to use this additional funding and with normal working practices we would never have spent the additional monies. Also spend was reduced in this area due to unforeseen problem with a backlog of jobs with Whitefriars Housing Group which would have ordinarily been paid for in the year.
Pathways to Care (Support to Foster Carers)		(0.1)		This relates to 3 applications which were approved in 16/17 but due to issues ranging from Planning consent to Legal loan agreeements, were not in place to action the payment 16/17. These documents have now been finalised and payment will be process in 17/18
Condition - Schools		(0.8)		This is an ongoing programme, works will be scheduled into 17/18, specifically the mechancial and electrical works are delayed due to the capacity of the inhouse design team.
Broad Spectrum School		0.5		Part of a £10m construction programme, works a month ahead of schedule.
Early Years		(0.1)		Projects are currenlty being revaluated, pending the outcome of the Family Hubs.
Suitability/Access		(0.1)		Some of the funds orginally set aside to complete a wet room at Gosford Park, were not able to be completed as schedule due to lack of inhouse capacity. The remainder will be carryforward to met the furture demands.
Miscellaneous		(0.1)		Aggregated changes that total >£100k.
SUB TOTAL - People	**0.0**	**(1.4)**	**0.0**	

PLACE DIRECTORATE				
City Centre South		0.2		Extra advisor costs not taken account for or unknown in the quarter 3 projections
Banner Lane S106		(0.6)		There has been some slippage on the scheme due to various site issues related to utilities causing delays to works. Works are now nearing completion, with Severn Trent Water soon to undertake diversion works which enables the DLO to complete the scheme
Warwick Station Access		(0.3)		Expenditure on Warwick Road Access Tunnel has slipped due to programme delays. This was caused primarily by unforeseen utilities, alongside issues encountered with the piling sub-contractor which meant that a decision was taken to omit further piling and excavation works and ringfence the resources for these works to be undertaken as part of the wider Station Masterplan development when the tunnel will be brought into use.
Nuckle		0.0	(0.3)	A final reivew of NUCKLE 1.1 financial accounts has recognised a small underspend on phase 1 of the project, mainly due to Network Rail revising their pricing schedule. Some of this will be used to fund the reduced funding of ERDF £175k and the balance will be set aside towards Phase 2.
GD14 - A46 N-S Corridor (Stanks)		0.2		The CWLEP Programme Board have asked us to accelerate spend on projects where possible. The project identified utilities spend that could be accelerated and spend increased into 16/17.
GD17 - National Transport Design Centre		(0.7)		Delay in construction start date due to bad weather has resulted in rescheduling of £0.7m, which CWLEP board have approved. Scheme still remains within acceptable timescales.
GD22 - Warks College STEM		0.2		The CWLEP Programme Board have asked us to accelerate spend on projects where possible. The project identified spend that could be accelerated and spend increased into 16/17.

A46 Link Road Phase 2		(0.1)		There has been some slippage on expenditure as the DfT have confirmed that an Outline Business Case isn't required and the project can instead progress to Full Business Case which has resulted in a change to programme and expenditure profile.
Public Realm 4		(0.4)		The slippage reflects changes to the Public Realm Phase 4 programme, and has no impact on Growth Deal grant which needs to be spent by the end of 17/18.
Lythalls Lane (CIF)		(0.1)		Funding set aside to refurbish unlet Units, if necessary to achieve lease/Sale
Vehicle and Plant Replacement		(1.6)		**Prudential Borrowing** - Service reviews within Highways, Streetpride and Passenger Transport Services have meant that the operational life of existing vehicles has been extended. Within PTS this was due to proposals within SEN in the People directorate regarding home to school transport, and within Streepride and Highways, due to service redesign. **Leasing** - Service reviews within Streetpride have casued leases for vehicles and plant to be extended pending service resdeign. Additionally a number of vehciles were brought out of lease at preferentail rates, meaning that we can benefit from extending the life of unfinanced vehicles. There are also a number of vehicles originally located within schools, which have become suplus to their requirements and the have relocated to other areas with short term extensions to their lease.
Play Areas		(0.3)		New Century Park spend delayed due to elected member involvement in wanting to explore links with Sphinx Running Club and we await further instructions, time delays in waiting for quotes, and Project Team capacity issue has deffered works starting in 16/17. Where spend was delayed due capacity in other teams we have met and tried to work out a timetable, however both the Public Health Project work and the dealing with travellers has affected progress.

Kickstart Office		(4.5)		As a result of slower than anticipated progress on site with the external façade, whilst the overall programme is maintained, there has been slippage in expenditure to these elements. This will be fully utilised in the new financial year.
ESIF - Low Carbon		(0.2)		Due to the delay in this project being started there was a significant delay to the allocation of grant funding to businesses. DCLG invited us to submit project change requests to re-profile spend and outputs which have now been approved. The first Grants have now been allocated with the first claims now being received. Funding to be re-profiled to 17/18
ESIF - Innovation		(0.1)		
Canley Regeneration (Prior Deram Park)		(0.1)		Procurement problems with replacement street furniture (supplier delivery delays) and delay waiting for confirmation of approval for elements of the work area have delayed the works on site. Remaining budget to be carried over as remaining planned works have been put back due to start of new housing development adjacent the work area and potential for damage newly completed works.
London Road		(0.2)		There is no capital spend on the LRC project at present as the spend for the development stage is funded through revenue (code 10284) – therefore all expenditure to date is sitting in revenue
Far Gosford St Liveability Fund		(0.1)		The actual costs are attributed to the acquisition of property and compensation in relation to the Far Gosford Street CPO. Negotiations with property owners have been concluded which has led to this increased expenditure for associated CPO cost and compensation in Q3.
FGS CPO's / Ringfenced Receipts		0.3		The actual costs are attributed to the acquisition of property and compensation in relation to the Far Gosford Street CPO. Negotiations with property owners have been concluded which has led to this increased expenditure for associated CPO cost and compensation in Q3
Growing Places Fund		(0.5)		Grantee's approval for Infrastructure project was delayed so a claim was not submitted as planned. Round 2 Open Call and Round 3 Open Door, which are on-gpoing business grants have experienced delays from businesses in submitting claims, spend has been re-profiled into 2017-18

City Centre Destination Leisure Facility		(0.2)		The variance to the forecast spend on the CCDLF scheme was due to the demolition element of the project coming in under the forecasted tender return. In addition a the discovery of a small amount of Asbestos resulted in a slight delay to programme which impacted on the project's cash flow forecast.
Capital Disposals - Lease Buy Out of Elm Farm	1.3			Cabinet Approved on 24th November 2015 the freehold disposal of land at Elms Farm and surrender the long-lease hold payment to the tenant on condition of a freehold developer being secured. This has now been achieved and this is the payment to the tenant funded from the capital receipt.
Major Projects (SWCJIP)			0.2	This overspend is being funded by university of Warwick (see 2.3.2 of report)
Major Projects (incl Friargate Bridgedeck, Whitley Junction)			1.4	See 2.3.2 of Report
SUB TOTAL - Place Directorate	**1.3**	**(9.2)**	**1.3**	
RESOURCES DIRECTORATE				
ICT Infrastructure Operations		(0.1)		Spend relating to relocation of our data centre has had to be postponed into 17/18 due to the Ofsted inspection. This work was due to take place in March, but will now be in April.
Kickstart - Infrastructure		(0.2)		The roll out of Mitel has been delayed due to technical issues earlier in the project. The current underspend relates to final payments which will not be made until the project is completed in May 2017.

Strategy Systems Development		(0.6)		There has been a significant amount of work in looking at revenue spend within ICT to deliver savings targets and planning the work to support the ICT strategy. This has meant re-profiling some of our strategic plans. We are also finding that we are being able to deliver some more of the technical work internally rather than rely on external third parties, which means the costs are lower. We are looking at some significant data centre work next year which will require spend, hence the rescheduling. Also, we had a Digital Strategy for the City approved on 21st February, as a result we will be refreshing our ICT strategy during 2017/18 which will include more details about investment profiles moving forward.
Kickstart - ICT Systems		(0.6)		The bulk of the rescheduling is a result of the HR & Payroll system project. This is as a result of some significant changes in direction on this project and with the supplier. Negotiations with the supplier being managed at a senior level within the organisation (Barry Hastie & Lisa Commane). However, this has meant that spend has not occurred to profile and will therefore need to be rescheduled into next year. It is hoped that the position on this project will become much clearer during quarter 1 of 2017/18.
Kickstart - Customer Journey		(0.4)		The bulk of the rescheduling is a result of various elements of spend and project implementations coming to an end and coming in below the anticipated value. During quarter 1 of 2017/18 there we will review the project profiles and, in line with our new reporting arrangements for the capital programme, review the funding profile.
SUB TOTAL - Resources Directorate	**0.0**	**(1.9)**	**0.0**	
TOTAL RESCHEDULIN G	**1.3**	**(12.6)**	**1.3**	

Appendix 3

Summary Prudential Indicators

		Per Treasury Management Strategy 16/17 £000's	Actual 16/17 £000's
1	**Ratio of financing costs to net revenue stream:**		
	(a) General Fund financing costs	32,742	30,561
	(b) General Fund net revenue stream	233,381	233,381
	General Fund Percentage	14.03%	13.09%
2	**Gross Debt & Forecast Capital Financing Requirement**		
	Gross debt including PFI liabilities	429,600	357,137
	Capital Financing Requirement (forecast end of 18/19)	452,714	479,713
	Gross Debt to Net Debt:		
	Gross debt including PFI liabilities	429,600	357,137
	less investments	-48,444	-137,170
	less transferred debt reimbursed by others	-15,438	-15,437
	Net Debt	365,718	204,530
3	**Capital Expenditure (Note this excludes leasing)**		
	General Fund	107,778	71,002
4	**Capital Financing Requirement (CFR)**		
	Capital Financing Requirement	452,714	380,813
	Capital Financing Requirement excluding transferred debt	437,277	365,376
5	**Authorised limit for external debt**		
	Authorised limit for borrowing	404,411	404,411
	+ authorised limit for other long term liabilities	72,865	72,865
	= authorised limit for debt	477,277	477,277
6	**Operational boundary for external debt**		
	Operational boundary for borrowing	364,411	364,411
	+ Operational boundary for other long term liabilities	72,865	72,865
	= Operational boundary for external debt	437,277	437,277
7	**Actual external debt**		
	actual borrowing at 31 March 2017		280,903
	+ PFI & Finance Leasing liabilities at 31 March 2017		72,801
	+ transferred debt liabilities at 31 March 2017		15,437
	= actual gross external debt at 31 March 2017		369,141
8	**Interest rate exposures**		
	Upper Limit for Fixed Rate Exposures	391,297	211,312

	Variable Rate		
	Upper Limit for Variable Rate Exposures	78,259	-67,579
9	**Maturity structure of borrowing - limits**	**upper limit**	**actual**
	under 12 months	40%	13.2%
	12 months to within 24 months	20%	2.6%
	24 months to within 5 years	30%	12.2%
	5 years to within 10 years	30%	7.7%
	10 years & above	100%	64.3%
10	**Investments longer than 364 days: upper limit**	30,000	5,525

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