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### **Audit and Procurement Committee**

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#### **Time and Date**

3.00 pm on Monday, 24th June, 2019

#### **Place**

Council House

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#### **Public Business**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 8)  
To agree the minutes of the meeting held on 25<sup>th</sup> March 2019
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 9 - 16)  
Report of the Deputy Chief Executive (Place)
6. **Work Programme 2019/20** (Pages 17 - 18)  
Report of the Deputy Chief Executive (Place)
7. **Annual Governance Statement 2018/19** (Pages 19 - 38)  
Report of the Deputy Chief Executive (Place)
8. **Unaudited 2018/19 Statement of Accounts** (Pages 39 - 184)  
Report of the Deputy Chief Executive (Place)
9. **Internal Audit Annual Report 2018/19** (Pages 185 - 204)  
Report of the Deputy Chief Executive (Place)
10. **Internal Audit Plan 2019/20** (Pages 205 - 212)  
Report of the Deputy Chief Executive (Place)

11. **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**

Nil

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

Friday, 14 June 2019

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon, Governance Services, Tel: 024 7697 2642 / 2643, Email: [lara.knight@coventry.gov.uk](mailto:lara.knight@coventry.gov.uk) / [michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)

Membership: Councillors M Ali, S Bains (Deputy Chair), J Blundell, R Lakha (Chair), T Sawdon, R Singh and H Sweet

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

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

**Lara Knight / Michelle Salmon**

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# Public Document Pack Agenda Item 3

## Coventry City Council

### Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 25 March 2019

Present:

Members: Councillor R Brown (Chair)  
Councillor T Sawdon  
Councillor R Singh  
Councillor K Taylor

Employees (by Directorate):

People: G Quinton

Place: S Bennett, S Harriott, A Harwood, P Helm, P Jennings,  
D Nuttall, K Tyler

Apologies: Councillor P Akhtar, S Bains and H Sweet

#### **Public Business**

##### **67. Declarations of Interest**

There were no declarations of interest.

##### **68. Minutes of Previous Meeting**

The Minutes of the meeting held on 25 February, 2019 were agreed and signed as a true record.

Further to Minute 61/18 relating to 2018/19 Third Quarter Financial Monitoring Report (to December 2018), the Committee noted that, as requested, information had been circulated in relation to parking at Coombe Country Park.

##### **69. Outstanding Issues**

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

#### **RESOLVED that the Audit and Procurement Committee:-**

- 1. Notes the Outstanding Issues report and agree those issues that are complete can be discharged from the report.**
- 2. Requests that for those items that remain outstanding, the relevant officers be contacted to provide the information requested.**

70. **Work Programme 2018/19**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) which set out the Work Programme for the Committee for the current Municipal Year.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme for the current Municipal Year.**

71. **Internal Audit Recommendation Tracking Report**

The Audit and Procurement 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 March 2018.

The Public Sector Internal Audit Standards requires that the “Chief Audit Executive (ie the Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action.”

As reflected within its terms of reference, the Audit and Procurement Committee is required to receive reports on Internal Audit’s follow up process. The report provided an update as to progress in respect of the agreed management actions which have been followed up during the period March 2018 to February 2019.

Currently, there are three key considerations that will determine the follow up procedure adopted, namely:-

- 1) Whether the area audited is of such significance that it is subject to an annual review
- 2) The level of assurance provided in the audit report
- 3) A self-assessment process for these reviews where neither of the points above apply, but a follow-up review is necessary

Overall it was believed that the procedure achieves the right balance between ensuring action is taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks.

The report and appendices set out the results from the latest follow up exercise, indicating that of the 236 actions followed up, 74% have been implemented based on both the formal and self-assessment follow up method. When analysed by follow up method, the results were that formal follow up method had a 61% implementation rate and self-assessment follow up method had a 82% implementation rate.

In relation to self-assessment, the implementation rate of 81% is not significantly different to rates over the last three years, however it remains higher in comparison to the formal follow up method. Consequently, in 2018-19, Internal Audit trialled an approach to validating self-assessment responses which focused on two audits, details of which were contained in an appendix. As a result of

undertaking the pilot exercise to validate self-assessment responses, the following actions are planned for 2019-20:-

- A programme of routine validation checks will be established to provide more robust assurance over the self-assessment approach. The results of this will be included in the next recommendation tracking report to the Audit and Procurement Committee.
- The template form for self-assessments is to be revised to assist managers to reach appropriate conclusions on actions taken.

After the follow up has been completed, the results are collated within Internal Audit. If progress is not consistent with expectations, audit management will determine the next course of action, details of which were outlined in the report. Proposed actions for the audits where recommendations remain outstanding were highlighted within Appendices to the report.

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

## 72. **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2018**

The Committee considered a report of the Deputy Chief Executive (Place) which reported on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), which governs the acquisition and disclosure of communications data and the use of covert surveillance by local authorities.

The report indicated that the Council uses powers under RIPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more or are related to the underage sale of alcohol and tobacco. There are three powers available to local authorities under RIPA: the acquisition and disclosure of communications data; directed surveillance; and covert human intelligence sources.

The report detailed the procedures that local authorities must follow when applying to use RIPA powers, including submitting applications to the Magistrates Court for approval. The Council's Monitoring Officer maintains oversight of the RIPA arrangements and is responsible for the integrity of the Council's process for managing the requirements under RIPA.

From 1 November, 2018 there is a new requirement to meet a serious crime threshold for the acquisition of service or traffic data for Communications data. This typically means that the offences under investigation could result in imprisonment for more than 12 months.

Details of the applications that the Council has made under RIPA were detailed in the report. For the period 1 January, 2018 to 31 December, 2018 two direct surveillance applications were granted, and two authorisations were granted by

the Magistrates. The Committee noted that all of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime. There were no reported instances of the Council having misused its powers under the Act. No applications for the disclosure of communications data were made during the period.

The Committee questioned the officer on a number of issues, including comparative information in relation to the use of the powers by other Local Authorities.

**RESOLVED that the Audit and Procurement Committee:-**

- 1) Approves the Council's use and compliance with the Regulatory and Investigatory Powers Act.**
- 2) Request the Cabinet Member for Policing and Equalities to:-**
  - i) Provide comparative information with other Local Authorities in future reports.**
  - ii) Refer the report to the Licensing and Regulatory Committee.**

**73. Culture Coventry Trust – Finance and Governance**

The Committee considered a report of the Deputy Chief Executive (Place) which provided information in relation to the finance and governance arrangements for the Culture Coventry Trust which was established in August 2013 following a Cultural Trust Review which recommended a merger of the Coventry Heritage and Arts Trust (CHAT) and the Coventry Transport Museum (CTM).

In April 2014, a £9.5m refurbishment and redevelopment programme commenced at CTM and the Old Grammar School, culminating in the full reopening to the public of the School and comprehensively re-modelled Museum in June 2015.

In February 2015, the Council established in its Medium Term Financial Strategy a further annual saving of £500k (to take effect from April 2017) from Culture Coventry Trust (CCT) grant budget. Since 2016/17, the Trust has been through a very difficult financial period, which as a result has required financial and other support from the City Council and other partners, and has also resulted in a change in the structure of both the Board of Trustees and the Trusts senior management team.

The Trust has established a revised financial and business plan which is resulting in a much improved financial position and financial outlook. However, it remains in a transitional state whilst it implements the plans. Continues to repay monies owed to the City Council and re-establish its reserve balances.

The Committee noted the future governance structure of the organisation is also currently under review to ensure its future fitness for purpose.

The report detailed Council involvement with the Trust in the following areas:-

- Officer involvement – Council officers have always maintained a “contract monitoring” role to ensure the Trust are delivering against their obligations under the grant agreement. Involvement has been continuous and more significant as both a support and a challenge since the Trust reported formally to the Council in November 2016 that they expected to return a deficit, had no reserves, and were likely to be unable to repay the cash flow debt. This close working relationship to support the Board of Trustees and management team has continued through the management regime changes at the Trust.
- Council Annual Grant to the Trust – The Council is the main funder to the Trust and provides an annual grant of c£2m, which helps fund their annual planned spend. Recognising the Trusts financial difficulties and also taking into account that they are the custodians of the Council’s cultural assets, the Council acted formally in April 2017 to “buy time” for the Trust to address its finances by approving an unsecured loan to enable them to advance pay their pension liability and for a cash flow facility during 2017/18.

Following a change of management team, a new Business Plan was approved by the Trust Board in 2018 which followed a major review of current costs, staffing structures and ability to generate income. As a result of this medium term outlook, some shorter term benefit was also achieved which allowed the Trust to report a much lower deficit position in 2017/18 than had been feared. This also meant the amount of cash flow loan support required to be drawn down was significantly lower that had been approved by the City Council.

The Committee questioned officers on aspects of the report including:-

- Challenges for the Trust
- Mechanisms in place to provide assurance in relation to financial and governance arrangements
- Key management roles at the Trust
- City Council resource implications, including salaries
- Policies and procedures in place to ensure accountability

The Committee requested clarity in relation to the governance timeline and further information in relation to the current governance structure.

**RESOLVED that the Audit and Procurement Committee:-**

- 1) **Notes the report, which provides assurances in relation to finance and governance arrangements.**
- 2) **Requests information in relation to the governance timeline and the current governance structure.**

#### 74. **Post of Director of Human Resources - Salary Approval**

The Committee considered a report of the Deputy Chief Executive (People) which, in line with statutory guidance under s40 of the Localism Act 2011 and the City

Council's Pay Policy statement, sought approval in respect of an annual salary package in excess of £100,000 for the post of Director of Human Resources.

The report indicated that the challenges facing the Council in terms of re-shaping the way that we work, embracing new technologies and new partnership working all require successful delivery of a range of major workforce initiatives as part of the One Coventry programme. In particular, there is an urgent need to develop an Employee and Industrial Relations Policy that enables significant changes to be delivered within a unionised working environment. The Human Resources function has been led by a Head of Service and this post is currently vacant. The current level of appointment has not given the post holder sufficient authority to lead delivery of change on the scale required. Nor has it enabled the recruitment of the right level of skills and experience to work in partnership with the trade unions to achieve the Council's objectives.

A Business Case was appended to the report and identifies that the post of Director of Human Resources should be graded at Grade AD1, the salary range for which is £97,927 to £106,130.

**RESOLVED that the Audit and Procurement Committee approves a salary range of up to £106.130 pa for the post of Director of Human Resources.**

75. **Any Other Items of Urgent Public Business**

There were no other items of urgent public business.

(Meeting closed at 4.00 pm)

Audit and Procurement Committee

25<sup>th</sup> March 2019

**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

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**Is this a key decision?**

No

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**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 - Information Requested Outside Meeting

**Other useful background papers:**

None

**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:  
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 25<sup>th</sup> 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 the Director Finance and Corporate 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

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

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## 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.	<p>Quarter Three Internal Audit Progress Report 2018/19.</p> <p>The Committee requested an update report following the follow up review in April 2019, on the issues identified at Frederick Bird School which had resulted in a Limited Assurance.</p>	62/18 25 <sup>th</sup> February 2019	June 2019	Karen Tyler		

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

## Appendix 2

## Information/Action Requested Outside Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Internal Audit Plan 2018/2019	Minute 7/18 18 <sup>th</sup> June 2018 and Minute 13/18 16 <sup>th</sup> July 2018	The Committee requested that a timeline be prepared in respect of the telephony system and customer service review.	David Ashmore	
2.	Information Governance Annual Report 2017/2018	Minute 20/18 16 <sup>th</sup> July 2018	A letter from the Chair of the Committee relating to data protection training for Elected Members, be prepared and circulated to Members  In addition to the completion of Data Protection Training, workshops be arranged for Elected Members to support them on the requirements of the GDPR	Adrian West/ Sharon Lock	
3.	Procurement and Commissioning Progress Report – Future Reporting Arrangements	Minute 22/18 16 <sup>th</sup> July 2018	Further discussion be held with the Chair of the Committee to determine the most appropriate forum for the future consideration of the reports	Karen Tyler/Mick Burns	Ongoing
4.	2018/19 Second Quarter Financial Monitoring Report (to September 2018)	Minute 50/18 21 <sup>st</sup> January 2019	The Committee requested details of the fees paid to external suppliers to undertake proactive reviews of single person	Karen Tyler / Council Tax Team	11 <sup>th</sup> February 2019

			discounts linked to Council Tax and how these fees compare to other suppliers.		
5.	Corporate Risk Register Update	Minute 51/18 21 <sup>st</sup> January 2019	The Committee requested information on the steps being taken to ensure that relevant staff have the required skill sets to undertake contract management.	Mick Burn	
6.	Work Programme	59/18 25 <sup>th</sup> February 2019	The Committee requested that a review be undertaken by the Finance and Corporate Services Scrutiny Board (1) in relation to the funding of the Godiva Festival and that the findings be circulated to the Audit and Procurement Committee.	Scrutiny Board 1 (Carolyn Sinclair / Vicky Castree)	
7.	2018/19 Third Quarter Financial Monitoring Report (to December 2018)	Minute 61/18 25 <sup>th</sup> February 2019	The Committee requested an update on the position in relation to the loss of car parking income at Coombe Country Park as a result of the breakdown of equipment.	Barry Hastie / Paul Jennings	
8.	Culture Coventry Trust – Finance and Governance	Minute 73/18 25 <sup>th</sup> March 2019	The Committee requested information in relation to the governance timeline and the current governance structure.	Phil Helm / David Nuttall	

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## Audit and Procurement Committee

### Work Programme 2019-2020

#### 24<sup>th</sup> June 2019

Internal Audit Annual Report 2018-2019  
Annual Governance Statement 2018-2019  
Internal Audit Plan 2019-2020  
Draft Statement of Accounts 2018-2019

#### 15<sup>th</sup> July 2019

Audit Findings Report 2018-2019 (Grant Thornton)  
Revenue and Capital Out-turn 2018-2019  
Statement of Accounts 2018-2019  
Audit Committee Annual Report 2018-2019  
Information Governance Annual Report 2018-2019  
Procurement Progress Report (Private)

#### 2<sup>nd</sup> September 2019

Quarter One Revenue and Corporate Capital Monitoring Report 2019-2020  
Fraud Annual Report 2018-2019  
Ombudsman Complaints Annual Report 2018-2019  
Whistleblowing Annual Report 2018-19

#### 11<sup>th</sup> November 2019

Annual Audit Letter 2018-2019 (Grant Thornton)  
Half Year Internal Audit Progress Report 2019-2020  
Treasury Management Update  
Procurement Progress Report (Private)

#### 27<sup>th</sup> January 2020

Quarter Two Revenue and Corporate Capital Monitoring Report 2019-2020  
Corporate Risk Register Update  
Half Yearly Fraud Update 2019-2020

## **16<sup>th</sup> March 2020**

Grant Certification Report (Grant Thornton)  
Quarter Three Revenue and Corporate Capital Monitoring Report 2019-2020  
Quarter Three Internal Audit Progress Report 2019-2020  
Internal Audit Recommendation Tracking Report  
Code of Corporate Governance (Adrian West)  
RIPA (Regulation of Investigatory Powers Act) Annual Report 2018-2019  
Procurement Progress Report (Private)

## **Date to be agreed**

Outside Body - Governance and Financial Arrangements for Coventry City of Culture Trust  
Outside Body - Governance and Financial Arrangements for Coombe Abbey Park Limited  
Outside Body - Governance and Financial Arrangements for Culture Coventry



Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

24<sup>th</sup> June 2019

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

City Wide

**Title:**

Annual Governance Statement 2018-19

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**Is this a key decision?**

No

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**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 2018-19.

**Recommendations:**

Audit and Procurement Committee is recommended to consider and approve the Annual Governance Statement (attached at Appendix One), which accompanies the 2018-19 Statement of Accounts.

**List of Appendices included:**

Appendix One – Annual Governance Statement 2018-19

**Background papers:**

None

**Other useful documents:**

Annual Governance Statement 2017-18

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11817&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 2018-19

**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, 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 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.
  - The Council's Corporate Risk Register.
  - An annual review against the principles and best practice set out in the Code of Corporate Governance.
- 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 Chief Internal Auditor, but also incorporates the views and opinions of senior officers and the Council's Governance Steering Board. The key disclosures come from the following processes:
  - A review of progress against disclosures highlighted in the Annual Governance Statement 2017-18.
  - New disclosures identified as part of the assessment process outlined in section 2.1.

The outcomes from these processes are expanded upon below.

2.3 **Update on disclosures made in the Annual Governance Statement 2017-18** - A review of the twelve disclosures highlighted in the Annual Governance Statement 2017-18 has found that the disclosures fall into two categories, namely:

2.3.1 Closed from the 2017-18 Statement – Five disclosures have been closed as they are (a) no longer viewed as a significant governance / control issue facing the Council or (b) have been subsumed into other disclosures. In summary, the disclosures that have been closed and will not be carried forward to the 2018-19 Annual Governance Statement are as follows:

- 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 - The Kickstart Programme has been completed. Governance of city centre regeneration is now under a different work-stream and is identified as a separate issue in the statement.
- Long term sustainability of adult social care in the context of financial and demand issues - Adult Social Care remains a comparatively low spend per 100k population and the Council's approach to short term services and using the voluntary sector helps reduce the numbers of people entering on-going care and support. Long term issues of sustainability are subject to the spending review and local government settlement later in 2019. From a governance perspective, this is intrinsically linked to the delivery of the Medium Term Financial Strategy and has been subsumed into this disclosure.
- Establishing a Counter Fraud Framework – A new Fraud and Corruption Strategy, including the Counter Fraud Framework has been considered by the Audit and Procurement Committee and approved by the Cabinet Member for Policy and Leadership. This now forms part of the annual programme of work undertaken by Internal Audit.
- Risk Management Strategy – During 2018-19 actions were taken to embed risk management practice in the organisation. Risk Registers are now in place for each Director's areas of operation and are reviewed at Leadership Team meetings on a regular basis.
- Governance Steering Board – The Governance Steering Board was established in September 2018 and meets on a regular basis to review the effectiveness of the governance framework throughout the year, help raise the profile of governance across the Council and co-ordinate improvement actions. Updates on this work are provided to the Strategic Management Board every month.

2.3.2 Carry forward to the 2018-19 Statement - A number of governance / control issues remain in the Annual Governance Statement. These are detailed in Appendix One, along with the actions the Council plans to take in 2019-20 in relation to these issues. In summary, the disclosures that have been carried forward to the 2018-19 Annual Governance Statement are as follows:

- Sustainable improvement in Children's Services.
- Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy.
- Raising educational standards.

- Implementation of the Information Management Strategy.
- Delivery of the Workforce Strategy.
- Delivery of the ICT Strategy.
- Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation.

2.4 **New Disclosures** – Three new disclosures have been identified for the Annual Governance Statement 2018-19. These issues were identified as part of the review undertaken to support the production of the Annual Governance Statement and are detailed below:

- Corporate data access standard – Development and implementation of a corporate data access standard and protocol for all systems that hold personal data.
- Governance over relationships with partners and outside bodies – The Council has a strong foundation of partnership working, which was positively recognised in the recent Local Government Association (LGA) Corporate Peer Challenge. This has included the Council’s pivotal involvement in forming the West Midlands Combined Authority, the Place Forum and the Coventry and Warwickshire Local Enterprise Partnership. However, it is recognised that in order to continue to respond to challenges and to adapt to new approaches in terms of the role of the local authority in the community, the Council needs to ensure that there are effective arrangements over its relationships with partners and outside bodies which provide governance and flexibility to deliver effective outcomes. Partnership working principles have been established and work is planned in 2019/20 to develop protocols to underpin this. These will be used to gain assurance that key relationships, such as with the City of Culture Trust and the Friargate Joint Venture are being appropriately governed. In addition, a People Partnership is in its early stages of implementation with a focus on strengthening partnership arrangements across the City and working together to improve collaboration and connectivity in spirit of the Council’s One Coventry approach.
- Governance over the programme of capital projects – The Council has an ambitious programme of capital projects, which in 2019/20 will continue to accelerate in advance of the Council becoming City of Culture in 2021. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. Governance arrangements are established with delivery overseen by project boards who report to the responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Place Programme Delivery Board. In 2019/20 the focus will be on ensuring that as the programme continues to move at pace, governance arrangements remain embedded and integral to programme delivery whilst also ensuring that there are effective processes in place to maintain a view of the overall programme, so its inter-dependencies are managed / joined up, maintaining momentum on the Council’s wider aspirations.

### 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 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

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Place

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<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Director of Finance and Corporate Resources	Place	4/6/2019	12/6/2019
Adrian West	Member and Elections Team Manager	Place	4/6/2019	12/6/2019
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	4/6/2019	13/6/2019

This report is published on the council's website:

[www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

## Appendix One – Annual Governance Statement 2018-19

### 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 an approved Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance *Delivering Good Governance in Local Government (2016)*. A copy of the Code is available on our website at:  
[http://www.coventry.gov.uk/downloads/file/3639/code\\_of\\_corporate\\_governance\\_2017](http://www.coventry.gov.uk/downloads/file/3639/code_of_corporate_governance_2017)  
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 31<sup>st</sup> March 2019 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 supports the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in published policy documents including the Council Plan. These high level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.

- 3.2 Coventry's Council Plan sets out the Council's long-term vision and priorities for the city for the period 2016-2024. In 2018, the Plan was reviewed and rebranded in line with the Council's emerging One Coventry approach and a revised performance management framework has been introduced to improve transparency and streamline performance reporting with more regular information updates about the performance of the city. To deliver the Council's long-term vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active communities and empowered citizens. The Council Plan is part of the Council's overall performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way. A copy of the plan is available on our website at [www.coventry.gov.uk/councilplan/](http://www.coventry.gov.uk/councilplan/) and the performance management framework is at: [http://www.coventry.gov.uk/downloads/download/5245/performance\\_management\\_framework](http://www.coventry.gov.uk/downloads/download/5245/performance_management_framework)
- 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 In December 2017, it was announced that Coventry had been named the UK City of Culture for 2021. The aim of this programme is to encourage the use of culture and creativity as a catalyst for change, to promote the development of new partnerships and to encourage ambition, innovation and inspiration in cultural and creative activity. This activity will make significant contributions to the delivery of the Council Plan and corporate priorities. Coventry City of Culture Trust has been set up to organise and deliver this activity and has been formally incorporated and received charitable status. Financial responsibility for the Trust's activities lie with the Chair and Trustees, with an independent Audit Committee providing scrutiny and oversight. As accountable body and guarantor for delivery of the UK City of Culture 2021 programme, Coventry City Council is a principal partner in supporting the work of the Trust and ensuring that there is good governance around the Trust meeting the City of Culture programme delivery and legacy ambitions.
- 3.6 The control environment to ensure delivery of the Council's objectives is laid down in the Council's Constitution and performance management framework. The Constitution sets out how the Council operates, including:
- Roles and responsibilities of both Councillors and officers, 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>
- 3.7 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.

- 3.8 The Council has an Equality, Diversity and Inclusion Commitment which is available on our website at: [EDI Commitment | Equality and Diversity | Coventry City Council](#). This sets out the Council's commitment to meeting all areas of the public sector equality duty and to ensure equality of opportunity, both as a provider and commissioner of services and as a large employer. The commitment is implemented through setting equality objectives linked to the Council Plan. [Equality Objectives | Equality and Diversity | Coventry City Council](#). Progress is monitored and reported to the Cabinet Member (Policing & Equalities). The latest progress report can be found here (item 30): <https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=653&MId=11656&Ver=4> In addition, the Council carries out Equality and Consultation Analysis on all key decisions taken by Cabinet or Cabinet Members.
- 3.9 The Council's Risk Management Strategy defines processes for identifying, assessing, managing and monitoring financial and operational risks. The Strategy recognises the need for risk registers at directorate and corporate level which are updated and reviewed regularly. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Strategic Management Board.
- 3.10 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.
- 3.11 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.
- 3.12 For the financial year 2018-19, the Director of Finance and Corporate Services was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. In assessing this role against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), the Authority meets the five principles laid out in the CIPFA statement, namely:
- The Chief Financial Officer (CFO) in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
  - The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
  - The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO in a local authority must be professionally qualified and suitably experienced.

The S151 Officer is a key member of the Corporate Leadership Team and formally retains a direct reporting line to the Chief Executive when required. The S151 Officer routinely attends and advises the Strategic Management Board of the Council (Chief Executive and both Deputy Chief Executives). The assessment concluded that these arrangements provide an appropriate framework under which the CIPFA principles are able to be delivered. The senior management structure within the Council is regularly reviewed and changes made as required to help the management team focus on the current challenges and opportunities as well as to look ahead.

3.13 The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31<sup>st</sup> March 2019:

- The Coventry and Solihull Waste Disposal Company Limited is owned jointly by Coventry City Council, Solihull Metropolitan Borough Council, Warwickshire County Council and Leicestershire County Council. A formal agreement sets out the governance arrangements between the shareholders. The Company is subject to the Industrial Emissions Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the Company monitors its activities through an Environmental Management System accredited to the ISO 14001 standard, its Health and Safety Management System which is certified to the OHSAS 18001 standard and the Cyber Essentials accreditation it has achieved for its IT systems. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31<sup>st</sup> March 2018, did not highlight any concerns.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. All the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31<sup>st</sup> March 2018. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although it is also engaged in providing business development services to the City Council.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. All the Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31<sup>st</sup> March 2018.
- Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. Three of the four Directors of the Company during 2018/19 are senior officers of Coventry City Council. As part of the original acquisition, the Council secured external independent advice from a number of sources to support the financial and legal due diligence assessment, as well as the valuation of the shares being purchased. The due diligence work highlighted some areas of financial control weaknesses, which it was

felt that the Council would need to address following acquisition. In particular, a need to strengthen the finance function through increased capacity was recognised as important. In the light of the external due diligence, since the Council acquired CAPL, a programme of changes has been completed, including the restructuring of the Board, as well as recruitment of a new senior Operations Manager and finance staff. The Company has appointed RSM UK Audit LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2018, did not highlight any significant concerns.

- The UK Battery Industrialisation Centre Ltd was incorporated on 27<sup>th</sup> February 2018 and the Council is currently the sole shareholder with 1 share which has a nominal value of £1. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The Council has appointed two of its officers as directors on the board. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group and Coventry & Warwickshire Local Enterprise Partnership each appointing two directors. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency. As a result, activity within the company has been minimal to date.
- The Friargate Joint Venture Project Ltd was incorporated 17<sup>th</sup> December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited, established to develop new buildings within the Friargate district of the city. Each of, Coventry City Council and Friargate Holdings 2 Ltd have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board. The company is still very much in its infancy and as a result, activity within the company has been minimal to date.

#### **4. Review of effectiveness**

4.1 Processes are in place to assess key elements of the governance framework throughout the year, for example, through the work of Internal Audit and the Council's Audit and Procurement Committee. A review of the effectiveness of the governance framework is also undertaken annually as part of the production of the Annual Governance Statement. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Arrangements to assess the effectiveness of the governance framework include:

- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members against targets and objectives set out in the Council's Plan.
- Regular meetings of the Council's Governance Steering Board to consider on-going and emerging governance issues and co-ordinate actions required. Updates on this work are provided to Strategic Management Board every month.
- Consideration of ethical governance matters by the Ethics Committee, including reflecting on national governance failings to identify if there are any lessons learnt for the Council to take forward.
- On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.

- Regular reviews of the Council's strategies and procedures to ensure they continue to reflect the needs of the Council.
- An annual review against the principles and best practice set out in the Code of Corporate Governance and which is used to identify improvements to strengthen the Council's governance arrangements.

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 Deputy Chief Executive.
- The Council's Corporate Risk Register.
- The work of the Internal Audit Service during 2018-19. The Service works to a risk-based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.

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 Table one below provides an update on the governance issues that were raised in the 2017-18 Annual Governance Statement.

**Table one**

No	Governance issues identified in 2017-18	2018-19 update
1	Sustainable improvement in Children's Services	The Improvement Board has continued to meet to challenge and hold the Council to account for the effective improvement and delivery of Children's Services. A comprehensive transformation programme is underway that will yield longer term and sustainable improvement to Children's Services. This has included the development of a stronger early help offer that expects partners to contribute to, a strengthening of the Multi-Agency Safeguarding Hub and a restructure that better supports the Child's experience and journey through the system. Other improvements have included a better placement mix for looked after children and this is supporting more effective and sustainable budget management. Demand pressures remain that make this extremely challenging.
2	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium	The Council has set a balanced budget despite shortfalls in the delivery of some savings targets and the emergence of new expenditure pressures in areas including housing and homelessness and waste disposal. The new proposals to balance the budget involve some technical measures and the

	Term Financial Strategy	identification of income streams and a more commercial approach across some areas of the Council.
3	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	Following the completion of Friargate in October 2016 and the successful migration of staff, the Kickstart programme has been completed. All the associated capital disposals have been completed, savings achieved and new ways of working embraced. City centre regeneration continues at pace, which will drive future business rates. As the governance of this is now under a different work-stream (and is identified as a separate issue in the statement), the Kickstart Programme has not been carried forward as a significant governance issue for 2019-20.
4	Raising educational standards	Evaluation of Primary Networks and Secondary Collaboratives evidences increased capacity for school-to school support and continued school improvement. As of December 2018, Coventry's Ofsted profile (i.e. the proportion of pupils attending good or outstanding provision) was above national and statistical neighbours for primary, secondary and special. In 2018 other notable improvements included: <ul style="list-style-type: none"> <li>• Upward trend for Early Years Foundation Stage and Year 1 phonics</li> <li>• Improvement in Key Stage 2 results, specifically attainment, including for disadvantaged and Special Educational Need support</li> <li>• Upward trend and improvements at a faster rate than national for almost all Key Stage 4 indicators, including for pupils with an Education, Health and Care Plan and White British boys</li> <li>• Coventry NEET (not in education, employment or training) rate below (better than) national.</li> </ul>
5	Implementation of the Information Management Strategy	The actions in the plan arising from the Information Commissioner's Office audit continued to be implemented during the year and progress was reported to the Audit and Procurement Committee in February 2019. The Training Strategy was approved and implemented.
6	Long term sustainability of adult social care in the context of financial and demand issues	Coventry Adult Social Care remains a comparatively low spend per 100k population although is challenged by increasing care costs, and increasing referrals, although the numbers of people supported overall remains relatively stable. Our approach to short term services and using the voluntary sector helps reduce the numbers of people entering ongoing care and support. The Council is currently reliant on the Better Care Fund to support financial pressures in social care and reduce the impact on health associated with social care and work with our colleagues in the Clinical Commissioning Group flexibly in order to achieve short term sustainability, with long term issues of sustainability being subject to the spending review and local government settlement later in 2019. The Adult Social Care green paper has been further delayed so the government's long term policy direction and possible funding solutions are also unclear. The social care pre-cept supports the ongoing financial position but with Adult Social Care being the single biggest Council cost further financial pressure is to be expected. From a governance perspective, as this is intrinsically linked to delivery of the Medium Term Financial Strategy, this has not been carried forward as a stand-alone issue for 2019-20.
7	Delivery of the Workforce Strategy	The Council has made progress in relation to the delivery of its 2017-2020 workforce strategy: <b>Planning</b> – The development and enhancement of robust management information (HR analytics), to inform strategic

		<p>decision making and to track progress has been embedded over 2018/19.</p> <p><b>Supporting</b> – The 2018 staff engagement survey has provided the Council with a range of improvement areas to develop a more supportive offer for all of our employees, which has helped inform the One Coventry approach, Year of Wellbeing, our Organisational Development programme for 2019/20 as well as the Let's Talk sessions between Senior Management Board and the wider workforce. Good progress is being made in the implementation of the Council appraisal system. The Council has re-launched its commitment to Equality, Diversity &amp; Inclusion.</p> <p><b>Enabling</b> – The Council, through the implementation of tools such as SKYPE for Business continues to support staff to work more flexibly and more effectively. A new digital training package and additional resource has also been implemented to increase digital skill levels across the Council.</p> <p><b>Transforming</b> – The Council's Our Future Workforce programme (formally Workforce Reform) seeks to modernise our terms, conditions and culture. Progress has been challenging and will be a key area of focus for 2019/20 across the Council. Oversight and strategic leadership of this area has been recently strengthened with the establishment and successful recruitment to a Director of Human Resources post reporting into the Senior Management Board.</p>
8	Establishing a Counter Fraud Framework	<p>A new Fraud and Corruption Strategy, including the Counter Fraud Framework was considered by the Audit and Procurement Committee in June 2018 and approved by the Cabinet Member for Policy and Leadership in July 2018. The actions linked to the various elements of the framework are now part of operational activity within Internal Audit. Oversight of this work is provided by the Audit and Procurement Committee as part of their role to monitor the Fraud and Corruption Strategy. Consequently, as the Counter Fraud Framework has now been established and forms part of the annual programme of work undertaken by Internal Audit, this has not been carried forward as a significant governance issue for 2019-20.</p>
9	Risk Management Strategy	<p>The Risk Management Policy and Strategy were formally adopted in 2017-18. The process for identifying and reporting on Corporate Risks is well established and oversight of the Corporate Risk Register is provided by the Audit and Procurement Committee. During 2018-19 actions were taken to embed risk management practice in the organisation. Risk Registers are in place for each Director's area of operation and are reviewed at Leadership Team meetings on a regular basis. As a result, this has not been carried forward as a significant governance issue for 2019-20.</p>
10	Governance Steering Board	<p>The Governance Steering Board was established in September 2018. The Board (which is chaired by the Council's Monitoring Officer and includes members from Procurement, Finance, Human Resources, Internal Audit and Governance Services) meets on a regular basis to review the effectiveness of the governance framework throughout the year, help raise the profile of governance across the Council and co-ordinate improvement actions. Updates on this work are provided to the Strategic Management Board every month. As the Board is now embedded within the overall governance framework of the Council, this has not been carried forward as a significant governance issue for 2019-20.</p>

11	Delivery of the ICT Strategy	Significant progress has been made during 2018/19 with regards to the delivery of the ICT Strategy. The Council have significantly increased the capacity of the ICT Security team and also introduced new cyber security toolsets to help protect our estate. The Council have undertaken a major restructure of the ICT & Digital service to introduce new senior management roles which will directly support the ongoing development and delivery of the ICT Strategy. Significant improvements have also been made to our unified communications platform to enable a more flexible and effective workforce. Two digital trainers have been introduced to the service who are taking responsibility for digital skills development across the organisation through our "DigiKnow" brand. In terms of the development of a revised ICT Strategy, the ICT service have engaged with the Corporate Leadership Team, Finance, and Corporate Services Scrutiny Board who have given direct input into how the Strategy is taking shape. The Council are also continuing to engage Gartner for external input and verification to the Strategy and approach.
12	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	The Council has made a significant investment into its housing service, which is specifically tasked to tackle the city's homelessness. A refreshed Housing and Homeless Strategy was adopted by Council in late 2018/19 which focuses on prevention, supporting homeless households, improving existing accommodation and increasing housing supply. The Strategy also aims to reduce the existing financial pressure by 2020/21. A number of key appointments and new roles have been made to increase the Council's capacity and capability to address the significant issues. The action plan to deliver the improvements is led by the Chief Executive at the Strategic Housing Board.

5.2 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 for 2019-20 (table two), along with the actions planned to address these matters to further enhance our governance arrangements.

**Table two**

Ref	Governance Issue	Planned actions 2019-20	Responsible officer	Timescale
1	Sustainable improvement in Children's Services	A new Executive Improvement board has been established to drive forward continuous improvement of Children's Services. A new Children's Safeguarding Partnership is due to be launched later in the year in line with revised statutory guidance. A review of the re-design has been concluded and small service changes will be made this year in response. A further phase of transformational activity will commence to support further improvement activity. Service Performance reviews will be implemented service wide and Quality Assurance visits by Children's Services Leadership Team will commence.	Director of Children's Services	On-going

Ref	Governance Issue	Planned actions 2019-20	Responsible Officer	Timescale
2	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy	The Council faces uncertainty due to anticipated changes in the Local Government finance system and a lack of clarity on the future of some major income streams such as Better Care Fund resources. Initial estimates indicate a significant financial gap and work has begun at an early stage to identify a range of options to enable the Council to respond to the possible range of budget scenarios. Members will receive regular briefings on potential new areas of policy development and these will be formally reported to Cabinet Members, Cabinet and Council as appropriate.	Director of Finance and Corporate Services	February 2020
3	Raising educational standards	Continue to improve outcomes for ALL pupils, including pupils with an Education, Health and Care Plan (EHCP) and receiving Special Educational Needs (SEN) support, so they are in line with or better than national by ensuring that individual school, Primary Network and Secondary Collaborative priorities align with and contribute to specific citywide priorities: <b>Early Years:</b> Improving Good Level of Development (GLD) <b>Primary:</b> Increasing the proportion of children achieving Greater Depth in Writing and making accelerated progress in writing by the end of Key Stage 2 <b>Secondary and 16-18:</b> <ul style="list-style-type: none"> <li>• Improving Progress 8</li> <li>• Improving progress in both English and Maths by the end of 16-18 (GCSE resits)</li> </ul> <b>All phases:</b> Narrowing the gap to national for our vulnerable groups: <ul style="list-style-type: none"> <li>• GLD for all groups</li> <li>• Key Stage 1 and Key Stage 2 achievement for children with SEN and an EHCP</li> <li>• Key Stage 4 progress for disadvantaged and pupils receiving SEN support</li> </ul>	Director of Education and Skills  Head of Education Improvement and Standards 0-19  Senior Adviser Education Improvement 11-19 (25)	On-going
4	Implementation of the Information Management Strategy	Review and update of Information Management Strategy and Information Management Training Strategy.	Head of Information Governance	March 2020

Ref	Governance issue	Planned actions 2019-20	Responsible Officer	Timescale
5	Delivery of the Workforce Strategy	<p>During 2019/20 the following actions are planned:</p> <ul style="list-style-type: none"> <li>• The further development and implementation of the workforce strategy to embed the Council's One Coventry approach</li> <li>• The launch of a new Equality, Diversity &amp; Inclusion project focusing on recruitment and selection</li> <li>• A focus on ensuring that our case work is improved and timely</li> <li>• The progression of 'Our Future Workforce' change programme</li> <li>• Creating opportunities for talent mapping and career progressions at all levels across the organisation</li> <li>• Improved Employee Engagement which can be measured through job satisfaction</li> <li>• Continued development of industrial relations</li> <li>• Improvement in digital skills across the workforce</li> <li>• The continuation of ensuring the safety and wellbeing of our employees.</li> </ul>	<p>Director of Housing and Transformation</p> <p>(Responsibility will transfer to the Director of Human Resources once in post in July 2019)</p>	On-going
6	Delivery of the ICT Strategy	<p>During 2019/20 the Council will publish an updated ICT Strategy which will continue to provide assurance with regards to our core infrastructure, cyber security plans and digital skills development whilst also supporting innovation and our digitalisation agenda. The ICT Strategy will align with the One Coventry approach.</p>	Head of ICT & Digital	<p>September 2019</p> <p>(delivery of the Strategy will be on-going)</p>
7	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	<p>To deliver to the Housing and Homelessness Strategy and the agreed action plan through the Council's Strategic Housing Board.</p>	Director of Housing and Transformation	On-going
8	Corporate data access standard	<p>Development and implementation of a corporate access standard and protocol for all systems that hold personal data.</p>	Members and Elections Team Manager	December 2019

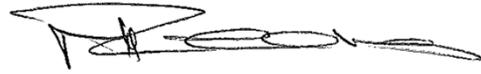
Ref	Governance issue	Planned actions 2019-20	Responsible Officer	Timescale
9	Governance over relationships with partners and outside bodies	The Council has a strong foundation of partnership working, which was positively recognised in our recent Local Government Association (LGA) Corporate Peer Challenge. This has included our pivotal involvement in forming the West Midlands Combined Authority, the Place Forum and the Coventry and Warwickshire Local Enterprise Partnership. However, it is recognised that in order to continue to respond to challenges and to adapt to new approaches in terms of the role of the local authority in the community, the Council needs to ensure that there are effective arrangements over its relationships with partners and outside bodies which provide governance and flexibility to deliver effective outcomes. Partnership working principles have been established and work is planned in 2019/20 to develop protocols to underpin this. These will be used to gain assurance that key relationships, such as with the City of Culture Trust and the Friargate Joint Venture are being appropriately governed. In addition, a People Partnership is in its early stages of implementation with a focus on strengthening partnership arrangements across the City and working together to improve collaboration and connectivity in spirit of our One Coventry approach.	Deputy Chief Executive (People)	On-going
10	Governance over the programme of capital projects	The Council has an ambitious programme of capital projects, which in 2019/20 will continue to accelerate in advance of the Council becoming City of Culture in 2021. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. Governance arrangements are established with delivery overseen by project boards who report to the responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Place Programme Delivery Board. In 2019/20 the focus will be on ensuring that as the programme continues to move at pace, governance arrangements remain embedded and integral to programme delivery whilst	Deputy Chief Executive (Place)	On-going

		also ensuring that there are effective processes in place to maintain a view of the overall programme, so its inter-dependencies are managed / joined up, maintaining momentum on the Council's wider aspirations.		
--	--	--	--	--

5.3 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



Coventry City Council

## Public report

Audit and Procurement Committee

24 June 2019

**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:**

All

**Title:**

Unaudited 2018/19 Statement of Accounts

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to give Audit and Procurement Committee the opportunity to review the unaudited 2018/19 Statement of Accounts and raise any points that need to be addressed prior to approval of the audited Statement in July 2019. 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 unaudited 2018/19 Statement of Accounts.

**List of Appendices included:**

The Statement of Accounts is appended in its entirety.

**Background Papers**

None

**Other useful documents:**

Final Accounts Working papers - Friargate 6<sup>th</sup> Floor

**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

## **Report title:** Unaudited 2018/19 Statement of Accounts

### **1. Context (or background)**

This report presents the unaudited 2018/19 Statement of Accounts (SoA). The Council is required by law to produce this document and it is prescribed heavily by regulation. This version is presented to Audit and Procurement Committee to provide an opportunity to review and comment on it. The Statement 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 2019 reflecting any changes recommended by Grant Thornton and agreed by the Director of Finance and Corporate Services. Grant Thornton will present their own Audit Findings Report alongside the audited Statement in July.

### **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 reflect local government accounting convention 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 2018/19 the Council is reporting a £60.1m surplus within its Comprehensive Income and Expenditure Statement (CIES). This surplus is matched by an increase in the value of the Balance Sheet and the same increase is reflected in the level of (useable plus unusable) reserves in the Movement in Reserves Statement (MiRS).
- 2.4 The CIES surplus referred to above does not reflect the genuine position of the Council's General Fund, for which a £1.0m underspend will be reported in the Revenue and Capital Outturn Report to be considered by Cabinet in July. The headline differences between the Income and Expenditure Account and the General Fund are traditionally explained within this report and the key explanations are detailed in the table that follows. The two areas that usually represent the biggest reasons (pensions and asset values) are explained in more detail in 2.5 and 2.6 due to their relative complexity.
- 2.5 In recent years, there have been very significant movements in the Council's pension liability which have fed through to large movements in the Council's CIES. In 2018/19 the Council's pension liability has remained virtually unchanged at £542m. Despite this there have been significant shifts within the value of assets and liabilities within the pensions position that require further explanation. The key movements in the year are:
  - A decrease in the discount rate from 2.55% to 2.40% (liability increase). The discount rate is the rate of interest used to discount post-employment benefits - the lower the rate, the higher the calculated cost of future pension liabilities.
  - A decrease in life expectancy assumptions which has the effect of reducing future expected liabilities.
  - An upfront payment of £93m made by the City Council to the Pension Fund in April 2017 covering 3 years pension contributions. Although this decreased the

liability in 2017/18, this benefit will 'fall-out' over 2018/19 and 2019/20 at the rate of £31m each year.

The upfront payment has received an accounting treatment, in line with advice from the Council's external auditors, whereby the (temporary) beneficial impact of the reduced liability has not been reflected in the CIES or the MiRS.

- 2.6 There are several asset related adjustments. These include the net movement relating to depreciation, asset revaluations, asset disposals and de-recognition. Derecognition includes two broad categorisations: where the value of assets must be split into several individual components necessitating assessments of the value of each component part of each asset; and the removal of recent academy school converters from the Council's balance sheet. The overall movement relating to these changes is relatively small in 2018/19 largely because of upwards revaluation balancing the other changes. Separately, grant funding for capital assets represents the biggest single change in the table below (£80m) representing the resourcing for part of the Capital Programme.
- 2.7 These circumstances within the Statement have not necessarily affected the Council's cash flows of income and expenditure in 2018/19. Instead they may be either events that will never result in an increased/reduced level of income or 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
<b>Surplus Shown in Comprehensive Income &amp; Expenditure Account (CIES)</b>		<b>(60,120)</b>
<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 one-off changes in the value of our assets (impairment, revaluation and de-recognition).	(52,710)	
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.	(25,767)	
<b>Sub-Total – changes that made the CIES worse than the management accounts</b>		<b>(78,477)</b>
<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.	79,665	

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 down this year.	31,252	
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	10,904	
An increase in the overall value of general fund reserves which is reflected in the CIES but not in the management accounts	11,177	
All Other Items	24	
<b>Sub-Total – changes that made the CIES better than the management accounts</b>		<b>133,022</b>
<b>Sub-Total</b>		<b>(5,575)</b>
<b>Contribution to General Fund Reserves to increase Financial Resilience</b>		<b>4,600</b>
<b>Surplus Shown in Outturn Report</b>		<b>(975)</b>

### 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 Regulations governing the timetable of the accounts closedown process require the draft accounts to be prepared by 31<sup>st</sup> May and the final audited Statement to be approved by 31<sup>st</sup> July. These draft accounts were issued on 24<sup>th</sup> May and it is anticipated will be signed off by Audit Committee on 15<sup>th</sup> July once they have been audited by Grant Thornton. Any material changes to the accounts following the audit 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 2018/19 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. This reflects analysis indicating that contributions and other income flows into the pension fund have not been sufficient to meet the calculated cost of future outflows (the payment of pension benefits) from the fund. Over recent years, the Local Government Pension Scheme has been reformed at a national level whilst employer contributions have been increased across all West Midlands authorities to pay for the past service cost of pensions. 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. Although to some degree the Council's £542m pension deficit is due to factors outside of the Council's control, it nevertheless represents a position that the Council needs to address over the long-term in line with actuarial advice. The Council is paying employer contributions that are anticipated to move towards a position of balance 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.

## 5.2 Legal implications

The Council is required by legislation to complete a draft Statement signed by the Chief Financial Officer by 31<sup>st</sup> May and to approve and publish audited accounts by 31<sup>st</sup> July in line with the Accounts and Audit Regulations 2015. The Audit and Procurement Committee approves the accounts on behalf of the Council.

## 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

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Place

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Lara Knight	Governance Services Co-ordinator	Place	4/6/19	6/6/19
<b>Names of approvers for submission:</b> (Officers and Members)				
Carol Bradford	Corporate Governance Lawyer – Legal Services	Place	4/6/19	5/6/19
Barry Hastie	Director of Finance and Corporate Services	Place	4/6/19	4/6/19

This report is published on the Council's website: [www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

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# **Coventry City Council's 2018-19 Statement of Accounts**

This document presents the Council's financial performance  
for the year ending 31<sup>st</sup> March 2019.

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# 1 An Overview of the Council's Performance

## 1.1 Introduction

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

presents the Council's financial performance for the year ending 31st March 2019. The narrative report below helps to explain some of the key elements of the Council's role, its impact on major developments in the city and its performance for

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

## 1.2 Narrative Report

Coventry is a city with exciting and challenging times ahead. Over the years the city has continually reinvented itself to rise to fresh challenges. In recent years, the city's population has been growing, changing and becoming more diverse: Now home to over 360,100 people, Coventry is a young city, with a median age of 32 compared to the England average of 40 years; and the city has seen a high rate of population growth amongst its young adult population of students and young professionals aged 18-29 in particular. The population is also changing in respect of the growth in over 65s, a group that is expected to increase in the next 10-15 years. The city is diverse and multicultural – not only does it have a global recognition for its work in peace and reconciliation, but the city itself is also becoming increasingly diverse, with 49% of the city's schoolchildren from a Black and Minority Ethnic background. Although the city is cohesive, and people from different backgrounds report that they mix and get on well with one another, there is evidence to show that people do not feel they have influence over local decisions, which may create future barriers to cohesion.

Employment and skills have continued to increase, particularly in highly skilled jobs. The city's advanced manufacturing sector is growing, helped by the increase in the city's working age population that is highly skilled and qualified. Education standards have also increased, with 94% of primary and 74% of secondary students attending a good/outstanding school; and fewer young people not in education, employment or training. However, significant pockets of deprivation limit people's opportunities to succeed in life, with nearly one in five neighbourhoods considered to be amongst the 10% most deprived neighbourhoods in England. In addition, 10% of the population have no qualifications at all, limiting their ability to gain better paid employment in the city. To transform life chances in these areas and thereby increase everybody's opportunity to succeed in life requires ensuring every child achieves a good level of development by the age of five. This is because social inequalities are already established from the early years of life.

The vast majority of people are satisfied with their local area as a place to live. Most people live

within walking distance of a general/grocery shop, public transport links, parks, pubs, GP surgery/health centre, or a place of worship; providing opportunities to socialise, exercise and enjoy their lives. However, overall health in the city is below average, with residents living in more deprived parts of the city not only living shorter lives, but also spending a greater proportion of their shorter lives in poor health than those living in less deprived parts of the city.

As the city's population ages in the next 10-15 years, it is important therefore to focus upon steps to improve the health of all social groups in a way that reflects each group's assets and needs, making use of communities, as they have the networks, understanding and legitimacy amongst their peers to address health challenges; in order to ensure that the expected increase in demand for adult social care services can be met in the future.

### **The Council's Operational Performance**

Coventry City Council is a metropolitan district authority organised into two Directorates which

cover the full range of local government responsibilities. Professional support functions are delivered by teams located within both Directorates. The People Directorate focuses on co-ordinating, commissioning or directly providing health, care, housing and education services for local residents, while the Place Directorate's focus is on the city's economic growth and prosperity, environment and cultural life. The city's emerging One Coventry approach is working towards ensuring that services in both Directorates, along with partner agencies and local community groups, work together collaboratively to make the biggest positive impact on the lives of local people.

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

In October 2018, the Council invited a Local Government Association (LGA) Peer Challenge Team to provide challenge and share learning. As part of the review, the team of senior officers and councillors from local authorities from across the UK, supported by the LGA, spoke with external stakeholders, partners, Council officers and councillors. The LGA is the national voice of local government, working with councils to support, promote and improve local government. As a part of its work, it offers a Peer Challenge Review to

every council every four or five years. The report recognised the Council's success in "successfully meeting the financial challenge to date", "combining its traditional values centred on delivering for local people with a growing track record of innovation and managed risk taking", as well as the city's "strong reputation as an evidence-led organisation" and in being "one of the most pro-active local authorities to work with in terms of promoting social value". It also made a number of recommendations, around prioritising action to tackle homelessness; learning from other public sector organisations on best practice on industrial relations, pay and reward, and HR policy and partnership; driving the digital agenda; and building a shared vision for working in partnership. Over the past six months, steps have been taken to begin addressing these challenges and recommendations identified by the Peer Challenge Review.

A person's lifelong health, happiness and productivity in society are influenced by their early years, and continued investment into early identification and intervention is critical. With the city's investment into family hubs, the city has seen an increase in the percentage of five year olds achieving a good level of development. However, this is still below the rates seen in similar authorities and nationally. As a child ages, it is the quality of education that makes a difference, and attendance at good schools are important – and in terms of education, the vast majority of primary school pupils continue to attend schools rated good/outstanding and more pupils finish year 6 reaching the expected standard in reading, writing and maths. At secondary level, more pupils now attend a good/outstanding school, and attainment and progress measures at year 11 have seen improvement. With two good universities and an

increasing range of highly paid jobs available in the city, there has also been a decrease in the number of young people not in education, employment or training – although further work needs to be done to raise aspirations of young people to take on the significant and growing opportunities available in the city and region.

Social care services in the city have seen a marked improvement although the sector faces significant and sustained pressures. In children's services, there has been an increase in the overall number of looked after children, as well as an increase in re-referrals. In adult social care, the number of people in long term support has increased – but remains within the expected range.

The city is facing a huge challenge around homelessness, both in terms of financial costs and poor outcomes, around placements in temporary bed and breakfast accommodation. This year has seen the creation of an integrated housing team bringing together housing strategy, housing options (choice-based lettings) and homelessness prevention; and the bringing together of the Council's Housing First and "making every adult matter" approach for people who experience rough sleeping, substance misuse and other severe and multiple disadvantage.

Like other cities, there has been a surge in concern about crime and violence, particularly knife crime, and consequential effects on perceptions of safety. The city has seen an increase in crime rates, however rates are still lower than other areas in the West Midlands such as Birmingham or Wolverhampton. The city is adopting a public health approach to tackling violence that is looking at violence not as isolated

incidents or solely a police enforcement problem but considering it as a preventable consequence of a range of factors, such as adverse early-life experiences, or harmful social or community experiences and influences.

The city's economy is strong, with a growing advanced manufacturing sector, increasing rates of employment and decreasing rates of unemployment, and more residents with high level qualifications. More residents are working in highly-skilled and higher paid jobs. The city continues to attract external investment, leading to a rapidly changing city skyline – from the demolition of old tower blocks to the construction of new buildings including student accommodation and apartment blocks to meet the changing needs of the city. This is predicted to lead to further private sector investment into the city centre including Cathedral Lanes, the Upper Precinct, and City Centre South.

To support the growth of the city's economy and to provide a pleasant environment for local people, the Council has responsibilities around networks, air quality, green spaces and cleanliness. The city's road network continues to be in a good/acceptable condition, having improved markedly from previous years. However, the city faces challenges around littering and fly-tipping, with a marked increase in the number of fly-tips reported. Despite the increase in fly-tipping, the Council continues to successfully attend to and address the same proportion of fly-tips; and has developed metrics to identify, determine and address the levels of cleanliness across the city.

The Council has had to respond to reductions in its funding from Government of around £113m

between 2010/11 and 2018/19. Challenges around the achievement of some savings and the emergence of new expenditure pressures has meant that the Council had needed to address a significant financial gap. The uncertainty over the future local government funding model means that the proposals do not provide the Council with a balanced budget beyond 2019/20. The budgetary position will need to be determined by the revised funding announcements that will arise from the expected changes to local government finance this year, and progress made towards addressing the budgetary gap.

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

## The Council's Financial Performance – Revenue

In February 2018, the Council set an overall budget for its revenue expenditure of £727m. The following table shows how it was planned that this expenditure would be funded.

	Budget £m
Council Tax	(127.3)
Local Business Rates	(107.5)
Specific Government Grants	(401.9)
Fees and Charges	(90.2)
<b>Total</b>	<b>(726.9)</b>

The grants actually received are set out in note 3.8 Analysis of Revenue Grants.

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, representing a net budget of £234m. After setting aside £4.6m as a targeted contribution to its General Fund Balance, discussed below, the Council has achieved a residual underspend against budget for 2018/19 of £1.0m.

The first Resilience Index published by CIPFA in 2019 indicated that the Council had a very low balance of general reserves (as a proportion of budget) compared with its peer authorities. In response the Council has specifically set aside £4.6m to increase its General Fund Balance ensuring that this is more in line with balances held by other similar councils. This contribution

and the residual outturn underspend referenced above total £5.6m as set out in the table overleaf and more fully in note 3.4 Revenue Outturn.

These accounts reflect the structure incorporating the Council's two main service directorates – the People Directorate and Place Directorate. The table overleaf includes the key service areas that sit within these two Directorates.

Within 2018/19 there were two main areas of budgetary overspend. One of these involved services relating to housing and homelessness where the overall overspend was £3.0m. Coventry has continued to face a large number of people and families that require housing and for whom the Council has had to arrange temporary accommodation. Only part of this cost is covered by Housing Benefit Subsidy and the remainder has had to be funded by the Council.

Given the financial challenges in these services the Council has taken forward a number of approaches to address the underlying issues in 2018/19, amongst them the purchase of Council owned temporary accommodation and creation of additional management capacity to help deliver housing services more effectively. Some of these approaches will take some time to be fully effective but the intention is that the budgetary position will have stabilised for 2019/20.

The other significant area of overspend relates to the Council's Waste and Fleet services, which have suffered a budgetary overspend of £2.7m. Much of this results from the disposal costs of both commercial and domestic waste as well as additional employee and ancillary costs of these services and a delay in securing sufficient additional business growth within the commercial sector to cover cost increases.

Other areas within the accounts have witnessed one-off windfalls amounting to around £8m. These include: additional dividends from its shareholdings in the Coventry and Warwickshire Waste Disposal Company and Coombe Abbey Park Limited; a surplus generated via the Coventry and Warwickshire Business Rates Pool; additional treasury management investment income; cost avoidance from the capitalisation of interest costs; and lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund. In addition the Council has incurred lower than budgeted costs in relation to redundancy and early retirement and capital programme financing costs. Taken together these have allowed the Council to strengthen its level of reserves set aside for potential future workforce restructuring costs and provide funding for future commercial development opportunities, in addition to the contributions to the General Fund Balance referenced above.

The purpose of the Council's key financial statements is explained in section 2.1. These include 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 surplus of £60.1m in the year. Accounting convention means that the value of this movement is reflected also in the Council's Balance Sheet and Movement in Reserves Statement, both of which have increased in value by £60.1m in the year.

### Summary of the Council's Revenue Outturn

2018/19	Total Income	Total Expenditure (including reserve movements)	Net Expenditure	Budget	Overspend/ (Underspend)
	£m	£m	£m	£m	£m
Public Health	(23.6)	26.3	2.7	3.5	(0.8)
People Directorate Management	(0.1)	1.5	1.4	1.4	0.0
Education and Skills	(200.5)	213.8	13.3	12.9	0.4
Children and Young People's Services	(10.8)	81.7	70.9	71.9	(1.0)
Adult Social Care	(45.9)	120.3	74.4	74.4	0.0
Customer Services & Transformation	(3.9)	15.1	11.2	9.2	2.0
Place Directorate Management	(0.7)	2.1	1.4	1.4	0.0
Business, Investment & Culture	(6.8)	14.8	8.0	7.5	0.5
Transportation & Highways	(15.1)	19.3	4.2	4.4	(0.2)
Streetscene & Regulatory Services	(15.7)	45.5	29.8	26.8	3.0
Project Management and Property Services	(17.6)	9.9	(7.7)	(7.5)	(0.2)
Finance & Corporate Services	(114.8)	121.1	6.3	7.0	(0.7)
Contingency and Central Budgets	(120.7)	133.5	12.8	21.4	(8.6)
<b>Total</b>	<b>(576.2)</b>	<b>804.9</b>	<b>228.7</b>	<b>234.3</b>	<b>(5.6)</b>
Contribution to the General Fund Balance to increase the Council's financial resilience					(4.6)
Residual underspend					(1.0)
<b>Total</b>					<b>(5.6)</b>

### The Council's Financial Performance – Capital

Final Capital Programme spend for the year was £147m compared with a budget of £263m. Although a number of schemes made much slower progress than planned within the year the final level of capital expenditure was still the highest experienced in the modern era. The majority of the expenditure was funded from a combination of external grants and prudential

borrowing, as set out in note 3.18 Capital Expenditure and Capital Financing. The most significant schemes undertaken in the year included investment in the city's Battery Industrialisation Centre, near completion of the city's new destination leisure facility, infrastructure works within the Whitley South scheme and purchase of the Council's share in the Friargate Joint Venture.

On the 17<sup>th</sup> December 2018 the City Council acquired 50% of the ordinary share capital of Friargate JV Project Ltd, established to develop new buildings as part of the creation of a business district within the city.

The Council had previously (February 2018) incorporated the UK Battery Industrialisation Centre as sole shareholder. The purpose of the company is to run the National Battery

Development Facility which is currently being constructed and equipped. The capital costs are included within the Council's single entity accounts such that any transactional activity within the company is at a minimum currently.

The city's new destination swimming and leisure facility 'The Wave' is planned to open early in 2019/20. In close proximity to the Salt Lane multi-storey car park (also nearing completion) and the newly opened restaurants within the Cathedral Lanes complex, the facility is further evidence of the Council's efforts to regenerate the city.

Like many other areas, changes in the current model of retail led urban centres is proving very challenging with an increasing number of high profile brands disappearing from the high street. This helps to explain, in part, the delay in bringing forward the proposed development of City Centre South, a regeneration scheme planned for a major part of the area within the city's ring-road. It will be vital, particularly in such a volatile environment, that the Council and its chosen development partner, secure a model that delivers a robust and sustainable project which includes an appropriate mix of retail, leisure, residential and commercial provision.

As part of its overall financial plans, the Council has continued to generate capital receipts from the sale of assets and to invest some of the proceeds into assets providing a higher return. This model remains an option for the Council going forward but will be limited by the Council's ability and desire to continue to identify potential property assets from what is a reducing pool. The use of external grants (rather than receipts) to part fund 2018/19 capital expenditure has enabled the Council to carry forward capital resources to fund future expenditure plans. These

resources are included within note 3.13 Usable and Unusable Reserves.

Part of the expenditure programme has been earmarked to be funded by prudential borrowing although due to the Council's existing cash balances it has been able to delay taking out any long-term borrowing within 2018/19 in terms of its treasury management activity. As a result of some existing borrowing being repaid the Council's long-term borrowing reflected in the Balance Sheet has gone down in the year from £333m to £317m.

### **Reserve Balances**

The total level of reserves owned and controlled by the Council to support its revenue spending activities has gone up by £9m in 2018/19 and now stands at £71m. A further £26m of reserve balances either belong to or have been set aside to support the city's schools, an increase of £2m in the year. These school reserves are not available for the Council to use for other purposes. In addition, capital resources set aside to fund one-off capital schemes stand at £23m.

The revenue reserves are held for a number of reasons. Several of the largest balances include: £10m set aside to deliver the Council's long-term Private Finance Initiative specific projects, £10m held to help the Council to restructure its workforce so that it can balance future budgets; nearly £5m to support the UK City of Culture 2021 Programme.

It is often difficult to explain to citizens and others who show an interest in the Council's financial activity, the need to hold this level of financial balances. However, the Council's view is that the

scale of the financial challenges facing the Council and range of the projects and aspirations that it has established for itself over the next few years provides a strong justification for setting aside these amounts. In addition, based on the latest nationally available data (for 2017/18) the Council continues to hold more modest reserve balances (relative to its size) than much of the rest of local government hence the decision to increase its General Fund Balance, held to manage any unforeseen financial challenges, to £10m. Further detail on the Council's reserve balances are set out in note 3.13 Usable and Unusable Reserves.

### **Treasury Management**

The Council has maintained high levels of short-term treasury investments for several years as a result mainly of receiving large amounts of grant funding ahead of the need to spend on the associated capital projects. The like-for-like level of the Council's short-term investments has reduced in the year and consideration is now turning to when the Council will need to undertake some long-term treasury borrowing. The long-term borrowing position at the end of 2018/19 stands at its lowest level for some years. This position will continue to be kept under review and will be informed by the Council's cash-flow position and prevailing interest rate conditions and will be driven by the need to secure the most advantageous financial outcome that can be achieved.

### 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 below and set out in full in section 2.4 The Council's property assets represent £759m or 61% of the Long Term Assets figure. Its pension liabilities represent £542m or 61% of its Long-Term Liabilities.

Balance Sheet Category	2017/18 £m	2018/19 £m
Long-Term Assets	1,170	1,238
Net Current Assets (Current Assets less Current Liabilities)	12	1
Long Term Liabilities	(894)	(891)
<b>Net Assets</b>	<b>288</b>	<b>348</b>
Represented by:		
Useable Reserves	(123)	(132)
Unuseable Reserves	(165)	(216)
<b>Total Reserves</b>	<b>(288)</b>	<b>(348)</b>

Note 5.3 Critical Judgements in Applying Accounting Policies captures any areas within the accounts that have a significant risk of material adjustment within the next financial year. The sections below give an indication of the

complexity and volatility of both pensions and asset accounting and demonstrate why the Council has included these as the two areas within this categorisation.

### Pensions Accounting

The Council's pension deficit represents the most striking single factor within these accounts as it is for many other local authorities, and as it is likely to do for some years to come. The balance sheet shows a shortfall of £542m 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 the same figure as the deficit recorded in the 2017/18 accounts and, when compared with the total value of everything the Council owns (£1,381m), the overall pension deficit remains a significant matter for consideration.

There are a number of contributory reasons why local government pension deficits have risen over the past ten or so years. The two main factors are that people are living longer and that changes in financial conditions have led to reductions in the pensions' discount rate. Both of these increase the estimated future costs of pensions. The overall position on pensions has required increases in Local Government Pension Scheme pension contributions from employers and employees nationally. Coventry City Council made year-on-year increases in employer pension contributions between 2014/15 and 2017/18 as part of the two most recent three yearly reviews of the pension scheme. Although this represents 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 sections 3.30 Pension Costs and 3.31 Retirement Benefits.

In line with a number of other local authorities, the Council took the opportunity to pay a sum in 2017/18, equivalent to all of its employer pension contributions for the three year period 2017/18 to 2019/20, to the West Midlands Pension Fund. The nature and longevity of the investment opportunities available to the Pension Fund mean that they are able to secure far greater returns on their investments. As a result the Fund has been able to offer councils including Coventry a discount on their overall contributions; in Coventry's case these contributions total £93m. The cash sum paid is included within the calculation of the £542m pension liability above. However, accounting conventions allow the payments to be allocated across the period up to 2019/20. Therefore, the Council has only charged the in-year figure to its general fund. As a result, there is a difference of £31m representing a divergence between the Pension Liability and Pension Reserve which is allowable under the circumstances described here.

This divergence represents a favourable movement in pensions' liability in 2018/19. Other than this the most significant changes have been: a decrease in the discount rate (which drives up the value of pension benefits and increase current service costs) and a decrease in life expectancy which results in a decrease in liabilities. Overall these movements have balanced each other out and left the liability unchanged from 2017/18.

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

Two Coventry schools transferred to academy status in 2018/19. The day to day costs and funding of the schools are included within these accounts up to the day on which they transferred. Their budget shares of £8m will not be included in the Council's accounts in future and £18m of asset value has been removed from the Council's accounts in the year. In overall terms, the increase in investment property value in the balance sheet is the most significant movement in asset values in the year resulting principally from additions to the portfolio.

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

## **Going Concern**

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, and a number of councils issuing warnings about their future financial viability.

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. Integral to this and one of the key measures of financial health is the level of the Council's reserve balances referred to above and these continue to be maintained at a healthy but reasonable level. In addition, the statutory environment in which local authorities operate means that, were an authority to encounter financial difficulties, the prospect would be that central government would implement alternative arrangements for the continuation of services or provide assistance to allow the recovery of any deficit over more than one year. On the basis of these conditions, the Council remains a going concern.

## **Exit From the European Union**

On 23 June 2016 a referendum of British voters determined that Britain should leave the European Union (EU) and an initial leaving date

of 29<sup>th</sup> March 2019 was subsequently agreed. The negotiations surrounding this process have been a matter of significant public debate and disagreement and have provided much of the political and financial backdrop to the 2018/19 financial year. As the leaving date approached it was first delayed until 12<sup>th</sup> April and then again to 31<sup>st</sup> October 2019.

It would be reasonable for the reader of the accounts to ask what impact this has had and continues to have on the City Council's financial position but the reality is that the Council's accounts do not reflect any large, distinct and demonstrable impacts of the exit process. There have been no major shocks to the Council's ongoing service provision, the value of its property assets or the collection of its Business Rates for instance. Although there have been warnings about the impact (potential and actual) on some local employers, this has not, at the time of writing, manifested itself in major economic disruption with financial consequences for the Council.

The position assumed within these accounts is that, although there could yet be unplanned and unforeseen impacts, exit from the EU is not specifically identified as a factor within the accounting position of the Council. The range of potential political outcomes and resulting wider implications is so broad and subject to contention, that they cannot be reliably reflected within this accounting statement. The negotiations and outcomes of the process will continue to be in a state of flux over the months covering the drafting, auditing and approval of these accounts and any material impact identified will clearly need to be incorporated and will be monitored closely over this period.

### **The Ricoh Arena**

For several years the Council has faced a judicial review claim relating to the sale of a lease extension on the Ricoh Arena to London Wasps Holdings Ltd. This had resulted in a contingent liability being recorded in the Council's accounts. On 16<sup>th</sup> April 2019 a decision by the Supreme Court rejected the final appeal to take this claim forward meaning that the Council is no longer required to record a contingent liability.

### **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 £43m in this area as part of an overall pooled budget of £94m. 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 Pooled Budgets.

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

The Council received a request in February 2016 for mandatory Business Rates relief for the University Hospitals Coventry and Warwickshire NHS Trust, replicating similar claims made across the country.

If the relief is granted this would represent a significant on-going impact on the Council's Business Rates revenue as well as representing a risk that the appeal could be back-dated. The Council's view is that the claim is not valid and it

has not been reflected as a provision in these accounts. However, because it remains possible that the claim is upheld and because the costs could potentially be very large, this has led the Council to recognise this as a contingent liability in note 3.37.



### **City of Culture 2021**

The Council agreed in December 2017 to become a guarantor for the UK City of Culture 2021 programme. The Council's assessment is that this does not represent a significant financial risk given the nature of the guarantee and the robust governance and management structures surrounding the Trust's activities.

### **Accounting Policies**

The most significant change in accounting policies in 2018/19 relates to IFRS (International Financial Reporting Standard) 9. The standard requires the Council to make an assessment of its financial assets covering how gains and losses are calculated and future expected credit losses.

The Council has also incorporated the requirements of IFRS 15 Revenue from Contracts with Customers and IFRS 4 Insurance Contracts, although these have not led to significant changes to these accounts.

## Future Plans

The Council's key priorities incorporate a need for the city to become more prosperous and for the Council to lead the drive for economic growth and stimulate the local economy. The Council has been progressing its plans to regenerate the city centre for several years and its future Capital Programme is now bringing this forward, including progress on the planned Friargate business district next to Coventry railway station, which itself is subject to significant refurbishment and redevelopment. Plans are now underway to begin work on a second new building at Friargate following the Council's investment in a joint venture company designed specifically to regenerate the area.

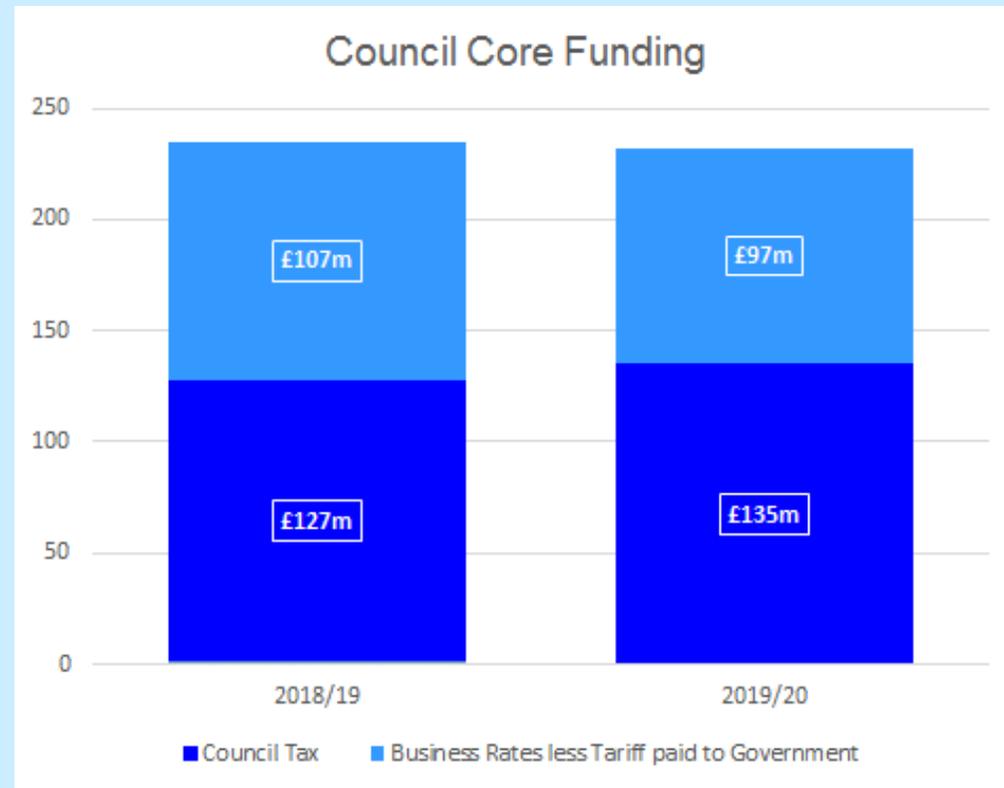
In close proximity to this, the construction phases of the city's new swimming and leisure facility and the Salt Lane multi-storey car park are now virtually complete with plans for both to open in mid-2019. These are tangible signs of the action that the Council is taking to improve the attractiveness of Coventry as a destination for people to live, work and do business. In addition, the construction phase of a new 50 metre swimming facility is well under way at the Alan Higgs Centre in the city.

In 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, skills and housing, improving outcomes for the region. The WMCA established a Devolution Deal which represents a funding package totalling £8bn to deliver major projects across the West Midlands. For Coventry,

Devolution Deal related projects have incurred £11m of spend within the 2018/19 accounts. Some projects within the Deal have not yet begun and will ultimately rely upon funding streams being confirmed in the future. The Council continues to work with the WMCA and the other West Midlands councils to secure this funding.

Progress is anticipated on a range of key projects in the year, not least the Whitley South Infrastructure Project aimed at supporting Jaguar Land Rover and local manufacturers and

businesses in the supply chain. Project completion is expected for 'The Wave' destination swimming and leisure facility and adjoining Salt Lane car park, significant further construction headway is expected for the Coventry Station Masterplan and the UK Battery Industrialisation plant and the next steps planned for the Friargate regeneration area in the city. Add to this plans for further enrichment of the public realm and the cultural fabric of the city centre and it is clear that the Council is committed to its continuing ambitious investment in the city.



Like many councils, Coventry's general grant resources from Government have reduced each year since 2010 and the Council's medium term financial plans include future projected reductions. In reality it is very difficult to make any robust predictions on this given the changes facing the local government sector outlined below.

As a result of the Council's participation in the West Midlands Business Rates Retention Pilot, 99% of Business Rates income has been retained locally in 2018/19, a position that will continue for the duration of the Pilot.

One of the consequences of 99% retention has been that the Council has moved from a position where it received a resource top-up from Government to one where it paid a resource tariff to Government. This tariff was over £9m in 2018/19 and will rise to nearly £20m in 2019/20.

The Council's participation in the Pilot and in the Coventry and Warwickshire Business Rates Pool will prolong the optimisation of financial gain that can be achieved from the existing arrangements surrounding local government finance. Nevertheless, it is difficult to ignore the prospective changes that lay ahead via the Government's Spending Review, expected changes to the local government fair funding review, a shift to a 75% Business Rates and 3 yearly Business Rates revaluations. At the time of writing, doubt still exists over the precise timing of these events as well as their extent and impact. The net result of this is that the Council, like all local authorities, faces a large degree of uncertainty from 2020/21 onwards with regard to its funding position.

Whilst future changes promise to deliver greater autonomy to local government they also represent significant risks. It will be important that a degree of national resource equalisation is maintained within local government finances to protect services in more deprived areas of the country and care will also need to be taken to ensure that transfers of responsibility for funding services can be managed within the new resources made available. Until the details of these developments are worked through for the period after 2019/20 it is impossible to have any clarity on their impact.

The reduction in and uncertainty of future revenue resources and a need to manage spending pressures means that the identification of ways in which the Council can balance future budgets will attract a renewed emphasis ahead of setting the 2020/21 budget. Given the large degree of uncertainty over the resource envelope that the Council will face, it will need to build a significant degree of flexibility into its financial plans to allow it to respond to a range of financial scenarios. 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 5,000 individuals, a reduction approaching 3,000 compared with the equivalent figure in 2010. Although this has been required by the financial position faced in recent years, the trend in 2018/19 indicates a significantly lower rate of reduction. The Council now faces a key challenge to balance its employee cost base with the need to ensure a sufficient quantity and calibre of employees to deliver the challenging programme of activity including forthcoming major capital projects and the UK City of Culture.

The 2018/19 outturn position indicate that the Council has made good strides in providing budgetary provision for several key revenue issues within children's services and housing and homelessness. However, whereas the children's services position has stabilised to a good degree, the city still faces some volatility in terms of the demand for services and budgetary position within housing and homelessness. This and the control of costs within the Council's waste services will be the initial focus of management attention in the early part of 2019/20.

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

The Council will continue to work with its key local partners and arms-length organisations in 2019/20 to help strengthen its financial position and drive regenerative and enriching change to the city and its surrounds.

Work will continue through the Coventry and Warwickshire Local Enterprise Partnership and the West Midlands Combined Authority to implement major transport, regeneration and business focussed projects and initiatives. These will be supplemented by further strands of activity taken forward through the newly establishment Friargate Project and Battery Industrialisation

Centre companies in which the Council is a shareholder.

Through its role as a major funder and partner the Council will work with the City of Culture Trust as preparations accelerate towards the UK City of Culture 2021 celebrations. More immediately in 2019 the Council is supporting Coventry's role as European City of Sport and the city's Year of Wellbeing, promoting a vision 'to promote and celebrate, in every community, the benefits of sport and physical activity, and to be the catalyst for a fitter, healthier city in the future'.

Reference is made elsewhere in this Narrative Report to the significance of the cost of pensions to the Council's financial position. The rate of employer contributions are currently reviewed every three years and this will happen once again in 2019, ahead of the 2020/21 financial year. Council officers will work closely with the West Midlands Pension Fund and the Fund's actuary to establish a sustainable and affordable contribution rate.

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

Given the financial challenges that face the Council and the desire to avoid further cuts to services, the Council continues to seek to explore and pursue new commercial opportunities and to maximise the financial return that it is able to achieve from its assets. 2018/19 has seen further

investment in commercial properties and external company shareholdings designed to secure financial returns over the long-term as well as broadening the Council's strategic mix of assets. The Council's activity will continue to be developed with due regard to guidance from the Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) issued with the intention of ensuring that authorities stay within prudent and reasonable parameters of activity. The Council is clear that the risk of not pursuing such opportunities is that it will need to make additional cuts to services, a risk that it is keen to avoid.

What is clear is that the Council's financial plans will need to maintain a degree of flexibility and ensure that some additional resilience is incorporated to protect the Council's medium term financial position.

The Council's response to the key governance issues that it faces in 2018/19 are set out in the Annual Governance Statement (AGS) below. Apart from some of the existing financial and service challenges that are referred to within the AGS, it is worth noting that the Council has added actions in relation to the management of data access to its key systems, the governance of its relationships with key partners and governance over its programme of capital projects.

### 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 2019 and its income and expenditure for the year ended 31st March 2019, and that the accounts are authorised for issue.



Barry Hastie, CPFA  
Director of Finance and Corporate Services  
24<sup>th</sup> May 2019

## 1.4 Annual Governance Statement

### **Scope of responsibility**

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

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

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

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

### **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 2019 and up to the date of approval of the Statement of Accounts.

### **The governance framework**

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

There is a governance/internal control environment that supports the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in published policy documents including the Council Plan. These high level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.

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

available and the performance management framework are available on the Council's website.

Throughout this process, clear channels of communication exist with all sections of the community and other stakeholders, to ensure the Council considers local needs and communicates both expected and actual outcomes for citizens and service users. This is evidenced through the Council's formal decision-making and performance management processes.

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

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

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

- Roles and responsibilities of both Councillors and officers, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.
- How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Constitution includes the Council's senior management structure and a scheme of

delegation which sets out the principles for decision making and responsibility for functions. The Council facilitates policy and decision making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee. The Member decision making, advisory and scrutiny bodies are available on the Council's website.

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

The Council has an Equality, Diversity and Inclusion Commitment which is available on our website. This sets out the Council's commitment to meeting all areas of the public sector equality duty and to ensure equality of opportunity, both as a provider and commissioner of services and as a large employer. The commitment is implemented through setting equality objectives linked to the Council Plan.

Progress is monitored and reported to the Cabinet Member (Policing & Equalities) and the latest progress reports are available on our website. In addition, the Council carries out Equality and Consultation Analysis on all key decisions taken by Cabinet or Cabinet Members.

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

The Council, through its Whistleblowing and Complaints Procedures, has documented processes in place to deal with concerns raised by both employees and members of the public. These policies have been widely communicated and are subject to regular review to ensure they are working effectively. In addition, the Council's Fraud and Corruption Strategy reinforces the Council's commitment to creating an anti-fraud culture, whilst having

effective arrangements in place in responding to allegations of fraud and corruption.

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

For the financial year 2018-19, the Director of Finance and Corporate Services was the nominated Section 151 officer with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. In assessing this role against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), the Authority meets the five principles in the CIPFA Statement, namely:

- The Chief Financial Officer (CFO) in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO in a local authority must be professionally qualified and suitably experienced.

The S151 Officer is a key member of the Corporate Leadership Team and formally retains a direct reporting line to the Chief Executive when required.

The S151 Officer routinely attends and advises the Strategic Management Board of the Council (Chief Executive and both Deputy Chief Executives).

The assessment concluded that these arrangements provide an appropriate framework under which the CIPFA principles are able to be delivered. The senior management structure within the Council is regularly reviewed and changes made as required to help the management team focus on the current challenges and opportunities as well as to look ahead.

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 2019:

- The Coventry and Solihull Waste Disposal Company Limited is owned jointly by Coventry City Council, Solihull Metropolitan Borough Council, Warwickshire County Council and Leicestershire County Council. A formal agreement sets out the governance arrangements between the shareholders. The Company is subject to the Industrial Emissions Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the Company monitors its activities through an Environmental Management System accredited to the ISO 14001 standard, its Health and Safety Management System which is certified to the OHSAS 18001 standard and the Cyber Essentials accreditation it has achieved for its IT systems. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2018, did not highlight any concerns.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. All the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2018. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although it is also engaged in providing business development services to the City Council.

- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. All 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 2018.

- Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. Three of the four Directors of the Company during 2018/19 are senior officers of Coventry City Council. As part of the original acquisition, the Council secured external independent advice from a number of sources to support the financial and legal due diligence assessment, as well as the valuation of the shares being purchased. The due diligence work highlighted some areas of financial control weaknesses, which it was felt that the Council would need to address following acquisition. In particular, a need to strengthen the finance function through increased capacity was recognised as important. In the light of the external due diligence, since the Council acquired CAPL, a programme of changes has been completed, including the restructuring of the Board, as well as recruitment of a new senior Operations Manager and finance staff. The Company has appointed RSM UK Audit LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2018, did not highlight any significant concerns.

- The UK Battery Industrialisation Centre Ltd was incorporated on 27th February 2018 and the Council is currently the sole shareholder with 1 share which has a nominal value of £1. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The Council has appointed two of its officers as directors on the board. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group and Coventry & Warwickshire Local Enterprise Partnership each appointing two directors. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency. As a result, activity within the company has been minimal to date.

- The Friargate Joint Venture Project Ltd was incorporated on 17th December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited,

established to develop new buildings within the Friargate district of the city. Each of, Coventry City Council and Friargate Holdings 2 Ltd have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board. The company is still very much in its infancy and as a result, activity within the company has been minimal to date.

### **Review of effectiveness**

Processes are in place to assess key elements of the governance framework throughout the year, for example, through the work of Internal Audit and the Council's Audit and Procurement Committee. A review of the effectiveness of its governance framework is also undertaken annually as part of the production of the Annual Governance Statement. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.



Arrangements to assess the effectiveness of the governance framework include:

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

The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls/governance arrangements by each Deputy Chief Executive.
- The Council's Corporate Risk Register.
- The work of the Internal Audit Service during 2018-19. The Service works to a risk based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.

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**

Table one below provides an update on the governance issues that were raised in the 2017-18 Annual Governance Statement.

**Table One**

<b>Ref</b>	<b>Governance issues identified in 2017-18</b>	<b>2018-19 Update</b>
<b>1</b>	Sustainable improvement in children's services	The Improvement Board has continued to meet to challenge and hold the Council to account for the effective improvement and delivery of Children's Services. A comprehensive transformation programme is underway that will yield longer term and sustainable improvement to Children's Services. This has included the development of a stronger early help offer that expects partners to contribute to, a strengthening of the Multi-Agency Safeguarding Hub and a restructure that better supports the child's experience and journey through the system. Other improvements have included a better placement mix for looked after children and this is supporting more effective and sustainable budget management. Demand pressures remain that make this extremely challenging.
<b>2</b>	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy	The Council has set a balanced budget despite shortfalls in the delivery of some savings targets and the emergence of new expenditure pressures in areas including housing and homelessness and waste disposal. The new proposals to balance the budget involve some technical measures and the identification of income streams and a more commercial approach across some areas of the Council.
<b>3</b>	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	Following the completion of Friargate in October 2016 and the successful migration of staff, the Kickstart programme has been completed. All the associated capital disposals have been completed, savings achieved and new ways of working embraced. City centre regeneration continues at pace, which will drive future business rates. As the governance of this is now under a different work-stream (and is identified as a separate issue in the statement), the Kickstart Programme has not been carried forward as a significant governance issue for 2019-20.
<b>4</b>	Raising educational standards	Evaluation of Primary Networks and Secondary Collaboratives evidences increased capacity for school-to school support and continued school improvement. As of December 2018, Coventry's Ofsted profile (i.e. the proportion of pupils attending good or outstanding provision) was above national and

		<p>statistical neighbours for primary, secondary and special. In 2018 other notable improvements included:</p> <ul style="list-style-type: none"> <li>• Upward trend for Early Years Foundation Stage and Year 1 phonics</li> <li>• Improvement in Key Stage 2 results, specifically attainment, including for disadvantaged and Special Educational Need support</li> <li>• Upward trend and improvements at a faster rate than national for almost all Key Stage 4 indicators, including for pupils with an Education, Health and Care Plan and White British boys</li> <li>• Coventry NEET (not in education, employment or training) rate below (better than) national.</li> </ul>
5	Implementation of the Information Management Strategy	The actions in the plan arising from the Information Commissioner's Office audit continued to be implemented during the year and progress was reported to the Audit and Procurement Committee in February 2019. The Training Strategy was approved and implemented.
6	Long term sustainability of adult social care in the context of financial and demand issues	Coventry Adult Social Care remains a comparatively low spend per 100k population although is challenged by increasing care costs, and increasing referrals. However, the numbers of people supported overall remains relatively stable. Our approach to short term services and using the voluntary sector helps reduce the numbers of people entering ongoing care and support. The Council is currently reliant on the Better Care Fund to support financial pressures in social care and reduce the impact on health associated with social care and work with our colleagues in the Clinical Commissioning Group flexibly in order to achieve short term sustainability, with long term issues of sustainability being subject to the spending review and local government settlement later in 2019. The Adult Social Care green paper has been further delayed so the government's long term policy direction and possible funding solutions are also unclear. The social care precept supports the ongoing financial position but with Adult Social Care being the single biggest Council cost further financial pressure is to be expected. From a governance perspective, as this is intrinsically linked to delivery of the Medium Term Financial Strategy, this has not been carried forward as a stand-alone issue for 2019-20.
7	Delivery of the workforce strategy	<p>The Council has made progress in relation to the delivery of its 2017-2020 workforce strategy:</p> <p><b>Planning</b> – The development and enhancement of robust management information (HR analytics), to inform strategic decision making and to track progress has been embedded over 2018/19.</p> <p><b>Supporting</b> – The 2018 staff engagement survey has provided the Council with a range of improvement areas to develop a more supportive offer for all of our employees, which has helped inform the One Coventry approach, Year of Wellbeing, our Organisational Development programme for 2019/20 as well as the Let's Talk sessions between Senior Management Board and the wider workforce. Good progress is being made in the implementation of the Council appraisal system. The Council has re-launched its commitment to Equality, Diversity &amp; Inclusion.</p> <p><b>Enabling</b> – The Council, through the implementation of tools such as SKYPE for Business continues to support staff to work more flexibly and more effectively. A new digital training package and additional resource has also been implemented to increase digital skill levels across the Council.</p>

		<p><b>Transforming</b> – The Council’s Our Future Workforce programme (formally Workforce Reform) seeks to modernise our terms, conditions and culture. Progress has been challenging and will be a key area of focus for 2019/20 across the Council.</p> <p>Oversight and strategic leadership of this area has been recently strengthened with the establishment and successful recruitment to a Director of Human Resources post reporting in to the Senior Management Board.</p>
8	Establishing a Counter Fraud Framework	<p>A new Fraud and Corruption Strategy, including the Counter Fraud Framework was considered by the Audit and Procurement Committee in June 2018 and approved by the Cabinet Member for Policy and Leadership in July 2018. The actions linked to the various elements of the framework are now part of operational activity within Internal Audit. Oversight of this work is provided by the Audit and Procurement Committee as part of their role to monitor the Fraud and Corruption Strategy. Consequently, as the Counter Fraud Framework has now been established and forms part of the annual programme of work undertaken by Internal Audit, this has not been carried forward as a significant governance issue for 2019-20.</p>
9	Risk Management Strategy	<p>The Risk Management Policy and Strategy were formally adopted in 2017-18. The process for identifying and reporting on Corporate Risks is well established and oversight of the Corporate Risk Register is provided by the Audit and Procurement Committee. During 2018-19 actions were taken to embed risk management practice in the organisation. Risk Registers are in place for each Director’s area of operation and are reviewed at Leadership Team meetings on a regular basis. As a result, this has not been carried forward as a significant governance issue for 2019-20.</p>
10	Governance Steering Board	<p>The Governance Steering Board was established in September 2018. The Board (which is chaired by the Council’s Monitoring Officer and includes members from Procurement, Finance, Human Resources, Internal Audit and Governance Services) meets on a regular basis to review the effectiveness of the governance framework throughout the year, help raise the profile of governance across the Council and co-ordinate improvement actions. Updates on this work are provided to the Strategic Management Board every month. As the Board is now embedded within the overall governance framework of the Council, this has not been carried forward as a significant governance issue for 2019-20.</p>
11	Delivery of the ICT Strategy	<p>Significant progress has been made during 2018/19 with regards to the delivery of the ICT Strategy. The Council have significantly increased the capacity of the ICT Security team and also introduced new cyber security toolsets to help protect our estate. The Council have undertaken a major restructure of the ICT &amp; Digital service to introduce new senior management roles which will directly support the ongoing development and delivery of the ICT Strategy. Significant improvements have also been made to our unified communications platform to enable a more flexible and effective workforce. Two digital trainers have been introduced to the service who are taking responsibility for digital skills development across the organisation through our “DigiKnow” brand. In terms of the development of a revised ICT Strategy, the ICT service have engaged with the Corporate Leadership Team, Finance, and Corporate Services Scrutiny Board who have given direct input into how the</p>

		Strategy is taking shape. The Council are also continuing to engage Gartner for external input and verification to the Strategy and approach.
12	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	The Council has made a significant investment into its housing service, which is specifically tasked to tackle the city's homelessness. A refreshed Housing and Homeless Strategy was adopted by Council in late 2018/19 which focuses on prevention, supporting homeless households, improving existing accommodation and increasing housing supply. The Strategy also aims to reduce the existing financial pressure by 2020/21. A number of key appointments and new roles have been made to increase the Council's capacity and capability to address the significant issues. The action plan to deliver the improvements is led by the Chief Executive at the Strategic Housing Board.

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 for 2018-19 (table two), along with the actions planned to address these matters to further enhance our governance arrangements.

**Table Two**

Ref	Governance Issue	Planned actions 2019-20	Responsibility	Timescale
1	Sustainable improvement in Children's Services	A new Executive Improvement Board has been established to drive forward continuous improvement of Children's Services. A new Children's Safeguarding Partnership is due to be launched later in the year in line with revised statutory guidance. A review of the re-design has been concluded and small service changes will be made this year in response. A further phase of transformational activity will commence to support further improvement activity. Service Performance reviews will be implemented service wide and Quality Assurance visits by Children's Services Leadership Team will commence.	Director of Children's Services	On-going
2	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term	The Council faces uncertainty due to anticipated changes in the Local Government finance system and a lack of clarity on the future of some major income streams such as Better Care Fund resources. Initial estimates indicate a significant financial gap and work has begun at an early stage to identify a range of options to enable the Council to respond to the	Director of Finance and Corporate Services	February 2020

	Financial Strategy	possible range of budget scenarios. Members will receive regular briefings on potential new areas of policy development and these will be formally reported to Cabinet Members, Cabinet and Council as appropriate.		
3	Raising educational standards	<p>Continue to improve outcomes for ALL pupils, including pupils with an Education, Health and Care Plan (EHCP) and receiving Special Educational Needs (SEN) support, so they are in line with or better than national by ensuring that individual school, Primary Network and Secondary Collaborative priorities align with and contribute to specific citywide priorities:</p> <p><b>Early Years:</b> Improving Good Level of Development (GLD)</p> <p><b>Primary:</b> Increasing the proportion of children achieving Greater Depth in Writing and making accelerated progress in writing by the end of Key Stage 2</p> <p><b>Secondary and 16-18:</b></p> <ul style="list-style-type: none"> <li>• Improving Progress 8</li> <li>• Improving progress in both English and Maths by the end of 16-18 (GCSE resits)</li> </ul> <p><b>All phases:</b> Narrowing the gap to national for our vulnerable groups:</p> <ul style="list-style-type: none"> <li>• GLD for all groups</li> <li>• Key Stage 1 and Key Stage 2 achievement for children with SEN and an EHCP</li> <li>• Key Stage 4 progress for disadvantaged and pupils receiving SEN support</li> </ul>	<p>Director of Education and Skills</p> <p>Head of Education Improvement and Standards 0-19</p> <p>Senior Adviser Education Improvement 11-19 (25)</p>	On-going
4	Implementation of the Information Management Strategy	Review and update of Information Management Strategy and Information Management Training Strategy.	Head of Information Governance	March 2020
5	Delivery of the Workforce Strategy	<p>During 2019/20 the following actions are planned:</p> <ul style="list-style-type: none"> <li>• The further development and implementation of the workforce strategy to embed the Council's One Coventry approach</li> </ul>	<p>Director of Housing and Transformation</p> <p>(Responsibility will transfer to the Director</p>	On-going

		<ul style="list-style-type: none"> <li>• The launch of a new Equality, Diversity &amp; Inclusion project focusing on recruitment and selection</li> <li>• A focus on ensuring that our case work is improved and timely</li> <li>• The progression of 'Our Future Workforce' change programme</li> <li>• Creating opportunities for talent mapping and career progressions at all levels across the organisation</li> <li>• Improved Employee Engagement which can be measured through job satisfaction</li> <li>• Continued development of industrial relations</li> <li>• Improvement in digital skills across the workforce</li> <li>• The continuation of ensuring the safety and wellbeing of our employees.</li> </ul>	of Human Resources once in post in July 2019)	
6	Delivery of the ICT Strategy	During 2019/20 the Council will publish an updated ICT Strategy which will continue to provide assurance with regards to our core infrastructure, cyber security plans and digital skills development whilst also supporting innovation and our digitalisation agenda. The ICT Strategy will align with the One Coventry approach.	Head of ICT & Digital	September 2019  (delivery of the Strategy will be on-going)
7	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	To deliver to the Housing and Homelessness Strategy and the agreed action plan through the Council's Strategic Housing Board.	Director of Housing and Transformation	On-going
8	Corporate data access standard	Development and implementation of a corporate access standard and protocol for all systems that hold personal data.	Members and Elections Team Manager	December 2019

9	Governance over relationships with partners and outside bodies	The Council has a strong foundation of partnership working, which was positively recognised in our recent Local Government Association (LGA) Corporate Peer Challenge. This has included our pivotal involvement in forming the West Midlands Combined Authority, the Place Forum and the Coventry and Warwickshire Local Enterprise Partnership. However, it is recognised that in order to continue to respond to challenges and to adapt to new approaches in terms of the role of the local authority in the community, the Council needs to ensure that there are effective arrangements over its relationships with partners and outside bodies which provide governance and flexibility to deliver effective outcomes. Partnership working principles have been established and work is planned in 2019/20 to develop protocols to underpin this. These will be used to gain assurance that key relationships, such as with the City of Culture Trust and the Friargate Joint Venture are being appropriately governed. In addition, a People Partnership is in its early stages of implementation with a focus on strengthening partnership arrangements across the City and working together to improve collaboration and connectivity in spirit of our One Coventry approach.	Deputy Chief Executive (People)	On-going
10	Governance over the programme of capital projects	The Council has an ambitious programme of capital projects, which in 2019/20 will continue to accelerate in advance of the Council becoming City of Culture in 2021. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. Governance arrangements are established with delivery overseen by project boards who report to the responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Place Programme Delivery Board. In 2019/20 the focus will be on ensuring that as the programme continues to move at pace, governance arrangements remain embedded	Deputy Chief Executive (Place)	On-going

		and integral to programme delivery whilst also ensuring that there are effective processes in place to maintain a view of the overall programme, so its inter-dependencies are managed / joined up, maintaining momentum on the Council's wider aspirations.		
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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

## 2 Main Financial Statements

### 2.1 Overview of Main Financial Statements

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

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

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (section 3.2) and the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

## 2.2 Comprehensive Income & Expenditure Statement

2017/18			Service segment	2018/19			Section Ref.
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
20,482	(19,343)	1,139	Public Health	25,704	(23,642)	2,062	3.2
1,541	(126)	1,415	People Directorate Management	1,598	(126)	1,472	3.2
222,180	(203,590)	18,590	Education and Skills	226,899	(200,536)	26,363	3.2
82,940	(9,717)	73,223	Children and Young People's Services	81,485	(10,787)	70,698	3.2
115,985	(38,602)	77,383	Adult Social Care	123,777	(45,885)	77,892	3.2
7,567	(3,154)	4,413	Customer Services & Transformation	19,344	(3,741)	15,603	3.2
1,685	(574)	1,111	Place Directorate Management	5,338	(732)	4,606	3.2
20,837	(6,408)	14,429	Business, Investment & Culture	36,186	(6,842)	29,344	3.2
37,618	(16,654)	20,964	Transportation & Highways	32,723	(14,783)	17,940	3.2
44,187	(14,051)	30,136	Streetscene & Regulatory Services	48,708	(15,619)	33,089	3.2
6,291	(1,548)	4,743	Project Management and Property Services	7,730	(2,102)	5,628	3.2
132,388	(122,432)	9,956	Finance & Corporate Services	121,071	(114,451)	6,620	3.2
6,854	(21,573)	(14,719)	Contingency and Central Budgets	12,248	(18,333)	(6,085)	3.2
<b>700,555</b>	<b>(457,772)</b>	<b>242,783</b>	<b>Cost of Services</b>	<b>742,811</b>	<b>(457,579)</b>	<b>285,232</b>	
		<b>39,946</b>	<b>Other Operating Expenditure</b>			<b>32,786</b>	3.1
		<b>26,309</b>	<b>Finance and Investment Income and Expenditure</b>			<b>9,084</b>	3.1
		<b>(309,686)</b>	<b>Taxations and Non-Specific Grant Income</b>			<b>(324,924)</b>	3.1
		<b>(648)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>2,178</b>	
		<b>(67,595)</b>	<b>Sub-total of Other Comprehensive Income &amp; Expenditure</b>			<b>(62,298)</b>	3.1
		<b>(68,243)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(60,120)</b>	

## 2.3 Movement in Reserves Statement

### Usable Reserves and Overall Position 2018/19

	General Fund Balance £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>31st March 2018</b>	<b>(91,409)</b>	<b>(7,179)</b>	<b>(23,978)</b>	<b>(122,566)</b>	<b>(165,155)</b>	<b>(287,721)</b>
Total Comprehensive Income and Expenditure	2,178	0	0	2,178	(62,298)	(60,120)
Adjustments between Accounting Basis and Funding Basis under Regulations	(18,930)	5,285	2,511	(11,134)	11,134	0
<b>Net (Increase)/ Decrease</b>	<b>(16,752)</b>	<b>5,285</b>	<b>2,511</b>	<b>(8,956)</b>	<b>(51,164)</b>	<b>(60,120)</b>
<b>31st March 2019</b>	<b>(108,161)</b>	<b>(1,894)</b>	<b>(21,467)</b>	<b>(131,522)</b>	<b>(216,319)</b>	<b>(347,841)</b>

### Unusable Reserves 2018/19

	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Financial Instruments Revaluation Reserve	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Total Unusable Reserves £000
<b>31st March 2018 (Prior to IFRS 9 adjustment)</b>	<b>(499,833)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>0</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>(75,610)</b>	<b>(165,155)</b>
Impact of transition to IFRS 9	0	0	0	0	(75,610)	0	0	0	75,610	0
<b>31st March 2018</b>	<b>(499,833)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>(75,610)</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>0</b>	<b>(165,155)</b>
Total Comprehensive Income and Expenditure	0	(6,259)	0	0	(3,882)	0	(52,157)	0	0	(62,298)
Adjustments between Accounting Basis and Funding Basis under Regulations	(33,341)	19,216	2,858	(384)	0	2,608	20,905	(728)	0	11,134
<b>Net (Increase)/ Decrease</b>	<b>(33,341)</b>	<b>12,957</b>	<b>2,858</b>	<b>(384)</b>	<b>(3,882)</b>	<b>2,608</b>	<b>(31,252)</b>	<b>(728)</b>	<b>0</b>	<b>(51,164)</b>
<b>31st March 2019</b>	<b>(533,174)</b>	<b>(181,447)</b>	<b>(2,629)</b>	<b>10,916</b>	<b>(79,492)</b>	<b>(7,177)</b>	<b>573,193</b>	<b>3,491</b>	<b>0</b>	<b>(216,319)</b>

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

**Usable Reserves and Overall Position 2017/18 Comparatives.**

	General Fund Balance £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>31st March 2017</b>	<b>(73,965)</b>	<b>(9,737)</b>	<b>(20,489)</b>	<b>(104,191)</b>	<b>(115,287)</b>	<b>(219,478)</b>
Total Comprehensive Income and Expenditure	(648)	0	0	(648)	(67,595)	(68,243)
Adjustments between Accounting Basis and Funding Basis under Regulations	(16,796)	2,558	(3,489)	(17,727)	17,727	0
<b>Net (Increase)/ Decrease</b>	<b>(17,444)</b>	<b>2,558</b>	<b>(3,489)</b>	<b>(18,375)</b>	<b>(49,868)</b>	<b>(68,243)</b>
<b>31st March 2018</b>	<b>(91,409)</b>	<b>(7,179)</b>	<b>(23,978)</b>	<b>(122,566)</b>	<b>(165,155)</b>	<b>(287,721)</b>

**Unusable Reserves 2017/18 Comparatives**

	Capital Adjustment Account £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Total Unusable Reserves £000
<b>31st March 2017</b>	<b>(473,897)</b>	<b>(169,486)</b>	<b>(10,830)</b>	<b>1,777</b>	<b>(9,198)</b>	<b>613,236</b>	<b>4,121</b>	<b>(71,010)</b>	<b>(115,287)</b>
Total Comprehensive Income and Expenditure	0	(31,950)	0	0	0	(31,045)	0	(4,600)	(67,595)
Adjustments between Accounting Basis and Funding Basis under Regulations	(25,936)	7,032	5,343	9,523	(587)	22,254	98	0	17,727
<b>Net (Increase)/ Decrease</b>	<b>(25,936)</b>	<b>(24,918)</b>	<b>5,343</b>	<b>9,523</b>	<b>(587)</b>	<b>(8,791)</b>	<b>98</b>	<b>(4,600)</b>	<b>(49,868)</b>
<b>31st March 2018</b>	<b>(499,833)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>(75,610)</b>	<b>(165,155)</b>

## 2.4 Balance Sheet

31st March 2018 £000	Balance Sheet	31st March 2019 £000	Section Ref.
852,981	Property, Plant and Equipment	858,230	3.15
25,893	Heritage Assets	25,893	3.16
174,310	Investment Property	218,281	3.17
95,545	Long Term Investments	110,809	3.21
20,890	Long Term Debtors	24,883	3.22
<b>1,169,619</b>	<b>Long Term Assets</b>	<b>1,238,096</b>	
45,119	Short Term Investments	37,285	3.34
227	Inventories	363	
57,402	Short Term Debtors	75,870	3.23
16,193	Cash and Cash Equivalents	26,621	2.5
4,819	Assets held for Sale	2,938	3.17
<b>123,760</b>	<b>Current Assets</b>	<b>143,077</b>	
(39,892)	Short Term Borrowing	(65,572)	3.34
(69,599)	Short Term Creditors	(74,388)	3.24
(2,288)	Short Term Provisions	(1,946)	3.25
<b>(111,779)</b>	<b>Current Liabilities</b>	<b>(141,906)</b>	
(9,582)	Long Term Provisions	(12,329)	3.25
(332,927)	Long Term Borrowing	(317,344)	3.34
(542,245)	Net Pension Liability	(542,093)	3.31
(1,312)	Donated Assets Account	(1,447)	3.28
(4,693)	Capital Grants Receipts in Advance	(8,256)	3.7
(3,120)	Other Long Term Liabilities	(9,957)	3.26
<b>(893,879)</b>	<b>Long Term Liabilities</b>	<b>(891,426)</b>	
<b>287,721</b>	<b>Net Assets</b>	<b>347,841</b>	
(122,566)	Usable Reserves	(131,522)	2.3
(165,155)	Unusable Reserves	(216,319)	2.3
<b>(287,721)</b>	<b>Total Reserves</b>	<b>(347,841)</b>	

The unaudited accounts were authorised for issue on 24<sup>th</sup> May 2019.

## 2.5 Cash Flow Statement

2017/18 £000's	Cash Flow Statement	2018/19 £000's
(648)	Net (Surplus) or Deficit on the Provision of Services	2,178
(64,079)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(108,223)
41,136	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	70,491
<b>(23,591)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(35,554)</b>
23,054	Investing Activities	31,338
1,513	Financing Activities	(6,212)
<b>976</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(10,428)</b>
(17,169)	Cash and Cash Equivalents at the Beginning of the Reporting Period (Asset)/Liability	(16,193)
(16,193)	Cash and Cash Equivalents at the End of the Reporting Period (Asset)/Liability	(26,621)

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

### 3 Notes to the Main Financial Statements

#### 3.1 Note to the CIES

2017/18 Net Expenditure £000	Category of Income or Expenditure	2018/19 Net Expenditure £000	Section Ref.
24,646	(Gain)/Loss on Disposal of Fixed Assets*	17,985	
15,270	Levy Payments to Other Bodies	14,770	
30	Precepts of Local Precepting Authorities	31	
<b>39,946</b>	<b>Other Operating Expenditure</b>	<b>32,786</b>	
30,572	Interest Payable and Similar Charges	19,537	3.34
(2,429)	External Investment Income	(3,394)	3.34
14,913	Net interest on the net defined benefit liability	13,681	3.31
(16,242)	Commercial Property Income	(17,225)	
7,300	Commercial Property Expenditure	6,772	
(7,805)	Dividends and Interest Receivable	(9,191)	3.34
0	(Gain)/loss on impairment of assets	122	
0	(Gain)/loss on revaluation of financial instruments	(1,218)	3.34
<b>26,309</b>	<b>Finance and Investment Income and Expenditure</b>	<b>9,084</b>	
(123,286)	Council Tax	(131,404)	3.39
(114,075)	Retained Business Rates	(114,554)	3.39
(1,278)	Business Rates (Top-up)/Tariff	7,857	3.39
(13,698)	General Government Grants	(12,370)	
(57,291)	Capital Grants	(74,380)	3.7
(58)	Donated Assets - amortised credits	(73)	3.28
<b>(309,686)</b>	<b>Taxations and Non-Specific Grant Income</b>	<b>(324,924)</b>	
(31,950)	(Gain)/Loss on revaluation of non current assets	(6,259)	3.13
(4,600)	(Gain)/Loss on revaluation of available for sale financial assets	(3,882)	
(31,045)	Remeasurement of the net defined benefit liability	(52,157)	3.31
<b>(67,595)</b>	<b>Sub-total of Other Comprehensive Income &amp; Expenditure</b>	<b>(62,298)</b>	

\*The 2018/19 'Loss on Disposal of Fixed Assets' includes £17,818k of derecognition as a result of schools transferring to academy status during the year. The equivalent figure for 2017/18 was £23,079.

### 3.2 Expenditure and Funding Analysis

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

2017/18			2018/19			
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	Service segment	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
1,476	(337)	1,139	Public Health	2,090	(28)	2,062
1,415	0	1,415	People Directorate Management	1,472	0	1,472
(14,454)	33,044	18,590	Education and Skills	(7,671)	34,034	26,363
73,111	112	73,223	Children and Young People's Services	70,197	501	70,698
75,016	2,367	77,383	Adult Social Care	74,002	3,890	77,892
2,622	1,791	4,413	Customer Services & Transformation	11,630	3,973	15,603
1,111	0	1,111	Place Directorate Management	1,110	3,496	4,606
7,852	6,577	14,429	Business, Investment & Culture	8,493	20,851	29,344
(482)	21,446	20,964	Transportation & Highways	337	17,603	17,940
28,563	1,573	30,136	Streetscene & Regulatory Services	30,105	2,984	33,089
2,571	2,172	4,743	Project Management and Property Services	2,477	3,151	5,628
9,954	2	9,956	Finance & Corporate Services	6,618	2	6,620
(7,909)	(6,810)	(14,719)	Contingency and Central Budgets	3,396	(9,481)	(6,085)
<b>180,846</b>	<b>61,937</b>	<b>242,783</b>	<b>Net Cost of Services</b>	<b>204,256</b>	<b>80,976</b>	<b>285,232</b>
(198,290)	(45,141)	(243,431)	Other Income and Expenditure	(221,008)	(62,046)	(283,054)
<b>(17,444)</b>	<b>16,796</b>	<b>(648)</b>	<b>(Surplus) or Deficit</b>	<b>(16,752)</b>	<b>18,930</b>	<b>2,178</b>
(73,965)			Opening General Fund	(91,409)		
(17,444)			Plus (Surplus)/Deficit on General Fund	(16,752)		
<b>(91,409)</b>			<b>Closing General Fund at 31 March</b>	<b>(108,161)</b>		

### 3.3 Note to the Expenditure and Funding Analysis

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

2017/18					2018/19			
Adjustment for Capital Purposes (Note 1)	Net Changes for the Pension Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments	Directorate Analysis	Adjustment for Capital Purposes (Note 1)	Net Changes for the Pension Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
(337)	0	0	(337)	Public Health	(28)	0	0	(28)
0	0	0	0	People Directorate Management	0	0	0	0
33,044	0	0	33,044	Education and Skills	34,034	0	0	34,034
112	0	0	112	Children and Young People's Services	501	0	0	501
2,367	0	0	2,367	Adult Social Care	3,890	0	0	3,890
1,791	0	0	1,791	Customer Services & Transformation	3,973	0	0	3,973
0	0	0	0	Place Directorate Management	3,496	0	0	3,496
6,577	0	0	6,577	Business, Investment & Culture	20,851	0	0	20,851
21,446	0	0	21,446	Transportation & Highways	17,603	0	0	17,603
1,573	0	0	1,573	Streetscene & Regulatory Services	2,984	0	0	2,984
2,172	0	0	2,172	Project Management and Property Services	3,151	0	0	3,151
2	0	0	2	Finance & Corporate Services	2	0	0	2
(26,514)	22,254	9,806	5,546	Contingency and Central Budgets	(14,647)	7,224	(2,058)	(9,481)
<b>42,233</b>	<b>22,254</b>	<b>9,806</b>	<b>74,293</b>	<b>Net Cost of Services</b>	<b>75,810</b>	<b>7,224</b>	<b>(2,058)</b>	<b>80,976</b>
(56,910)	0	(587)	(57,497)	Other Income and Expenditure	(78,335)	13,681	2,608	(62,046)
<b>(14,677)</b>	<b>22,254</b>	<b>9,219</b>	<b>16,796</b>	<b>(Surplus) or Deficit</b>	<b>(2,525)</b>	<b>20,905</b>	<b>550</b>	<b>18,930</b>

Note 1: Adjustments for Capital Purposes – This column adds in depreciation and revaluation gains 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 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.

### 3.4 Revenue Outturn

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

2018/19	Net Expenditure Chargeable to the General Fund	Adjustment for elements within the Provision of Service that are not included in the Cost of Services	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position	Budget	Overspend/ (Underspend)
	£000	£000	£000	£000	£000	£000
Public Health	2,090	155	398	2,643	3,453	(810)
People Directorate Management	1,472	0	0	1,472	1,441	31
Education and Skills	(7,671)	18,767	2,211	13,307	12,940	367
Children and Young People's Services	70,197	35	695	70,927	71,945	(1,018)
Adult Social Care	74,002	1,484	(1,060)	74,426	74,426	0
Customer Services & Transformation	11,630	(848)	365	11,147	9,192	1,955
Place Directorate Management	1,110	3,790	(3,538)	1,362	1,361	1
Business, Investment & Culture	8,493	(288)	(175)	8,030	7,523	507
Transportation & Highways	337	4,498	(604)	4,231	4,430	(199)
Streetscene & Regulatory Services	30,105	(42)	(280)	29,783	26,759	3,024
Project Management and Property Services	2,477	(10,883)	676	(7,730)	(7,504)	(226)
Finance & Corporate Services	6,618	(330)	3	6,291	7,009	(718)
Contingency and Central Budgets	3,396	(1,721)	12,486	14,161	21,415	(7,254)
<b>Net Cost of Services</b>	<b>204,256</b>	<b>14,617</b>	<b>11,177</b>	<b>230,050</b>	<b>234,390</b>	<b>(4,340)</b>
Other Income and Expenditure	(221,008)	(14,617)	0	(235,625)	(234,390)	(1,235)
<b>Surplus or Deficit</b>	<b>(16,752)</b>	<b>0</b>	<b>11,177</b>	<b>(5,575)</b>	<b>0</b>	<b>(5,575)</b>

2017/18	Net Expenditure Chargeable to the General Fund	Adjustment for elements within the Provision of Service that are not included in the Cost of Services	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position	Budget	Overspend/ (Underspend)
	£000	£000	£000	£000	£000	£000
Public Health	1,476	41	(135)	1,382	1,580	(198)
People Directorate Management	1,415	0	0	1,415	1,535	(120)
Education and Skills	(14,454)	24,219	2,437	12,202	12,485	(283)
Children and Young People's Services	73,111	(279)	148	72,980	70,329	2,651
Adult Social Care	75,016	1,344	4,351	80,711	81,947	(1,236)
Customer Services & Transformation	2,622	33	973	3,628	2,890	738
Place Directorate Management	1,111	569	2,082	3,762	3,705	57
Business, Investment & Culture	7,852	(850)	455	7,457	7,208	249
Transportation & Highways	(482)	4,563	492	4,573	4,204	369
Streetscene & Regulatory Services	28,563	(30)	(169)	28,364	27,315	1,049
Project Management and Property Services	2,571	(10,480)	(482)	(8,391)	(7,635)	(756)
Finance & Corporate Services	9,954	(417)	(163)	9,374	6,942	2,432
Contingency and Central Budgets	(7,909)	15,477	5,887	13,455	19,975	(6,520)
<b>Net Cost of Services</b>	<b>180,846</b>	<b>34,190</b>	<b>15,876</b>	<b>230,912</b>	<b>232,480</b>	<b>(1,568)</b>
Other Income and Expenditure	(198,290)	(34,190)	0	(232,480)	(232,480)	0
<b>Surplus or Deficit</b>	<b>(17,444)</b>	<b>0</b>	<b>15,876</b>	<b>(1,568)</b>	<b>0</b>	<b>(1,568)</b>

### 3.5 Segmental Analysis

This note provides an analysis of income by segment and details of the revenue outturn position. These figures exclude the impact of internal recharges.

2018/19	Income from Grants and Contributions	Tax Income	Income from Fees and Charges	Total Income	Total Expenditure	Net Total Expenditure	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position
Service Segment	£000	£000	£000	£000	£000	£000	£000	£000
Public Health	(23,555)	0	(87)	(23,642)	25,887	2,245	398	2,643
People Directorate Management	(126)	0	0	(126)	1,598	1,472	0	1,472
Education and Skills	(195,577)	0	(4,959)	(200,536)	211,632	11,096	2,211	13,307
Children and Young People's Services	(9,631)	0	(1,156)	(10,787)	81,019	70,232	695	70,927
Adult Social Care	(28,516)	0	(17,369)	(45,885)	121,371	75,486	(1,060)	74,426
Customer Services & Transformation	(910)	0	(2,948)	(3,858)	14,640	10,782	365	11,147
Place Directorate Management	(662)	0	(70)	(732)	5,632	4,900	(3,538)	1,362
Business, Investment & Culture	(5,429)	(15)	(1,398)	(6,842)	15,047	8,205	(175)	8,030
Transportation & Highways	(5,436)	0	(9,620)	(15,056)	19,891	4,835	(604)	4,231
Streetscene & Regulatory Services	(960)	0	(14,701)	(15,661)	45,724	30,063	(280)	29,783
Project Management and Property Services	(326)	0	(17,273)	(17,599)	9,193	(8,406)	676	(7,730)
Finance & Corporate Services	(111,929)	0	(2,851)	(114,780)	121,068	6,288	3	6,291
Contingency and Central Budgets	(89,108)	(3,711)	(27,836)	(120,655)	121,095	440	12,486	12,926
<b>Total</b>	<b>(472,165)</b>	<b>(3,726)</b>	<b>(100,268)</b>	<b>(576,159)</b>	<b>793,797</b>	<b>217,638</b>	<b>11,177</b>	<b>228,815</b>
Net Budget Requirement	0	(234,390)	0	(234,390)	0	(234,390)	0	(234,390)
<b>Surplus or Deficit</b>	<b>(472,165)</b>	<b>(238,116)</b>	<b>(100,268)</b>	<b>(810,549)</b>	<b>793,797</b>	<b>(16,752)</b>	<b>11,177</b>	<b>(5,575)</b>

2017/18	Income from Grants and Contributions	Tax Income	Income from Fees and Charges	Total Income	Total Expenditure	Net Total Expenditure	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position
Service Segment	£000	£000	£000	£000	£000	£000	£000	£000
Public Health	(19,257)	0	(86)	(19,343)	20,880	1,517	(135)	1,382
People Directorate Management	(126)	0	0	(126)	1,541	1,415	0	1,415
Education and Skills	(198,704)	0	(4,886)	(203,590)	213,355	9,765	2,437	12,202
Children and Young People's Services	(8,948)	0	(769)	(9,717)	82,549	72,832	148	72,980
Adult Social Care	(22,192)	0	(16,411)	(38,603)	114,963	76,360	4,351	80,711
Customer Services & Transformation	(653)	0	(2,501)	(3,154)	5,809	2,655	973	3,628
Place Directorate Management	(516)	0	(58)	(574)	2,254	1,680	2,082	3,762
Business, Investment & Culture	(4,926)	0	(1,482)	(6,408)	13,410	7,002	455	7,457
Transportation & Highways	(6,066)	0	(10,646)	(16,712)	20,793	4,081	492	4,573
Streetscene & Regulatory Services	(642)	0	(13,439)	(14,081)	42,614	28,533	(169)	28,364
Project Management and Property Services	(384)	0	(15,996)	(16,380)	8,471	(7,909)	(482)	(8,391)
Finance & Corporate Services	(118,769)	(13)	(4,066)	(122,848)	132,385	9,537	(163)	9,374
Contingency and Central Budgets	(74,732)	(6,158)	(27,467)	(108,357)	115,925	7,568	5,887	13,455
<b>Total</b>	<b>(455,915)</b>	<b>(6,171)</b>	<b>(97,807)</b>	<b>(559,893)</b>	<b>774,929</b>	<b>215,036</b>	<b>15,876</b>	<b>230,912</b>
Net Budget Requirement	0	(232,480)	0	(232,480)	0	(232,480)	0	(232,480)
<b>Surplus or Deficit</b>	<b>(455,915)</b>	<b>(238,651)</b>	<b>(97,807)</b>	<b>(792,373)</b>	<b>774,929</b>	<b>(17,444)</b>	<b>15,876</b>	<b>(1,568)</b>

### 3.6 Income and Expenditure Analysis

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

Expenditure/ Income	2017/18	2018/19
	£000	£000
<b>Income</b>		
Fees, charges and other service income	(72,732)	(70,942)
Interest and investment income	(25,087)	(29,341)
Income from council tax and non-domestic rates	(238,639)	(238,101)
Government grants and contributions	(455,915)	(472,165)
<b>Total Income</b>	<b>(792,373)</b>	<b>(810,549)</b>
<b>Expenditure</b>		
Employee benefits expenses	281,821	288,099
Other services expenses	391,669	389,089
Depreciation, amortisation, impairment	32,804	70,753
Interest payments	45,485	33,218
Precept and levies	15,300	14,801
Payments to Housing Capital Receipts Pool	0	0
(Gain)/Loss on Disposal of Assets	24,646	17,985
(Gain)/loss on revaluation of financial instruments	0	(1,218)
<b>Total Expenditure</b>	<b>791,725</b>	<b>812,727</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>(648)</b>	<b>2,178</b>

### 3.7 Analysis of Capital Grants

2017/18 £000	Grant / Grant Body	2018/19 £000
351	Innovate UK*	28,839
26,164	Department for Communities & Local Government	18,689
3,066	Education Funding Agency	12,890
10,821	West Midlands Combined Authority	7,117
2,199	Whitefriars	3,549
862	European Regional Development Fund	2,839
6,431	Department for Transport	2,369
23	ULEV Taxi Infrastructure Scheme	703
0	Department for Education	189
0	Centro	63
0	Government Office	24
4,964	Department for Business, Innovation & Skills	0
1,455	Sports England	0
3,513	Other Capital Grants & Contributions (Non-Gov)	2,394
<b>59,849</b>	<b>Total</b>	<b>79,665</b>

The Capital Grant total of £79,665k is the amount of grant applied during 2018/19. This represents the total level of grant received of £74,380k plus £5,285k which has been transferred from the Capital Grants Unapplied Reserve (see section 2.3). In addition the Council's Balance Sheet (as at 31/03/2019) reflects Capital Grants received in advance of £8,256k

\*The significant increase in the grant from Innovate UK was due to £28.8m being received for the new Battery Plant facility

### 3.8 Analysis of Revenue Grants

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

2017/18 £000	Grant	2018/19 £000
167,813	Dedicated Schools Grant*	168,239
116,033	Housing Benefit Subsidy	109,377
18,069	Better Care Fund	23,211
22,539	Public Health	21,969
10,914	Pupil Premium Grant	10,756
8,607	Private Finance Initiative Grants	8,607
5,743	Small Business Rates Relief Compensation Grant	6,891
5,738	Skills Funding Agency	5,636
7,615	New Homes Bonus	5,060
3,418	Universal Free School Meals Grant	3,276
2,464	Migration Projects	2,820
2,474	Department of Health - Independent Living Fund	2,396
2,870	Education Funding Agency	2,343
24,325	Other revenue grants & contributions	28,122
<b>398,622</b>	<b>Total</b>	<b>398,703</b>

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

### 3.9 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in

the Schools Budget, as defined in the school Finance and Early Years (England) regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools

Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows:

Notes	Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
<b>A</b>	Final DSG for 2018/19 before Academy Recoupment	33,910	263,865	297,775
<b>B</b>	Academy figure recouped for 2018/19	0	126,604	126,604
<b>C</b>	<b>Total DSG after Academy Recoupment for 2018/19</b>	<b>33,910</b>	<b>137,261</b>	<b>171,171</b>
<b>D</b>	Plus: Brought forward from 2017/18	4,741	0	4,741
<b>E</b>	Less: Carry forward to 2019/20 agreed in advance	3,979	0	3,979
<b>F</b>	Agreed initial budgeted distribution in 2018/19	34,672	137,261	171,933
<b>G</b>	In year adjustments	0	(2,626)	(2,626)
<b>H</b>	Final budgeted distribution for 2018/19	34,672	134,635	169,307
<b>I</b>	Less: Actual central expenditure	32,568	0	32,568
<b>J</b>	Less: Actual ISB deployed to schools	0	134,635	134,635
<b>K</b>	Plus: Local authority contribution for 2018/19	0	0	0
<b>L</b>	<b>Carry forward to 2019/20</b>	<b>2,104</b>	<b>0</b>	<b>6,083</b>

#### Notes

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2019 early years block adjustment.

B: Figure recouped from the authority in 2018/19 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after EFA Academy recoupment for 2018/19

D: Figure brought forward from 2017/18 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 2019.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2019/20 rather than distribute in 2018/19.

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 2018/19 - 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 2018/19 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2019/20, 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 2019/20 already agreed.

### 3.10 Related Party Transactions

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

The Deputy Chief Executive (Place) is also the Chief Executive of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and a senior officer is seconded to the role of Operations Director at the same organisation. A member of Coventry City Council is on the board of CWLEP. CWLEP was given grants of £1,024,951, and the Council received £15,000 in 2018/19. CWLEP is a company limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity. The LEP also has a role in coordinating elements of government funding for growth.

#### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances is shown in note 3.33. During 2018/19, works and services to the value of £804,536 were commissioned from organisations that 18 members had an interest in (most of which are not for profit). Contracts were entered into in full compliance with the council's standing orders. In addition, the Council paid grants totalling £3,931,090 to voluntary organisations in which 13 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.

The sum of £703,784 was received from organisations with which 17 members declared an interest. There was a debtors balance of £234,127 with companies in which 18 members declared an interest; and a creditors balance of £200,895 in which 15 members declared an interest.

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

#### **Senior Officers**

In addition, during 2018/19, works and services to the value of £43,903 were commissioned from companies that 2 senior officers had an interest. Grants to the value of £792,621 were made to voluntary bodies in which 2 senior officers had an interest. Contracts were entered into in full compliance with the Council's standing orders. In all instances, the payments were made with proper consideration to declarations of interest. The sum of £661,469 was received from organisations with which 2 senior officers declared an interest. There was a debtors balance of £78,724 with companies in which 2 senior officers declared an interest; and a creditors balance of £276,429 in which 2 senior officer declared an interest.

#### **Central Government**

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

#### **Other Public Bodies**

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

- Pension payments are made to the West Midlands Metropolitan Authorities Pension Fund, The Teachers' Pension Agency and the NHS Business Service Authority. Further details are included in section 3.30.
- Precept payments are made to the West Midlands Crime and Police Commissioner and the West Midlands Fire Authority, and these are shown within the Collection fund Income and Expenditure Statements (Section 3.38).
- Levy payments are made to the West Midlands Combined Authority and to the Environment Agency. These are shown within the Income and expenditure Statement 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 interests (shareholdings), representation at board of director level and significant financial influence in a number of companies. Details of transactions with those companies are as follows;

### **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 £7,485,109 to the company for services received and in return provided services to the value of £111,297 of which £18,656 was unpaid as at 31<sup>st</sup> March 2019.

In addition, the Council received Business Rates payments of £625,635 and dividends of £7,040,052

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

There remains a balance outstanding of £5,000 on the cash flow assistance loan provided by the City Council to CNR. CNR receives contributions from the City Council to cover its expenses. In 2018/19 the total was £4,963 of which £2,800 related to administrative services provided by the City Council.

During 2018/19 NCH placed a cash deposit of £2,700,000 with the City Council. This was repaid to NCH including interest of £19,722 in March 2019. NCH supplied services to the City Council to the value of £191,206. The City Council provided services to the value of £7,312.

### **Culture Coventry Ltd**

Payment of £1,527,811 was made to Culture Coventry Trust on a long term arrangement for the provision of museum and tourist information services on behalf of the authority. In addition, the authority provided;

- Services to the Trust totalling £69,135 of which £2,457 was unpaid as at 31<sup>st</sup> March 2019.
- A revolving cash flow facility of £600k of which £62,953 was repaid this year leaving £199,224 outstanding.
- Contributions to restructure, exit and redundancy costs of £110,555.

The Trust paid the City Council

- £200,173 to cover part of their pension deficit
- £23,800 in interest in respect of the revolving cash flow facility

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

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

CAPL paid the City Council £850,403 in respect of rent on long lease agreements and £733,530 in respect of loan repayments.

The City Council provided services to CAPL totalling £77,492 of which £13,582 was unpaid as at 31<sup>st</sup> March 2019. The City Council also provided further a loan facility of £732,000.

CAPL provided services to the City Council totalling £73,741

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

The City Council paid UKBIC £578,846 towards running costs.

### **Friargate JV Project Ltd**

The City Council paid £494,750 to cover it's share of a Stamp Duty Land Tax liability.

## 3.11 Pooled Budgets

### Better Care Fund

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

There are 14 separate work-streams within the BCF pooled budget arrangements. These work-streams, together with the respective contributions from the two partner organisations and an analysis of the expenditure made by the City Council, are outlined in the table below. The City Council's expenditure is analysed according to the nature of the resourcing and decision making involved.

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

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

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

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

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

Better Care Fund 2017/18 Workstreams	Coventry City Council	Coventry and Rugby CCG	Total	Coventry City Council	Coventry City Council	Coventry City Council	Coventry City Council
	Contribution	Contribution	Contribution	Expenditure Internal	Expenditure Lead Commissioner	Expenditure Shared	Expenditure Total
	£000	£000	£000	£000	£000	£000	£000
Urgent Care	0	(6,587)	(6,587)	0		0	0
Out of Hospital & Nursing Care	(6,677)	(28,959)	(35,636)	6,677		0	6,677
Voluntary Sector Review	(1,672)	(925)	(2,597)	1,642		0	1,642
Short Term Care	(3,145)	(6,708)	(9,853)	1,653		1,071	3,658
Dementia	(7,411)	(3,664)	(11,075)	7,411		0	7,411
Care Act Implementation	0	(883)	(883)	0		575	575
Disabled Facility Grants	(3,900)	0	(3,900)	2,721		0	2,721
Acceleration Fund	0	(2,093)	(2,093)	0		63	63
Protecting Social Care	(5,815)	(7,439)	(13,254)	5,146		7,439	12,585
Community Promoting Independence	(300)	0	(300)	155		0	155
Discharge to Assess Support	(1,300)	0	(1,300)	1,193		0	1,193
Improving System Flow	(200)	0	(200)	90		0	90
Integrating Commissioning	(200)	0	(200)	34		0	34
Whole System Prevention	(300)	0	(300)	68		0	68
<b>Total</b>	<b>(30,920)</b>	<b>(57,258)</b>	<b>(88,178)</b>	<b>26,790</b>		<b>9,085</b>	<b>36,872</b>

The following table provides details of the total contribution and expenditure made by the two partner organisations during 2018/19, with comparative information for the previous year.

(Surplus) / Deficit	Coventry City Council	Coventry and Rugby CCG	Total	Coventry City Council	Coventry and Rugby CCG	Total
	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
	£000	£000	£000	£000	£000	£000
Contribution	(35,955)	(58,347)	<b>(94,302)</b>	(30,920)	(57,258)	<b>(88,178)</b>
Expenditure	42,589	47,527	<b>90,116</b>	36,872	47,802	<b>84,674</b>
<b>Net Position</b>	<b>6,634</b>	<b>(10,820)</b>	<b>(4,186)</b>	<b>5,952</b>	<b>(9,456)</b>	<b>(3,504)</b>

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 2019 are outlined in the following table, together with the position as at 31<sup>st</sup> March 2018 for comparative purposes.

(Surplus) / Deficit	Coventry	Coventry and	Total	Coventry	Coventry and	Total
	City Council	Rugby CCG		City Council	Rugby CCG	
	31st March	31st March		31st March	31st March	
	2019	2019		2019	2018	
	£000	£000	£000	£000	£000	£000
Retained	(2,643)	0	<b>(2,643)</b>	(3,196)	0	<b>(3,196)</b>
Carried Forward	(1,543)	0	<b>(1,543)</b>	(308)	0	<b>(308)</b>
<b>Total</b>	<b>(4,186)</b>	<b>0</b>	<b>(4,186)</b>	<b>(3,504)</b>	<b>0</b>	<b>(3,504)</b>

### 3.12 External Audit Costs

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

2017/18*	Audit Fees	2018/19
£000		£000
176	Fees Payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	134
34	Fees payable in respect of other services provided by external auditors during the year in relation to other services	30
<b>210</b>	<b>Total Fees</b>	<b>164</b>

\*2017/18 costs have been restated for an additional charge relating to an enhanced audit report.

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 2018/19 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 the certification of the Housing Benefit Subsidy Claim (£16,000).

### 3.13 Usable and Unusable Reserves

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

#### Usable Reserves

Usable Reserves	Balance at 31st March 2017 £000	Contributions from reserves 2017/18 £000	Contributions to reserves 2017/18 £000	Balance at 31st March 2018 £000	Contributions from reserves 2018/19 £000	Contributions to reserves 2018/19 £000	Balance at 31st March 2019 £000
<b>General Fund Balance - Uncommitted *</b>	<b>(3,134)</b>	<b>0</b>	<b>(1,568)</b>	<b>(4,702)</b>	<b>0</b>	<b>(5,575)</b>	<b>(10,277)</b>
<b>Earmarked Revenue Reserves:</b>							
Schools Reserves (specific to individual schools)	(18,126)	0	(1,464)	(19,590)	0	(718)	(20,308)
Schools Reserves (retained centrally)	(4,493)	1,053	(1,302)	(4,742)	1,834	(3,176)	(6,084)
<b>Total Schools Reserves</b>	<b>(22,619)</b>	<b>1,053</b>	<b>(2,766)</b>	<b>(24,332)</b>	<b>1,834</b>	<b>(3,894)</b>	<b>(26,392)</b>
Adult Social Care	(18)	19	(4,799)	(4,798)	6,187	(4,923)	(3,534)
Public Health	(740)	402	(268)	(606)	199	(381)	(788)
Troubled Families	(686)	200	0	(486)	531	(1,140)	(1,095)
Leisure Development	(894)	416	(1,121)	(1,599)	320	(55)	(1,334)
Kickstart Project	(2,986)	280	(2,362)	(5,068)	3,790	0	(1,278)
City of Culture	0	0	(4,750)	(4,750)	0	0	(4,750)
Potential Loss of Business Rates Income	(1,970)	700	(2,144)	(3,414)	0	(4,321)	(7,735)
Early Retirement and Voluntary Redundancy	(8,261)	0	0	(8,261)	0	(1,809)	(10,070)
Commercial Developments	0	0	0	0	0	(4,000)	(4,000)
Insurance Fund	(1,786)	1,415	(1,224)	(1,595)	989	(1,092)	(1,698)
Management of Capital	(5,566)	721	(1,487)	(6,332)	2,120	(1,187)	(5,399)
Private Finance Initiatives	(11,308)	1,324	(797)	(10,781)	1,341	(729)	(10,169)
Other Directorate	(5,839)	4,972	(6,327)	(7,194)	4,926	(7,221)	(9,489)
Other Directorate funded by Grant	(2,785)	963	(371)	(2,193)	1,146	(517)	(1,564)
Other Corporate	(5,373)	962	(887)	(5,298)	1,319	(4,610)	(8,589)
<b>Revenue Earmarked Reserves (Non-School)</b>	<b>(48,212)</b>	<b>12,374</b>	<b>(26,537)</b>	<b>(62,375)</b>	<b>22,868</b>	<b>(31,985)</b>	<b>(71,492)</b>
<b>Total Revenue Earmarked Reserves</b>	<b>(70,831)</b>	<b>13,427</b>	<b>(29,303)</b>	<b>(86,707)</b>	<b>24,702</b>	<b>(35,879)</b>	<b>(97,884)</b>
<b>Other Usable Reserves:</b>							
Useable Capital Receipts Reserve	(20,489)	13,063	(16,552)	(23,978)	10,752	(8,241)	(21,467)
Capital Grant Unapplied Account	(9,737)	9,737	(7,179)	(7,179)	14,359	(9,074)	(1,894)
<b>Total Other Usable Reserves</b>	<b>(30,226)</b>	<b>22,800</b>	<b>(23,731)</b>	<b>(31,157)</b>	<b>25,111</b>	<b>(17,315)</b>	<b>(23,361)</b>
<b>Total Usable Reserves</b>	<b>(104,191)</b>	<b>36,227</b>	<b>(54,602)</b>	<b>(122,566)</b>	<b>49,813</b>	<b>(58,769)</b>	<b>(131,522)</b>

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

**Unusable Reserves**

Capital Adjustment Account [CAA] £000	2017/18		Category of Reserve Movement	2018/19		
	Revaluation Reserve [RR] £000	CAA & RR Combined £000		Capital Adjustment Account [CAA] £000	Revaluation Reserve [RR] £000	CAA & RR Combined £000
<b>(473,897)</b>	<b>(169,486)</b>	<b>(643,383)</b>	<b>Opening Balance</b>	<b>(499,833)</b>	<b>(194,404)</b>	<b>(694,237)</b>
25,426	0	25,426	Depreciation	28,157	0	28,157
35,833	0	35,833	Derecognitions	35,416	0	35,416
(5,202)	(31,950)	(37,152)	Revaluations	6,865	(6,259)	606
(15,721)	0	(15,721)	Investment Property Revaluations	(9,096)	0	(9,096)
1,988	0	1,988	Intangibles	1,340	0	1,340
(59,849)	0	(59,849)	Capital grants and contributions applied	(79,665)	0	(79,665)
14,687	0	14,687	Revenue Expenditure funded from Capital	25,767	0	25,767
(12,211)	0	(12,211)	Capital receipts applied	(10,586)	0	(10,586)
10,029	0	10,029	Disposal of Assets	4,870	0	4,870
766	0	766	Repayment of Loans	514	0	514
(2,680)	0	(2,680)	Capital Expenditure funded from Revenue	(2,771)	0	(2,771)
(1,137)	0	(1,137)	Issue of Loans	(1,250)	0	(1,250)
(7,032)	7,032	0	Written out of the Revaluations Reserve	(19,216)	19,216	0
(10,241)	0	(10,241)	Revenue provision for the Repayment of Debt	(10,904)	0	(10,904)
(721)	0	(721)	Management of Capital Reserve	(1,764)	0	(1,764)
(58)	0	(58)	Deferred Capital - Amortised credit	(73)	0	(73)
0	0	0	Impairment of Financial Assets	78	0	78
0	0	0	Revaluation of Financial Assets	(1,218)	0	(1,218)
187	0	187	Other Gains and Losses	195	0	195
<b>(499,833)</b>	<b>(194,404)</b>	<b>(694,237)</b>	<b>Closing Balance</b>	<b>(533,174)</b>	<b>(181,447)</b>	<b>(714,621)</b>

**Capital Adjustment Account**

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

**Revaluation Reserve**

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

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

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

**Financial Instruments Adjustment Account**

This account provides a balancing mechanism between the different rates at which the gains and losses (such as premiums on the early repayment of debt) are recognised under the Code Of Practice on Local Authority Accounting and those required by statute to be met from the General Fund.

**Collection Fund Adjustment Account**

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

**Pension Reserve**

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

**Accumulated Absences Account**

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

**Available for Sale Financial Instruments Reserve**

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.

2017/18 £000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	2018/19 £000
	<b>Reversal of items debited or credited to the CIES</b>	
	<b>Usable Reserves</b>	
(2,558)	<b>Capital grants &amp; contributions unapplied movement to CIES</b>	(5,285)
	<b>Unusable Reserves</b>	
(25,428)	Charges for depreciation of non-current assets	(28,159)
(35,833)	Charges for derecognition of non-current assets	(35,416)
20,923	Revaluation of Property, Plant & Equipment & Assets Held for sale	2,231
(1,988)	Amortisation of intangible assets	(1,340)
59,849	Capital grants and contributions applied	79,665
(14,687)	Revenue expenditure funded from capital under statute	(25,767)
(437)	Loss on Disposal funded from Capital Receipts	(167)
(22,254)	Retirement benefit adjustments debited or credited to the CIES	(20,905)
587	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	(2,608)
(98)	Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)	728
(185)	Rescheduling of Finance Lease Repayments	(193)
(10,398)	Movement in Debt Redemption Premia	384
875	Reversal of impact of Soft Loans and Stepped Loan on the General Fund Balance, in line with statutory requirements	0
58	Amortised Deferred Receipts	73
0	Loss on impairment of debtors	(78)
0	(Gain)/Loss on Revaluation of Fair Value through Profit & Loss Financial Instruments	1,218
	<b>Inclusion of items not debited or credited to the CIES</b>	
10,241	Statutory provision for the financing of capital investment	10,904
1,137	Repayment of Transferred Debt Principal	1,250
3,400	Capital expenditure charged against the General Fund balance.	4,535
<b>(14,238)</b>	<b>Subtotal of adjustments affecting Unusable Reserves</b>	<b>(13,645)</b>
<b>(16,796)</b>	<b>Total Adjustments</b>	<b>(18,930)</b>

### 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
<b>Cost or Valuation</b>							
<b>1st April 2018</b>	<b>869,919</b>	<b>36,722</b>	<b>426,534</b>	<b>15,972</b>	<b>164</b>	<b>45,578</b>	<b>1,394,889</b>
Additions	7,537	2,240	16,084	436	0	44,124	70,421
Revaluation increase/(decreases) to Revaluation Reserve	4,500	0	0	0	0	0	4,500
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(10,680)	0	0	0	0	0	(10,680)
Disposals	(2,275)	0	0	0	0	0	(2,275)
Derecognition	(23,168)	0	(7,284)	(426)	0	0	(30,878)
Reclassifications	6,998	0	(7)	0	0	(9,180)	(2,189)
<b>31st March 2019</b>	<b>852,831</b>	<b>38,962</b>	<b>435,327</b>	<b>15,982</b>	<b>164</b>	<b>80,522</b>	<b>1,423,788</b>
<b>Depreciation and Impairment</b>							
<b>1st April 2018</b>	<b>399,302</b>	<b>29,030</b>	<b>113,558</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>541,908</b>
Depreciation Charge	16,666	2,495	8,998	0	0	0	28,159
Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	(692)	0	0	0	0	0	(692)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,817)	0	0	0	0	0	(3,817)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
<b>31st March 2019</b>	<b>411,459</b>	<b>31,525</b>	<b>122,556</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>565,558</b>
<b>Net Book Value</b>							
<b>31st March 2019</b>	<b>441,372</b>	<b>7,437</b>	<b>312,771</b>	<b>15,982</b>	<b>146</b>	<b>80,522</b>	<b>858,230</b>
<b>1st April 2018</b>	<b>470,617</b>	<b>7,692</b>	<b>312,976</b>	<b>15,972</b>	<b>146</b>	<b>45,578</b>	<b>852,981</b>

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

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total £000
<b>Cost or Valuation</b>							
<b>1st April 2017</b>	<b>846,976</b>	<b>35,073</b>	<b>414,468</b>	<b>15,834</b>	<b>164</b>	<b>41,646</b>	<b>1,354,161</b>
Additions	4,610	1,649	19,505	642	0	48,050	74,456
Revaluation increase/(decreases) to Revaluation Reserve	(19,157)	0	0	0	0	0	(19,157)
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	23,141	0	0	0	0	0	23,141
Disposals	(3,000)	0	0	0	0	0	(3,000)
Derecognition	(26,760)	0	(7,439)	(504)	0	0	(34,703)
Reclassifications	44,109	0	0	0	0	(44,118)	(9)
<b>31st March 2018</b>	<b>869,919</b>	<b>36,722</b>	<b>426,534</b>	<b>15,972</b>	<b>164</b>	<b>45,578</b>	<b>1,394,889</b>
<b>Depreciation and Impairment</b>							
<b>1st April 2017</b>	<b>417,878</b>	<b>26,924</b>	<b>104,908</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>549,719</b>
Depreciation Charge	14,660	2,106	8,650	0	9	0	25,425
Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	(50,486)	0	0	0	0	0	(50,486)
Depreciation written out to the Surplus/Deficit on the Provision of Services	17,318	0	0	0	0	0	17,318
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	(68)	0	0	0	0	0	(68)
<b>31st March 2018</b>	<b>399,302</b>	<b>29,030</b>	<b>113,558</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>541,908</b>
<b>Net Book Value</b>							
<b>31st March 2018</b>	<b>470,617</b>	<b>7,692</b>	<b>312,976</b>	<b>15,972</b>	<b>146</b>	<b>45,578</b>	<b>852,981</b>
<b>1st April 2017</b>	<b>429,098</b>	<b>8,149</b>	<b>309,560</b>	<b>15,834</b>	<b>155</b>	<b>41,646</b>	<b>804,442</b>

Revaluation of Fixed Assets is undertaken within a 5 year rolling programme. This is a re-assessment of asset valuations and has been undertaken by qualified City Council staff in accordance with the "Royal Institute of Chartered Surveyors Appraisal and Valuation Manual". The valuation bases used for the fixed asset classifications are detailed in the accounting policies, see section 5.7. In

addition, a review is undertaken by the Council's valuer to determine whether the carrying amount of other assets, not due for valuation as part of the rolling programme, is consistent with their current value. The valuer has considered both external factors, such as market conditions and changes in the regulatory environment, and internal factors, such as obsolescence and physical damage.

There was also a review of specialist PPE, of which schools are the most significant. For the build costs the BCIS all-in Tender Price Index was applied and for land the Knight Frank Residential Development land Index. There was no change required to the value of schools because of this review.

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 2018/19 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 2018 and the carried forward balance on 31st March 2019. 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 2018 £000	31st March 2019 £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
<b>Total</b>	<b>25,893</b>	<b>25,893</b>

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

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

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

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

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

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

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

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

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

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

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

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

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



### 3.17 Non-Operational Assets

The tables below show the movement in the City Council's Non-Operational Assets during 2018/19, followed by comparative movements for the previous year.

	Investment Property	Assets Held for Sale	Heritage Assets	Under Construction*	Total
	£000	£000	£000	£000	£000
<b>1st April 2018</b>	<b>165,407</b>	<b>4,819</b>	<b>25,893</b>	<b>8,903</b>	<b>205,022</b>
Additions	6,873	0	0	29,999	36,872
Revaluation increase/(decrease) to Revaluation Reserve	0	1,066	0	0	1,066
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	9,157	(61)	0	0	9,096
Disposals	0	(2,595)	0	0	(2,595)
Derecognition	(4,246)	(292)	0	0	(4,538)
Reclassifications	2,188	1	0	0	2,189
<b>31st March 2019</b>	<b>179,379</b>	<b>2,938</b>	<b>25,893</b>	<b>38,902</b>	<b>247,112</b>

	Investment Property	Assets Held for Sale	Heritage Assets	Under Construction*	Total
	£000	£000	£000	£000	£000
<b>1st April 2017</b>	<b>160,370</b>	<b>5,008</b>	<b>25,893</b>	<b>3,507</b>	<b>194,778</b>
Additions	1,135	0	0	5,396	6,531
Revaluation increase/(decrease) to Revaluation Reserve	0	0	0	0	0
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	8,931	6,790	0	0	15,721
Disposals	(80)	(6,949)	0	0	(7,029)
Derecognition	(4,917)	0	0	0	(4,917)
Reclassifications	(32)	(30)	0	0	(62)
<b>31st March 2018</b>	<b>165,407</b>	<b>4,819</b>	<b>25,893</b>	<b>8,903</b>	<b>205,022</b>

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

The Council changed its approach in 2017/18 so that a higher proportion of its investment properties is revalued each year. As a result, over 80% of investment properties have been revalued. The remaining assets have been subject to a review to ensure that there have been no material changes to their value.

There are some property interests held under operating leases that the authority sub-lets. These properties are accounted for as Investment Properties.

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

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

Type of Investment Property	31st March 2018 £000	31st March 2019 £000
Commercial	138,215	140,797
Office Units	16,930	17,803
Agricultural	4,730	10,307
Residential	2,359	7,811
Other	3,173	2,661
<b>Total</b>	<b>165,407</b>	<b>179,379</b>

### 3.18 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2018/19 has been financed:

31st March 2018 £000		31st March 2019 £000
<b>380,813</b>	Opening Capital Financing Requirement	<b>400,518</b>
	<b>Capital Investment</b>	
74,456	Property, Plant and Equipment	70,421
6,531	Investment Properties	36,872
1,988	Intangible Assets	1,340
14,687	Revenue Expenditure Funded from Capital Under Statute	25,767
9,147	Investments	10,495
<b>106,809</b>	<b>Total Capital Investment</b>	<b>146,905</b>
	<b>Sources of Finance</b>	
(12,211)	Capital Receipts	(10,586)
(59,849)	Government Grants and Other Contributions	(79,665)
(3,400)	Revenue Contributions	(4,535)
(10,241)	Revenue Provision for Debt Repayment	(10,904)
(266)	Donated Assets	(208)
(1,137)	Other Adjustments	(1,250)
<b>(87,104)</b>	<b>Total from Sources of Finance</b>	<b>(107,148)</b>
<b>400,518</b>	<b>Closing Capital Financing Requirement</b>	<b>440,275</b>
	<b>Explanation of movement in year</b>	
(10,241)	Revenue Provision for Debt Repayment	(10,904)
(1,014)	Repayment of Transferred Debt Principal	(1,115)
31,083	Capital Investment funded by borrowing	51,911
0	Capital Receipts Applied to Repay Debt	0
0	Assets acquired under PFI/PPP contracts	0
0	Reduction of Capitalised Provision	0
(123)	Restatement of Historic Debt Liability	(136)
<b>19,705</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>39,756</b>

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£146,697) includes all the items recorded under capital investment above (£146,905k) less new assets recorded as part of the Street Lighting PFI contract (£208k) see section 3.28.

### 3.19 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2014/15 to 2018/19. 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	7,437	312,771	15,982	0	80,522	416,712
Valued at current value as at:							
31st March 2015	53,819	0	0	0	0	0	53,819
31st March 2016	5,740	0	0	0	146	0	5,886
31st March 2017	18,934	0	0	0	0	0	18,934
31st March 2018	270,003	0	0	0	0	0	270,003
31st March 2019	92,876	0	0	0	0	0	92,876
<b>Total Cost or Valuation</b>	<b>441,372</b>	<b>7,437</b>	<b>312,771</b>	<b>15,982</b>	<b>146</b>	<b>80,522</b>	<b>858,230</b>

### 3.20 Capital Commitments

The City Council approved capital programme for 2018/19 of £262.4m and a provisional programme of £239.6m for 2019/20 and £191.2m for 2020/21. The following are significant contracts legally committed to finish projects already started on 31st March 2019.

Significant Capital Commitments 2018/19	Outstanding Commitment £000	Contract Value £000	Date for Completion
Whitley South (Buckingham Group)	22,052	46,552	01/09/2020
Alan Higgs 50m Project (Galliford Try)	7,477	11,325	15/10/2019
Nuneaton Town Centre Transformation (Warwickshire County Council)	7,340	7,500	31/12/2021
Station Masterplan - FB&C Construction Costs (Buckingham Group)	6,579	9,518	06/05/2020
Salt Lane Car Park (Buckingham Group)	5,269	11,262	05/08/2019
Coventry Very Light Rail (University of Warwick)	4,120	6,007	31/03/2021
WMG Apprenticeship Learning Academy (Warwick University)	4,061	10,000	31/12/2019
A452 Europa Way Corridor (Warwickshire County Council)	3,574	3,600	31/03/2021
A46 N-S Corridor (Stanks) - (Warwickshire County Council)	3,450	4,100	31/12/2019
City Centre South -Developer Agreement (Shearer Property Group)	3,204	3,204	21/03/2023
City Centre South - Cov Point demolition contractor (CNC Group Holding Ltd)	2,651	2,756	22/05/2020
City Centre Destination Lesiure Facility (Buckingham Group)	1,805	29,114	18/04/2019
Warwick Arts Centre 20:20 (Warwick University)	1,146	2,000	31/03/2020
RSC Costume Workshop Redevelopment (Royal Shakespeare Company)	1,000	1,000	31/03/2020
CSW Broadband (Warwickshire County Council)	791	1,000	31/12/2019
Station Masterplan - Phase 2 (Buckingham Group)	739	739	08/06/2019
New Offices at Friargate (Friargate LLP)	670	40,500	31/03/2017
Station Masterplan - Foot Bridge & Canopies APA Agreement (Network Rail)	661	914	06/05/2020
Heatline (Engie)	538	1,230	01/05/2019
Shakespeare's Henley Street (Royal Shakespeare Company)	462	462	31/03/2021
Station Masterplan - Highways Detailed Design (Atkins)	138	138	08/08/2019
ICT Strategy Systems & Development (Arcus Global Ltd)	133	250	31/03/2019
Swanswell Viaduct Refurbishment (jackson Civil Engineering)	113	4,600	25/05/2018
Station Masterplan Consultancy Fees (WSP Ltd)	112	1,091	31/12/2020
	<b>78,085</b>	<b>198,862</b>	

### 3.21 Long Term Investments

The City Council has long term investments in a number of companies. Details of the investments are shown below and further details of the companies are shown in section 3.35 Associated Company Interests & Holdings.

31st March 2018 £000	Long Term Investments	31st March 2019 £000
51,667	Coventry Solihull Waste Disposal Co (CSWDC)	57,000
29,169	Birmingham Airport Holdings Ltd	29,252
12,006	Coombe Abbey Park Ltd	11,359
0	Friargate Joint Venture Project Limited	10,495
2,703	North Coventry Holdings Limited	2,703
0	UK Battery Industrialisation Centre Limited	0
0	Uni Warwick Science Park Innovation Centre Ltd	0
<b>95,545</b>	<b>Total Long Term Investments</b>	<b>110,809</b>

A valuation exercise undertaken jointly with BDO LLP in 2018 valued the Council's shareholding in Birmingham Airport Holdings Limited at £29.2m. A subsequent valuation in 2019 again undertaken jointly with BDO LLP has resulted in a marginally increased valuation of £29.3m.

A valuation exercise undertaken jointly with BDO LLP in 2018 valued the Council's shareholding in the Coventry and Solihull Waste Disposal Company at £51.7m. A subsequent valuation exercise in 2019 again undertaken jointly with BDO LLP has resulted in a revised valuation of £57.0m.

The Council completed the purchase of a 100% shareholding in Coombe Abbey Park Limited in December 2017. The Company owns and operates the Coombe Abbey Hotel which is situated just outside the city boundary. The fair value of the investment was calculated to be

£12.0m in 2017/18. An updated valuation exercise undertaken jointly with BDO LLP in 2019 has reduced the valuation to £11.4m.

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

Details of the Council's investment in North Coventry Holdings Limited are provided in section 3.35.

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 2019.

The UK Battery Industrialisation Centre Ltd was incorporated in February 2018 and the Council is currently the sole shareholder. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group and Coventry & Warwickshire Local Enterprise Partnership. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency. As a result, activity within the company has been minimal to date and it is held at nil value as at 31<sup>st</sup> March 2019.

See section 3.35 for further details regarding the Council's company interests.

## 3.22 Long Term Debtors

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

Long term debtors include a number of different types of financial assets, including loans provided for service purposes and debtors arising from finance lease disposals. Under IFRS9 debtors are accounted for as either at amortised cost or fair value through profit and loss, with the former being assessed for impairment. Transitional disclosures are included in section 3.34.

31st March 2018	Long Term Debtors	31st March 2019		
		Gross Debtor £000	Impairment £000	Net Debtor £000
£000				
0	Museum of British Road Transport	110	0	110
67	Housing Loans	67	0	67
1,066	Binley Innovation Centre	1,066	(43)	1,023
846	Residential Property Debts	706	0	706
5	Coventry North Regeneration Ltd	5	0	5
130	Mortgages	118	0	118
236	Belgrade Theatre	222	0	222
36	Commercial Property	0	0	0
4,733	City College Car Park	4,337	(13)	4,324
2	Car Loans	2	0	2
4,472	Coombe (2013)	4,013	(9)	4,004
2,629	BDW Trading Ltd	0	0	0
510	Culture Coventry Trust - Pension	120	(20)	100
262	Culture Coventry Trust - Revolving Loan	199	(13)	186
3,787	Belgrade Plaza	3,789	0	3,789
0	Friargate LLP	5,051	(11)	5,040
0	Coombe (2018)	600	0	600
0	CAWAT	1,150	(13)	1,137
<b>18,781</b>	<b>Total held at amortised cost</b>	<b>21,555</b>	<b>(122)</b>	<b>21,433</b>
		<b>Gross Debtor</b>	<b>Revaluation</b>	<b>Net Debtor</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
128	Pathways to Care Loans	265	87	352
1,981	Kickstart	1,966	1,132	3,098
<b>2,109</b>	<b>Total held at fair value through profit and loss</b>	<b>2,231</b>	<b>1,219</b>	<b>3,450</b>
<b>20,890</b>	<b>Total Long Term Debtors</b>	<b>23,786</b>	<b>1,097</b>	<b>24,883</b>

### 3.23 Short Term Debtors

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

31st March 2018				Debtors Classification	31st March 2019			
Debtor	Payment In Advance	Impairment Allowance	Total		Debtor	Payment In Advance	Impairment Allowance	Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
12,424	0	0	<b>12,424</b>	Central Government Bodies	15,289	0	0	<b>15,289</b>
7,129	0	0	<b>7,129</b>	Other Local Authorities	4,934	13	0	<b>4,947</b>
632	0	0	<b>632</b>	NHS Bodies	1,810	0	0	<b>1,810</b>
0	0	0	<b>0</b>	Public Corporations	0	0	0	<b>0</b>
31,849	10,841	(13,794)	<b>28,896</b>	All Other Bodies	46,788	9,841	(12,493)	<b>44,136</b>
13,854	0	(5,533)	<b>8,321</b>	Debts Relating to Local Taxation	17,123	0	(7,435)	<b>9,688</b>
<b>65,888</b>	<b>10,841</b>	<b>(19,327)</b>	<b>57,402</b>	<b>Total Debtors</b>	<b>85,944</b>	<b>9,854</b>	<b>(19,928)</b>	<b>75,870</b>

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

31st March 2018			Debts Relating to Local Tax	31st March 2019		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000s	£000s	£000s		£000s	£000s	£000s
3,467	741	4,208	Less than one year	3,982	1,172	5,154
1,343	230	1,573	1-2 years	1,450	427	1,877
1,951	76	2,027	2-6 years	2,013	176	2,189
513	0	513	More than 6 years	468	0	468
<b>7,274</b>	<b>1,047</b>	<b>8,321</b>	<b>Total</b>	<b>7,913</b>	<b>1,775</b>	<b>9,688</b>

### 3.24 Short Term Creditors

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

31st March 2018			Creditors Classification	31st March 2019		
Creditors £000s	Receipts in Advance £000s	Total £000s		Creditors £000s	Receipts in Advance £000s	Total £000s
(8,620)	(332)	<b>(8,952)</b>	Central Government Bodies	(12,707)	(1,589)	<b>(14,296)</b>
344	(20)	<b>324</b>	Other Local Authorities	(402)	(86)	<b>(488)</b>
(2,857)	(5)	<b>(2,862)</b>	NHS Bodies	(3,343)	(5)	<b>(3,348)</b>
0	0	<b>0</b>	Public Corporations	(15)	0	<b>(15)</b>
(40,192)	(9,014)	<b>(49,206)</b>	All Other Bodies	(42,551)	(7,708)	<b>(50,259)</b>
(4,759)	(4,144)	<b>(8,903)</b>	Credits Relating to Local Taxation	(601)	(5,381)	<b>(5,982)</b>
<b>(56,084)</b>	<b>(13,515)</b>	<b>(69,599)</b>	<b>Total Creditors</b>	<b>(59,619)</b>	<b>(14,769)</b>	<b>(74,388)</b>

### 3.25 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that it will have to make a payment to discharge the liability. If it is found that a provision is no longer needed it is returned to revenue. The movement in the City Council's provisions during 2018/19 is explained below:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
<b>31st March 2018</b>	<b>(6,048)</b>	<b>(5,403)</b>	<b>(419)</b>	<b>(11,870)</b>
Increase in provision	0	(9,732)	0	(9,732)
Amounts used	0	3,799	4	3,803
Unused amounts reversed	608	2,837	79	3,524
<b>31st March 2019</b>	<b>(5,440)</b>	<b>(8,499)</b>	<b>(336)</b>	<b>(14,275)</b>

The split between short and long term provisions, as at 31st March 2019, is provided in the following table:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
Short Term Provisions	0	(1,921)	(25)	<b>(1,946)</b>
Long Term Provisions	(5,440)	(6,578)	(311)	<b>(12,329)</b>
<b>Total</b>	<b>(5,440)</b>	<b>(8,499)</b>	<b>(336)</b>	<b>(14,275)</b>

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 Council also maintains an insurance earmarked reserve that is set aside for claims that have been incurred but not yet received as detailed within the note on usable and usable reserves.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2018/19 and earlier financial years although the amount and timing of future payments are uncertain.

### 3.26 Other Funds

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

Other Funds	31st March 2018	31st March 2019
	£000	£000
<b>Trust Funds:</b>		
Tenant Contributions towards essential repairs & maintenance	(1,715)	(1,581)
Social Services Client Funds	(176)	(149)
<b>Trust Funds Total</b>	<b>(1,891)</b>	<b>(1,730)</b>
Other (e.g. Bequests & Charity donations)	(580)	(754)
Developer Contributions (e.g. S106)	(10,422)	(18,785)
<b>Total</b>	<b>(12,893)</b>	<b>(21,269)</b>
<b>Of which:</b>		
Short Term Creditors	(9,773)	(11,313)
Other Long Term Liabilities	(3,120)	(9,957)

### 3.27 Notes to the Cash Flow

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

2017/18 £000	Adjustments for Non Cash Movements	2018/19 £000
(25,428)	Depreciation	(28,159)
(35,833)	Derecognition of Non-current Assets	(35,416)
20,923	Revaluation of Non-current Assets	2,231
(1,988)	Amortisation	(1,340)
(575)	(Increase)/ Decrease in Impairment Provision for Bad Debts	1,301
184	(Increase)/ Decrease in Creditors and Provisions	(14,029)
914	Increase/ (Decrease) in Debtors	18,202
(22)	Increase/ (Decrease) in Inventory	136
(22,254)	Pension Liability	(52,005)
0	Other Non Cash items charged to Net Surplus or Deficit on Provision of Services	856
<b>(64,079)</b>	<b>Total</b>	<b>(108,223)</b>

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

2017/18 £000	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2018/19 £000
42,604	Net Application of grants to capital financing	74,380
(1,468)	Council Tax & Business Rates Adjustments	(3,889)
<b>41,136</b>	<b>Total</b>	<b>70,491</b>

2017/18 £000	Cash Flows from Investing Activities	2018/19 £000
94,619	Purchase of Property, Plant and Equipment, Investment Property & Intangible Assets	108,633
(10,029)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(4,870)
74,832	Purchase of Short Term and Long Term Investments	176,734
(150,424)	Proceeds from Short Term & Long Term Investments	(183,721)
71,347	Other Payments for Investing Activities	12,505
(57,291)	Other Receipts from Investing Activities	(77,943)
<b>23,054</b>	<b>Total</b>	<b>31,338</b>

2017/18 £000	Cash Flows from Financing Activities	2018/19 £000
(44,995)	Cash Receipts of Short and Long Term Borrowing	(66,662)
1,468	Council Tax & Business Rates Adjustments	3,889
2,394	Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts	2,670
42,646	Repayments of Short and Long Term Borrowing	53,876
0	Other Payments for Financing Activities	15
<b>1,513</b>	<b>Total</b>	<b>(6,212)</b>

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

The cash flows for operating activities include the following items:

2017/18 £000	Cash Flows from Interest and Dividends	2018/19 £000
30,572	Interest received	(3,394)
(2,429)	Interest paid	19,537
(7,805)	Dividends received	(9,191)
<b>20,338</b>	<b>Total</b>	<b>6,952</b>

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

2017/18 £000	Breakdown of Cash and Cash Equivalents	2018/19 £000
(132)	Cash held by the council	(32)
(13,561)	Bank current accounts	(26,164)
(2,500)	On call deposits	(425)
<b>(16,193)</b>	<b>Total</b>	<b>(26,621)</b>

### 3.28 Private Finance Initiative (PFI)

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

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

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

#### **Caludon Castle School PFI Contract**

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

In February 2013 Caludon Castle School transferred to Academy Status. 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 2018/19 expenditure on unitary charge payments to the contractor was £3,152k, compared with £3,109k, in 2017/18. 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
2019/20	1,404	712	690	2,806
2020/21 - 2023/24	6,438	2,546	2,069	11,053
2024/25 - 2028/29	9,339	3,126	1,136	13,601
2029/30 - 2033/34	9,802	3,800	(66)	13,536
2034/35	1,510	658	(124)	2,044
<b>Total</b>	<b>28,493</b>	<b>10,842</b>	<b>3,705</b>	<b>43,040</b>

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

The liability held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2018/19 are shown in the tables below.

Loans	£000
Liability brought forward	(11,531)
Unitary Charge (Lease repayment)	689
<b>Liability carried forward (breakdown below)</b>	<b>(10,842)</b>
Long term liability	(10,130)
Current liability	(712)

### New Homes for Old PFI Contract

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

The five sites were transferred to the contractor, under licence, to enable works to take place. All units became operational during 2007/08. Following the commencement of services, the Council entered into a 25 year contract with Anchor Trust.

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

In 2018/19 expenditure on unitary charge payments to the contractor was £7,308k, compared with £7,016k in 2017/18. 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
2019/20	5,247	571	1,679	7,497
2020/21 - 2023/24	21,578	3,460	6,971	32,009
2024/25 - 2028/29	31,806	5,770	7,393	44,969
2029/30 - 2032/33	22,728	5,509	4,232	32,469
<b>Total</b>	<b>81,359</b>	<b>15,310</b>	<b>20,275</b>	<b>116,944</b>

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2018/19 are shown in the tables below.

<b>Operational Assets Other Land &amp; Buildings</b>	<b>£000</b>
<b>Cost or Valuation</b>	
Brought forward	21,758
Adjustment to brought forward position	0
Carried forward	21,758
<b>Depreciation and Impairments</b>	
Brought forward	(13,396)
Adjustment to brought forward position	(209)
Charged this year	0
Carried forward	(13,605)
<b>Balance Sheet carried forward</b>	<b>8,153</b>
<b>Balance Sheet brought forward</b>	<b>8,362</b>
<b>Long Term Loans</b>	<b>£000</b>
<b>Liability brought forward</b>	<b>(16,144)</b>
Unitary Charge (Lease repayment)	0
<b>Liability carried forward (breakdown below)</b>	<b>(15,310)</b>
Long term liability	(14,739)
Current liability	(571)

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 2018/19 expenditure on unitary charge payments to the contractor was £7,927k, compared with £7,585k in 2017/18. 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
2019/20	1,871	1,249	4,358	7,478
2020/21 - 2023/24	9,321	5,323	15,976	30,620
2024/25 - 2028/29	12,333	10,742	16,934	40,009
2029/30 - 2033/34	14,364	16,885	10,923	42,172
2034/35 - 2035/36	4,670	7,386	1,814	13,870
<b>Total</b>	<b>42,559</b>	<b>41,585</b>	<b>50,005</b>	<b>134,149</b>

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

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

Operational Assets - Infrastructure	£000
<b>Cost or Valuation</b>	
Brought forward	50,245
Initial recognition - Donated Asset	208
Carried forward	50,453
<b>Depreciation and Impairments</b>	
Brought forward	(5,530)
Adjustment to brought forward position	0
Charged this year	(1,349)
Carried forward	(6,879)
<b>Balance Sheet carried forward</b>	<b>43,574</b>
<b>Balance Sheet brought forward</b>	<b>44,715</b>

Long Term Loans	£000
<b>Liability brought forward</b>	<b>(42,732)</b>
Adjustment to brought forward position	0
Unitary Charge (Lease repayment)	1,147
<b>Liability carried forward (breakdown below)</b>	<b>(41,585)</b>
Long term liability	(40,336)
Current liability	(1,249)

Donated Assets Account	£000
<b>Donated Assets account brought forward</b>	<b>(1,312)</b>
Donated Assets recognised in year	(208)
Credited to Comprehensive Income & Expenditure account	73
<b>Donated Assets account carried forward</b>	<b>(1,447)</b>

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

### 3.29 Leases

#### Authority as Lessee

##### Finance Leases

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

	31st March 2018 £000	31st March 2019 £000
Other Land and Buildings	2,348	2,426
Vehicles, Plant, Furniture and Equipment	3	0
	<b>2,351</b>	<b>2,426</b>

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

	31st March 2018 £000	31st March 2019 £000
Finance lease liabilities :		
- current	0	0
- non-current	0	0
Finance costs payable in future years	12,243	12,036
<b>Minimum Lease Payments</b>	<b>12,243</b>	<b>12,036</b>

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

	31st March 2018 £000	31st March 2019 £000
Not later than one year	207	202
Later than one year and not later than five years	807	807
Later than five years	11,229	11,027
	<b>12,243</b>	<b>12,036</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 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 2018 £000	31st March 2019 £000
Not later than one year	182	82
Later than one year and not later than five years	155	105
Later than five years	111	87
	<b>448</b>	<b>274</b>

## Authority as Lessor

### Finance Leases

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

	31st March 2018 £000	31st March 2019 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	193	203
- non-current	8,327	8,124
Unearned finance income	27,106	26,670
Unguaranteed residual value of property	0	0
<b>Gross Investment in the lease</b>	<b>35,626</b>	<b>34,997</b>

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

	31st March 2018 £000	31st March 2019 £000
Not later than one year	630	630
Later than one year and not later than five years	2,519	2,519
Later than five years	32,447	31,848
	<b>35,596</b>	<b>34,997</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19, contingent rents receivable by the Authority totalled £75k.

### 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 2018 £000	31st March 2019 £000
Not later than one year	9,947	9,915
Later than one year and not later than five years	28,335	28,907
Later than five years	323,547	323,871
<b>Total</b>	<b>361,829</b>	<b>362,693</b>

### 3.30 Pension Costs

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

The Council's pension deficit remained fairly static in 2018/19. When compared to the total value of everything the Council owns, the overall pension deficit remains a significant matter for consideration. Further details on pension liabilities are provided in note 3.31.

#### Officers

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

In 2017/18 the City Council made an upfront payment of £93,300k to cover employer contributions up to 2019/20. The amount that would have been paid without this upfront payment was £36,877k, (£34,469k in 2017/18), representing 27.3% of employees' pensionable

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

The Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2018/19, this amounted to £1,909k (£2,895k in 2017/18).

No allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. Barnett Waddingham continue to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme.

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

#### Teaching Staff

In 2018/19, the City Council paid £9,059k (£10,163k in 2017/18) to the Department for Education (DfE) for teachers' pension costs, which represents 16.48% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and

additional pension contributions. In 2018/19, these amounted to £2,379k (£2,426k in 2017/18) 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. It is expected that the level of contributions during the next annual reporting period will be £9.9m although the actual level would be significantly affected in the event of transfers of schools to academy status.

#### NHS Staff

Staff who work for the public health service which transferred to the City Council on 1st April 2013 may be members of the NHS Pension Scheme, which is administered by the NHS Business Services Authority. It is a defined benefit scheme. However, as the authority's share of the underlying assets and liabilities cannot be identified, it is treated as a defined contribution scheme. The pension costs charged to the accounts are the employer's contributions payable to NHS Pension Scheme. In 2018/19 the City Council paid £28k to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£48k in 2017/18), which represents 14.3% of pensionable pay.

### 3.31 Retirement Benefits

Coventry participates in the Local Government Pension Scheme (LGPS) through the West Midlands Authorities Pension Fund, which is administered by Wolverhampton Council. This is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

In addition to this scheme, Coventry is also responsible for all pension payments relating to added years awarded for allowing premature retirement of teachers. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liability, and cash has to be generated to meet actual pension payments as they fall due.

Barnett Waddingham LLP, the current actuary for the pension fund, has undertaken the assessment of the value of assets and liabilities on behalf of the member authorities of the West Midlands Pension Fund.

#### Summary of Outcome

The overall decrease in the deficit is analysed as follows:

2017/18				2018/19		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
(578,797)	(34,439)	(613,236)	Deficit b/fwd	(510,135)	(32,110)	(542,245)
(47,453)	0	(47,453)	Current Service Cost	(46,301)	0	(46,301)
98,390	2,426	100,816	Employer Contributions	1,967	2,379	4,346
0	0	0	Past Service Gain/(Loss)	0	0	0
33,010	0	33,010	Return on Assets	31,235	0	31,235
(47,258)	(665)	(47,923)	Interest on Pension Liabilities	(44,174)	(742)	(44,916)
30,477	0	30,477	Remeasurements	51,385	772	52,157
2,023	568	2,591	Curtailement Gain/(Loss)	4,182	0	4,182
(527)	0	(527)	Administration Expenses	(551)	0	(551)
<b>(510,135)</b>	<b>(32,110)</b>	<b>(542,245)</b>	<b>Surplus/(Deficit)</b>	<b>(512,392)</b>	<b>(29,701)</b>	<b>(542,093)</b>

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

Whilst the LGPS deficit remained fairly static within 2018/19 there were some significant movements within the outcome which can largely be explained as follows:

- A decrease in the discount rate which creates a liability increase. Every time there is a decrease in discount rates it drives up the value of pension benefits and increase current service costs.
- A decrease in life expectancy which accounts for a decrease in liabilities
- Continuing benefit of an upfront payment of £93,300k made by the City Council to the Pension Fund in April 2017 which covered the next 3 years pension contributions

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

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

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

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

2017/18			2018/19		
LGPS £000	Teachers £000	Total £000	LGPS £000	Teachers £000	Total £000
<b>Net Cost of Services</b>					
47,453	0	47,453	46,301	0	46,301
0	0	0	0	0	0
(2,023)	(568)	(2,591)	(4,182)	0	(4,182)
527	0	527	551	0	551
<b>45,957</b>	<b>(568)</b>	<b>45,389</b>	<b>42,670</b>	<b>0</b>	<b>42,670</b>
<b>Financing and Investment Income and Expenditure</b>					
47,258	665	47,923	44,174	742	44,916
(33,010)	0	(33,010)	(31,235)	0	(31,235)
<b>14,248</b>	<b>665</b>	<b>14,913</b>	<b>12,939</b>	<b>742</b>	<b>13,681</b>
<b>60,205</b>	<b>97</b>	<b>60,302</b>	<b>55,609</b>	<b>742</b>	<b>56,351</b>
<b>Other Post Employment Benefit Charged to CIES</b>					
(30,477)	0	(30,477)	(51,385)	(772)	(52,157)
<b>29,728</b>	<b>97</b>	<b>29,825</b>	<b>4,224</b>	<b>(30)</b>	<b>4,194</b>
<b>Movement in Reserves Statement</b>					
(60,205)	(97)	(60,302)	(55,609)	(742)	(56,351)
<b>Actual amount charged against the General Fund for pensions in the year:</b>					
(98,390)		(98,390)	1,967		1,967
	2,426	2,426		2,379	2,379

The cumulative amount of re-measurements recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2019 is a loss of £61.61m.

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

<u>Local Government Pension Scheme</u>	2017/18	2018/19
	£000	£000
Opening balance at 1st April	1,197,092	1,248,504
Expected rate of return	33,010	31,235
Re-measurements	(32,190)	14,137
Employer contributions	98,390	1,967
Contributions by scheme participants	8,059	8,313
Benefits paid	(54,462)	(56,651)
Settlements	(868)	(1,147)
Administration Expenses	(527)	(551)
<b>Closing balance at 31st March</b>	<b>1,248,504</b>	<b>1,245,807</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a £45.4m gain (compared to a £0.8m gain in 2017/18).

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	2017/18 £000	2018/19 £000
<b>LGPS &amp; Teachers</b>		
Opening Balance at 1st April	1,810,328	1,790,749
Current Service Cost	47,453	46,301
Interest Cost	47,923	44,916
Contributions from scheme participants	8,059	8,313
Remeasurement (gains) and losses:		
(Gain)/loss arising from changes in financial assumptions	(62,667)	61,429
(Gain)/loss arising from changes in demographic assumptions	0	(99,449)
Experience (gain)/loss	(568)	0
Past service cost	0	0
Losses/(gains) on curtailment	3,539	51
Liabilities assumed on entity combinations	0	0
Benefits paid	(56,888)	(59,030)
Liabilities extinguished on settlements	(6,430)	(5,380)
Closing balance at 31st March	1,790,749	1,787,900

**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 2018	31st March 2019
Rate of CPI inflation	2.35%	2.40%
Rate of increase in salaries	3.85%	3.90%
Rate of increase in pensions	2.35%	2.40%
Discount rate	2.55%	2.40%
<b>Mortality Assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
Men	21.9	20.9
Women	24.3	23.2
<b>Longevity at 65 for future pensioners in 20 years time</b>		
Men	24.0	22.6
Women	26.6	25.0

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

<b>Sensitivity Analysis - LGPS</b>				
<b>Adjustments to Discount Rate</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,728,139	1,758,199	1,788,813
Projected Service Cost	£000	45,658	46,751	47,871
<b>Adjustment to long term salary increase</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,760,900	1,758,199	1,755,518
Projected Service Cost	£000	46,751	46,751	46,751
<b>Adjustment to Pension increases &amp; deferred valuation</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,788,082	1,758,199	1,730,791
Projected Service Cost	£000	47,870	46,751	45,657
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	£000	1,825,612	1,758,199	1,693,353
Projected Service Cost	£000	48,242	46,751	45,306
<b>Sensitivity Analysis - Unfunded Teachers</b>				
<b>Adjustments to Discount Rate</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	29,424	29,701	29,980
<b>Adjustment to Pension increases &amp; deferred valuation</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	29,979	29,701	29,425
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	£000	31,068	29,701	28,394

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

<b>Asset Categories</b>	<b>31st March 2018</b>		<b>31st March 2019</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Equities</b>	797,974	63.9%	736,341	59.1%
<b>Bonds</b>	138,995	11.1%	167,685	13.5%
<b>Property</b>	96,128	7.7%	105,812	8.5%
<b>Cash/Liquidity</b>	30,725	2.5%	39,454	3.2%
<b>Other</b>	184,682	14.8%	196,515	15.8%
<b>Total</b>	<b>1,248,504</b>		<b>1,245,807</b>	

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

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

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

2017/18				2018/19				
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
33	10	37	80	£50,000 - £54,999	38	13	27	78
28	11	19	58	£55,000 - £59,999	26	7	28	61
13	7	25	45	£60,000 - £64,999	17	4	16	37
12	7	10	29	£65,000 - £69,999	13	8	14	35
10	0	9	19	£70,000 - £74,999	13	1	7	21
5	0	5	10	£75,000 - £79,999	1	1	4	6
1	0	4	5	£80,000 - £84,999	3	0	4	7
4	1	1	6	£85,000 - £89,999	3	0	2	5
0	1	3	4	£90,000 - £94,999	1	0	1	2
0	0	0	0	£95,000 - £99,999	0	0	1	1
0	0	2	2	£100,000 - £104,999	0	0	4	4
0	0	2	2	£105,000 - £109,999	0	0	2	2
0	0	2	2	£110,000 - £114,999	0	0	3	3
0	0	0	0	£115,000 - £119,999	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	0	0
0	0	0	0	£155,000 - £159,999	0	0	1	1
0	0	1	1	£160,000 - £164,999	0	0	0	0
0	0	0	0	£170,000 - £174,999	0	0	1	1
0	0	1	1	£195,000 - £199,999	0	0	1	1
0	0	1	1	£200,000 - £204,999	0	0	0	0
<b>106</b>	<b>37</b>	<b>124</b>	<b>267</b>	<b>Total</b>	<b>115</b>	<b>34</b>	<b>117</b>	<b>266</b>

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

The Council is required to disclose details of senior officer's remuneration. This includes: salaries; fees; allowances; bonuses; benefits in kind; expenses allowances; compensation for loss of employment; and pension contributions (employer's contributions and any other emoluments). The tables below provide the required disclosure:

Senior Employees	Salary Inc Fees & Allowances	Loss of Office	Pension Contributions	Total Remuneration
2018/19	£	£	£	£
<b>CHIEF EXECUTIVE</b>				
Martin Reeves	197,340	0	27,873	225,213
<b>MANAGEMENT BOARD</b>				
Deputy Chief Executive (Place) - Martin Yardley	160,654	0	21,373	182,027
Deputy Chief Executive (People) - Gail Quinton	172,711	0	24,093	196,804
Director of Public Health and Well-Being	103,002	0	14,812	117,814
Director of Finance and Corporate Services (Section 151 Officer)	117,619	0	16,613	134,232
City Solicitor & Monitoring Officer	84,007	0	11,865	95,872
<b>TOTAL</b>	<b>835,333</b>	<b>0</b>	<b>116,629</b>	<b>951,962</b>

Senior Employees	Salary Inc Fees & Allowances	Loss of Office	Pension Contributions	Total Remuneration
2017/18	£	£	£	£
<b>CHIEF EXECUTIVE</b>				
Martin Reeves	199,958	0	26,683	226,641
<b>MANAGEMENT BOARD</b>				
Deputy Chief Executive (Place)	134,278	0	17,670	151,948
Deputy Chief Executive (People)	139,998	0	19,321	159,319
Interim Director of Public Health	101,703	0	13,409	115,112
Director of Finance and Corporate Services (Section 151 Officer)	105,033	0	14,836	119,869
Head of Legal Services (Monitoring Officer)	52,719		7,446	60,165
Legal Services Manager Place and Regulatory (Monitoring Officer)	23,202	0	3,277	26,479
<b>TOTAL</b>	<b>756,891</b>	<b>0</b>	<b>102,642</b>	<b>859,533</b>

**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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£000	£000
£0 - £20,000	49	13	155	63	204	76	1,140	411
£20,001 - £40,000	19	2	10	3	29	5	837	142
£40,001 - £60,000	7	1	6	1	13	2	636	112
£60,001 - £80,000	3	1	0	0	3	1	209	78
£80,001 - £100,000	0	0	2	0	2	0	182	0
£100,000 - £150,000	1	0	1	0	2	0	238	0
£150,001 - £200,000	1	0	1	0	2	0	319	0
<b>Total</b>	<b>80</b>	<b>17</b>	<b>175</b>	<b>67</b>	<b>255</b>	<b>84</b>	<b>3,561</b>	<b>743</b>

**3.33 Members' Allowances**

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

Financial Year	2017/18 £000s	2018/19 £000s
Basic Allowances	742	747
Other Allowances	276	282
Expenses	3	2
<b>Total</b>	<b>1,021</b>	<b>1,031</b>

### 3.34 Financial Instruments

Financial instruments include both assets and liabilities.

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

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

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

The Balance Sheet includes the following categories of financial instruments:

	Long Term		Current	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£000	£000	£000	£000
<b>Financial Liabilities</b>				
<b>Loans at Amortised Cost</b>				
- principal sum borrowed	252,140	240,465	32,245	58,012
- accrued interest	0	0	3,707	3,636
<b>Total Borrowing</b>	<b>252,140</b>	<b>240,465</b>	<b>35,952</b>	<b>61,648</b>
<b>Other Long Term Liabilities at amortised cost:</b>				
- PFI arrangements	67,737	65,205	2,670	2,532
- Transferred Debt	13,050	11,674	1,270	1,392
<b>Total Financial Liabilities (excluding creditors)</b>	<b>332,927</b>	<b>317,344</b>	<b>39,892</b>	<b>65,572</b>
<b>Creditors**</b>			<b>40,192</b>	<b>42,551</b>

	Long Term		Current	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£000	£000	£000	£000
<b>Financial Assets</b>				
<b>At amortised Cost</b>				
- Principal sum invested	0	0	17,483	6,916
- Accrued interest	0	0	281	25
- Loss allowance	0	0	0	0
<b>At Fair Value through other comprehensive income</b>				
- Principal at amortised cost	0	0	27,355	30,050
- Accrued interest	0	0	0	294
- Loss allowance	0	0	0	0
- Equity investments elected FVOCI	95,545	110,809	0	0
<b>At Fair Value through profit &amp; loss</b>				
- Fair value	0	0	0	0
<b>Total Investments</b>	<u>95,545</u>	<u>110,809</u>	<u>45,119</u>	<u>37,285</u>
<b>At amortised Cost</b>				
- Principal sum invested	0	0	13,693	26,196
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
<b>At Fair Value through profit &amp; loss</b>				
- Fair value	0	0	2,500	425
<b>Total Cash &amp; Cash Equivalents</b>	<u>0</u>	<u>0</u>	<u>16,193</u>	<u>26,621</u>
<b>At amortised Cost</b>				
- Trade receivables	0	0	28,484	43,104
- Loans made for service purposes	20,890	21,359	3,317	3,647
- Accrued Interest	0	0	48	37
- Loss allowance	0	(122)	0	0
<b>At Fair Value through profit &amp; loss</b>				
- Fair value	0	3,449	0	0
<b>Included in Debtors</b>	<u>20,890</u>	<u>24,686</u>	<u>31,849</u>	<u>46,788</u>
<b>Total Financial Assets</b>	<u>116,435</u>	<u>135,495</u>	<u>93,161</u>	<u>110,694</u>

	Long Term Debtors	Short Term Debtors	Short Term Creditors
	31st March 2018	31st March 2018	31st March 2019
	£000	£000	£000
Included in Financial Instruments	20,890	31,849	40,192
Other Debtors/Creditors	0	25,553	25,553
<b>Total</b>	<b>20,890</b>	<b>57,402</b>	<b>57,402</b>

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

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

The Council has elected to account for a number of investments as equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance. These are divided between those held at 31st March 2019 and those derecognised during 2018/19, with the latter being disposed of as part of realignment of the Council's investment portfolio in the light of cashflow requirements:

	Fair Value		Cumulative Gain/(Loss) in FIRR		Dividends		Cumulative Gain/(Loss) on disposal	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Shareholdings:</b>								
Birmingham Airport Holdings Ltd	29,169	29,252	17,519	17,602	1,898	1,616	0	0
Coventry Solihull Waste Disposal Co (CSWDC)	51,667	57,000	51,667	57,000	5,667	7,040	0	0
Coombe Abbey Park Ltd	12,006	11,359	2,859	2,212	91	500	0	0
Friargate JV Project Limited	0	10,495	0	0	0	0	0	0
North Coventry Holdings Ltd	2,703	2,703	2,703	2,703	0	0	0	0
Coventry North Regeneration Ltd	0	0	0	0	0	0	0	0
University of Warwick Science Park Innovation Centre Ltd	0	0	(154)	(154)	0	0	0	0
UK Battery Industrialisation Centre Limited	0	0	0	0	0	0	0	0
<b>Pooled Funds:</b>								
Payden & Rygel Sterling Reserve Fund	7,953	0	454	1	0	25	0	453
CCLA Local Authorities Property Fund – Lamit Fund	10,545	12,581	478	581	486	538	0	0
Royal London Cash Plus Fund	3,025	0	25	0	0	12	0	25
Royal London Enhanced Cash Plus Fund	4,852	0	52	0	0	21	0	52
Deutsche Bank Managed Sterling Short Fixed Income Fund	1,006	0	6	0	0	5	0	6
Threadneedle Strategic Bond Fund	0	1,501	0	1	0	30	0	0
Investec Diversified Income Fund	0	4,482	0	(18)	0	115	0	0
M&G Optimal Income Sterling	0	1,469	0	(31)	0	49	0	0
M&G Strategic Corporate Bond Fund Sterling	0	2,944	0	(56)	0	108	0	0
M&G UK Income Distribution Fund Sterling	0	2,905	0	(95)	0	98	0	0
Schroder Income Maximiser	0	4,168	0	(332)	0	276	0	0
<b>Total</b>	<b>122,926</b>	<b>140,859</b>	<b>75,609</b>	<b>79,414</b>	<b>8,142</b>	<b>10,433</b>	<b>0</b>	<b>536</b>

The 2018/19 Comprehensive Income and Expenditure Statement include the following amounts in relation to financial instruments:

	Financial Liabilities		Financial Assets		Total £000
	Amortised Cost	Amortised Cost	Elected to fair value through OCI	Fair Value through Profit & Loss	
	£000	£000	£000	£000	
<b>Financial Assets</b>					
Interest expense	19,537	0	0	0	19,537
Impairment losses	0	122	0	0	122
<b>Interest payable and similar charges</b>	<b>19,537</b>	<b>122</b>	<b>0</b>	<b>0</b>	<b>19,659</b>
Interest & Dividend Income	0	(1,533)	(10,292)	(160)	(11,985)
Gains on Derecognition	0	0	(600)	0	(600)
Gains from changes in Fair Value	0	0	0	(1,218)	(1,218)
Impairment loss reversals	0	(226)	0	0	(226)
<b>Interest and investment income</b>	<b>0</b>	<b>(1,759)</b>	<b>(10,892)</b>	<b>(1,378)</b>	<b>(14,029)</b>
<b>Net Impact on Surplus/deficit on provision of services</b>	<b>19,537</b>	<b>(1,637)</b>	<b>(10,892)</b>	<b>(1,378)</b>	<b>5,630</b>
Gains on revaluation	0	(78)	(5,520)	0	(5,598)
Losses on revaluation	0	0	1,179	0	1,179
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>(78)</b>	<b>(4,341)</b>	<b>0</b>	<b>(4,419)</b>
<b>Net (gain) / loss for the year</b>	<b>19,537</b>	<b>(1,715)</b>	<b>(15,233)</b>	<b>(1,378)</b>	<b>1,211</b>

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value, which for most assets is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2019, using the following methods and assumptions:

- for Public Works Loan Board (PWLB) and other local authority loans using the appropriate market rate for such loans as at 31<sup>st</sup> March 2019.
- for "Lenders Option Borrower's Option" market loans (LOBOs) and Stock Issue loans, using the appropriate interest rate swap added to the value of any embedded options.
- for PFI and finance leases using the appropriate corporate bond rate
- for other long term loans and investments using market rates for similar instruments and with similar maturity terms
- for shares, taking into account the company's net assets and expected future profits
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months, including trade payables and receivables, the carrying amount is assumed to approximate fair value.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value Level	31st March 2018		31st March 2019	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial Liabilities at amortised cost</b>					
▪ PWLB	2	206,832	297,092	199,448	288,250
▪ Market Loans	2	38,572	65,949	38,566	63,647
▪ Stock Issue	2	12,246	17,840	12,245	17,463
▪ Other Local Authorities	2	44,321	46,521	64,487	66,404
▪ PFI	2	70,407	124,479	67,737	122,000
▪ Short Term Creditors	n/a	40,192	40,192	42,551	42,551
▪ Other	n/a	442	442	433	433
<b>Total Liabilities</b>		<b>413,012</b>	<b>592,515</b>	<b>425,467</b>	<b>600,748</b>
<b>Financial Assets at fair value:</b>					
▪ Money Market Funds	1	2,500	2,500	425	425
▪ Collective Investment Funds	1	27,542	27,542	30,392	30,392
▪ Corporate and Government Bonds	1	5,063	5,063	6,894	6,894
▪ Shares in Unlisted Companies	3	95,545	95,545	110,809	110,809
▪ Long Term Debtors	3	0	0	3,449	3,449
<b>Financial Assets at amortised cost:</b>					
▪ Short Term Cash Deposits	n/a	12,514	12,514	0	0
▪ Long Term Debtors	3	20,890	26,132	21,236	25,661
▪ Short Term Debtors	n/a	31,849	31,849	46,788	46,788
▪ Bank Accounts	n/a	13,693	13,693	26,196	26,196
<b>Total Financial Assets</b>		<b>209,596</b>	<b>214,838</b>	<b>246,189</b>	<b>250,614</b>

The fair value of financial liabilities reflects the amount of fixed interest debt taken out in the past at higher rates of interest, and includes accrued interest. The fair value figures for PWLB, Market Loans & Stock Issue above have been calculated by the Council's treasury advisors, Arlingclose. The loan stock, which is listed on the London Stock Exchange, totals £12.004m, is at a fixed interest rate of 8.25% and is due to mature for repayment on 5th January 2026. The fair value figure for PFI has been calculated in house, using an Arlingclose calculator. Fair value figures for Other Local Authority, Creditors & Other Liabilities are all calculated in house.

Financial assets and liabilities categorised as Level 3 are:

- Shares in unlisted companies, as included in note 3.21. Fair value is calculated by applying a market based discount rate or multiplier to the forecast earnings set out in the financial plans of the companies. A 5% variation in earnings would alter the value of the shares by £5.7m.

- Long term loans to companies, as included in note 3.22. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2019. A 1% variation in the discount rate would alter the value of the loans by £2.4m.

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

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

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

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

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

#### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers and loans provided by the Council.

Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2018/19 this required that deposits were only made with banks, building societies & corporate bonds with a high quality credit rating (minimum A- long term). In addition, as at 31st March 2019 the policy limited the maximum that can be deposited with an institution at any point in time to £10m. Under the Treasury Management Strategy the Section 151 officer will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

	Long Term		Short Term	
	31st March 2018	31st March 2019	31st March 2018	31st March 2019
	£000	£000	£000	£000
AAA	0	0	24,565	425
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	0	0
A+	0	0	0	0
A	0	0	4,400	0
A-	0	0	0	6,894
BBB+	0	0	8,000	0
Unrated Local Authorities	0	0	0	0
Unrated Building Societies	0	0	0	0
Unrated Pooled Funds	0	0	10,000	30,000
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>46,965</b>	<b>37,319</b>

The deposits set out above as at 31st March 2019 were held with financial institutions domiciled in the following countries:

Country	£000
United Kingdom	36,021
Netherlands	1,298
<b>Total</b>	<b>37,319</b>

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

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

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

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

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

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

The Council manages the credit risk arising from its loans for service purposes, together with any loan commitments in line with the Commercial Investment Strategy approved by Council on 19<sup>th</sup> February 2019.

The authority does not generally allow credit for trade debtors. Loss allowances are calculated by reference to the historic cost of default, viewed on collective basis. £4,335k of the £46,788k trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
<b>Less than three months</b>	2,232
Three to six months	471
Six months to one year	712
More than one year	920
<b>Total</b>	<b>4,335</b>

### Liquidity Risk

As the authority has ready access to borrowings from the PWLB, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This risk is managed through the use of Prudential Indicators, set as part of the Treasury Management Strategy, limiting the amount of borrowing that matures over the next 10 years.

The maturity analysis of financial liabilities is as follows:

Maturity of Financial Liabilities	31st March 2018	31st March 2019
	£000	£000
Less than one year	38,574	58,972
Between one and two years	7,552	1,513
Between two and five years	10,508	15,251
Between six and ten years	22,912	16,656
More than ten years	218,718	218,718
<b>Total</b>	<b>298,264</b>	<b>311,110</b>

In the above table, in order to illustrate liquidity risk, financial liabilities are stated at the value of principal to be repaid in future, rather than at their carrying amounts. As such, they exclude adjustments in arriving at the fair value of stepped interest loans, accrued interest on loans and liabilities in respect of PFI and Finance Leases.

LOBO loans are included in the maturity analysis of financial liabilities based on their actual contractual maturity date, rather than the earliest date on which the lender can opt to increase the interest rate. In the event of the lender increasing the interest rate the City Council can opt to repay the loan. A total of £38m of such loans are held, £10m of which the lenders have interest review options at up to annual intervals, and £28m at 5 yearly intervals, from May 2015. All trade and other payables are due to be paid in less than one year.

## **Market Risk**

### **Interest rate risk**

The authority is exposed to risk in terms of the impact of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise.

Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.

Investments at variable rates – the interest income in the Income and Expenditure Account will rise.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

The authority has a number of strategies for managing interest rate risk. Prudential Indicators, as set out in the Treasury Management Strategy, are used to manage interest rate risk by limiting the value of variable interest rate exposure to £89.1m in 2018/19. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance.

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

According to this strategy, at 31st March 2019, 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 £63.6m. This movement would be equal and opposite for a 1% fall in interest rates.

**Price Risk**

The Council's investment in pooled property funds is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £16.6m. A 5% fall in commercial property prices at 31<sup>st</sup> March 2019 would result in a £638k (2018 £572k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Financial Instrument Revaluation Reserve.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £13.56m. A 5% fall in equity prices at 31<sup>st</sup> March 2019 would result in a £374k (2018 not applicable) charge to Other Comprehensive Income and Expenditure which is then transferred to the Financial Instrument Revaluation Reserve.

In addition, the Council has shareholdings to the value of £111m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value of shares.

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

All movements in the value of shares will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general value of shares (positive or negative) would thus have resulted in a gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2018/19.

**Foreign Exchange Risk**

During the year, the authority purchased £17.285m of euros at an exchange rate of 1.1657 euros to the pound. The purchase was made to enable certainty of project costs when paying suppliers in euros for UK Battery Industrialisation Centre (UKBIC) equipment. The full cost of the purchase of euros is being reimbursed by Innovate UK who are the funders for the UKBIC project. As at 31<sup>st</sup> March 2019 the authority had €18.871m of unspent euros.

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

**Transition to IFRS9 Financial Instruments**

The Council has adopted the IFRS9 Financial Instruments accounting standard with effect from 1<sup>st</sup> April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition to the impairment of financial assets.

The Council has made use of transitional provisions in IFRS9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the movement in Reserves Statement. The changes on transition to the balance sheet are summarised below:

	31st March 2018 £000	Reclassification £000	Remeasurement £000	Impairment £000	1st April 2018 £000
<b>Financial Assets</b>					
<b>Investments</b>					
Loans & Receivables / Amortised cost	12,536	5,063	0	0	17,599
Available for sale / FVOCI	128,128	(5,063)	0	0	123,065
<b>Total investments</b>	<b>140,664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>140,664</b>
<b>Debtors</b>					
Loans & Receivables / Amortised cost	20,890	(2,191)	0	(116)	18,583
FVPL	0	2,109	1,115	0	3,224
Non Financial Instruments	0	82	0	0	82
<b>Total debtors</b>	<b>20,890</b>	<b>0</b>	<b>1,115</b>	<b>(116)</b>	<b>21,889</b>
<b>Cash &amp; cash equivalents</b>					
Loans & Receivables / Amortised cost	16,193	(2,500)	0	0	13,693
FVPL	0	2,500	0	0	2,500
<b>Total cash &amp; cash equivalents</b>	<b>16,193</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,193</b>
<b>Total Financial Assets</b>	<b>177,747</b>	<b>0</b>	<b>1,115</b>	<b>(116)</b>	<b>178,746</b>
<b>Financial Liabilities</b>					
<b>Borrowing</b>					
Amortised Cost	(216,189)	0	0	0	(216,189)
<b>Creditors</b>					
Amortised Cost	(40,192)	0	0	0	(40,192)
<b>Provisions</b>					
Guarantees & commitments	0	0	0	0	0
<b>Other long-term liabilities</b>					
Amortised Cost	(50,748)	0	0	0	(50,748)
<b>Total Financial Liabilities</b>	<b>(307,129)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(307,129)</b>
<b>Net Financial Assets</b>	<b>(129,382)</b>	<b>0</b>	<b>1,115</b>	<b>(116)</b>	<b>(128,383)</b>
<b>Reserves</b>					
<b>Usable Reserves</b>					
General Fund	(91,409)	0	0	49	(91,360)
Other usable reserves	(31,157)	0	0	0	(31,157)
<b>Total usable reserves</b>	<b>(122,566)</b>	<b>0</b>	<b>0</b>	<b>49</b>	<b>(122,517)</b>
<b>Unusable Reserves</b>					
Available for sale reserve	(75,610)	75,610	0	0	0
Capital adjustment account	(499,833)	0	(1,115)	67	(500,881)
Deferred capital receipts	(5,487)	0	0	0	(5,487)
FI adjustment account	11,300	0	0	0	11,300
FI revaluation reserve	0	(75,610)	0	0	(75,610)
Other unusable reserves	404,475	0	0	0	404,475
<b>Total unusable reserves</b>	<b>(165,155)</b>	<b>0</b>	<b>(1,115)</b>	<b>67</b>	<b>(166,203)</b>
<b>Total Reserves</b>	<b>(287,721)</b>	<b>0</b>	<b>(1,115)</b>	<b>116</b>	<b>(288,720)</b>

### 3.35 Associated Company Interests & Holdings

The City Council maintains investments and/or interests in a number of companies. The following summarises the latest information and where applicable the latest audited accounts. Companies in which the City Council maintain investments as shown in note 3.21.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
		<b>31st March</b>	<b>31st March</b>
		<b>2018</b>	<b>2019</b>
		<b>Audited</b>	
<b>Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)</b>			
The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares. The City Council owns : 5.8% of the 324m ordinary shares £1.8 million preference shares 6% of the 1000 C Class shares of 0.01p	Net Assets	109,795	Not available
	Profit before taxation	34,479	Not available
	Profit after taxation	26,401	Not available
		<b>31st</b>	<b>31st</b>
		<b>December</b>	<b>December</b>
		<b>2017</b>	<b>2018</b>
		<b>Audited</b>	<b>Unaudited</b>
<b>Coombe Abbey Park Limited (Company Registration Number 02700383)</b>			
The principal activity of the company is the running of Coombe Abbey Hotel, Brinklow Road, Coventry.  The City Council acquired 100% of the shares in the company on 22nd December 2017 .	Net Assets	5,483	5,994
	Profit (loss) before taxation	270	495
	Profit (loss) after taxation	270	495
		<b>31st March</b>	<b>31st March</b>
		<b>2018</b>	<b>2019</b>
		<b>Audited</b>	<b>Unaudited</b>
<b>Coventry North Regeneration Ltd (Company Registration Number: 4523598)</b>			
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.  The company's principal activity was to build the Ricoh Arena. The Arena, combines a sports stadium, conference and exhibition space, hotel, casino and other leisure and community facilities.  Copies of CNR's accounts can be acquired from: Company Secretary, Coventry North Regeneration Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR	Net Assets	0	0
	Profit (loss) before taxation	0	0
	Profit (loss) after taxation	0	0

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>Coventry Solihull Waste Disposal Company (CSWDC) Ltd (Company Registration Number: 02690488)</b>		<b>31st March 2018 Audited</b>	<b>31st March 2019 Unaudited</b>
The company's business is the disposal of waste. It is jointly owned by Coventry City Council and Solihull Metropolitan Borough Council with Warwickshire County Council and Leicestershire County Council holding a minor limited rights shareholding at nil value. The company is included in Coventry's group accounts as a joint venture as voting rights are shared equally with Solihull MBC.	Net Assets	22,818	22,329
	Profit before taxation	10,612	11,980
	Profit (loss) after taxation	8,557	9,668
The City Council owns: 66% of the ordinary share capital.			
<b>Culture Coventry (Registration Number: 08359113)</b>		<b>31st March 2018 Audited</b>	<b>31st March 2019</b>
The merger of Coventry Transport Museum and The Herbert Art Gallery Museum was completed in August 2013. Culture Coventry is the new Charitable Trust set up to run both museums and is also responsible for running the Lunt Roman Fort and the Priory Visitor Centre.	Net Assets	2,463	Not Available
	Net incoming/(outgoing) resources	(1,850)	Not Available
Under IFRS10 The Council is deemed to exert significant influence over Culture Coventry. On this basis Culture Coventry is treated as an associate of the Council but has not been included within the Group Accounts on the grounds of materiality.			
<b>North Coventry Holdings Ltd (Company Registration Number: 4931967)</b>		<b>31st March 2018 Audited</b>	<b>31st March 2019 Unaudited</b>
The Council holds 100% of the shares 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	2,726	2,737
	Profit (loss) before taxation	28	0
	Profit (loss) after taxation	23	11
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			

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>University of Warwick Science Park Business Innovation Centre Ltd (Company Registration Number: 03616665)</b>		<b>31st Jul 2017 Audited</b>	<b>31st Jul 2018 Audited</b>
This company was established by the University of Warwick Science Park, CCC and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.	Net Assets/(liabilities)	(744)	(514)
	Profit (loss) before taxation	302	229
	Profit (loss) after taxation	302	229
The City Council holds: Just under 20% (value £2,000) of the ordinary share capital. £152,166 of preference share capital and £1,066,471 of 7% debentures.			
<b>UK Battery Industrialisation Centre Ltd (Company Registration Number 11227726 and UKBIC Ltd (Company Registration Number 11218387)</b>		<b>31st March 2018</b>	<b>31st March 2019</b>
The purpose of the companies is to run the proposed National Battery Development Facility as a joint venture with two other partners. As at 31st March 2019 no accounts had been produced as the companies had done very little in the way of trading.	Net Assets/(liabilities)	Not available	Not available
	Profit (loss) before taxation	Not available	Not available
	Profit (loss) after taxation	Not available	Not available
The City Council is currently the sole shareholder with 1 share with a nominal value of £1 in each company.			
<b>Friargate JV Project Limited (Company Registration Number 11730348)</b>		<b>31st March 2018</b>	<b>31st March 2019</b>
The Company was set up in January 2019 to develop new buildings in the Friargate district of the City. This is a 50/50 joint venture with Friargate Holdings 2 Limited - private limited company	Net Assets/(liabilities)	0	20,002
	Profit (loss) before taxation	0	2
	Profit (loss) after taxation	0	2

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

### 3.36 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 24th May 2019. There have been no events after 31<sup>st</sup> March 2019 requiring the financial

statements and notes to be adjusted or which provide information that is relevant to the understanding of the Authority's financial position but do not relate to conditions at that date.

### 3.37 Contingent Liabilities and Assets

#### **Contingent Liabilities**

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

The Council received a letter in February 2016 sent on behalf of University Hospitals Coventry and Warwickshire NHS Trust requesting mandatory Business Rates relief for University Hospital. The appeal for relief replicates similar claims made to other local authorities across the country. If the relief were to be granted this would represent an on-going impact on Business Rates revenue in excess of £2m with potential for a back-dated element of c£23m. This would affect the Council and might also impact the West Midlands Combined Authority although the precise split of potential financial liability would depend on the future structure of the local government finance system and the existing 100% Business Rates Pilot.

At a national level, the total level of claims 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 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 in the city funded by Government grants including Surestart Grant. Some of these buildings are amongst those 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 £2.1m.

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

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

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

### 3.38 Collection Fund Statement and Notes

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

and how much has been paid to central government, the Police (West Midlands Police and Crime Commissioner) and Fire (West Midlands Fire and Rescue Authority). The difference between these two amounts is then a surplus or a

deficit which is shared between the Council, central government, and the Police and Fire organisations.

2017/18			2018/19			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>						
0	(138,854)	(138,854)	Council Tax Receivable	0	(148,998)	(148,998)
(122,276)	0	(122,276)	Business Rates Receivable	(120,608)	0	(120,608)
4,922	0	4,922	Transitional Relief	2,994	0	2,994
<b>(117,354)</b>	<b>(138,854)</b>	<b>(256,208)</b>	<b>Total Income</b>	<b>(117,614)</b>	<b>(148,998)</b>	<b>(266,612)</b>
<b>EXPENDITURE: Precepts, Demands &amp; Shares</b>						
114,325	118,492	232,817	Coventry City Council	116,592	127,253	243,845
0	9,204	9,204	West Midlands Police	0	10,389	10,389
1,155	4,512	5,667	West Midlands Fire	1,178	4,755	5,933
<b>115,480</b>	<b>132,208</b>	<b>247,688</b>	<b>Total: Precepts, Demands &amp; Shares:</b>	<b>117,770</b>	<b>142,397</b>	<b>260,167</b>
<b>Distribution of previous years' surplus/deficit</b>						
1,255	0	1,255	Central Government	129	0	129
1,230	2,725	3,955	Coventry City Council	(395)	5,116	4,721
0	213	213	West Midlands Police	0	397	397
25	107	132	West Midlands Fire	(3)	195	192
<b>2,510</b>	<b>3,045</b>	<b>5,555</b>	<b>Total: Distribution of previous years Surplus/(Deficit)</b>	<b>(269)</b>	<b>5,708</b>	<b>5,439</b>
<b>117,990</b>	<b>135,253</b>	<b>253,243</b>	<b>TOTAL EXPENDITURE</b>	<b>117,501</b>	<b>148,105</b>	<b>265,606</b>
<b>Charges to Collection Fund</b>						
1,265	1,263	2,528	Less: Write offs uncollectable amounts	707	1,507	2,214
(338)	19	(319)	Less: Increase/(Decrease) in Bad Debt Provision	351	425	776
1,084	0	1,084	Less: Increase/(Decrease) in Appeals Provision	213	0	213
373	0	373	Less: Costs of Collection	375	0	375
<b>2,384</b>	<b>1,282</b>	<b>3,666</b>	<b>Total Charges to Collection Fund</b>	<b>1,646</b>	<b>1,932</b>	<b>3,578</b>
<b>3,020</b>	<b>(2,319)</b>	<b>701</b>	<b>(Surplus)/Deficit Arising During Year</b>	<b>1,533</b>	<b>1,039</b>	<b>2,572</b>
(2,768)	(8,753)	(11,521)	(Surplus)/Deficit b/fwd	252	(11,072)	(10,820)
<b>252</b>	<b>(11,072)</b>	<b>(10,820)</b>	<b>(Surplus)/Deficit c/fwd</b>	<b>1,785</b>	<b>(10,033)</b>	<b>(8,248)</b>
<b>Commitments</b>						
(269)	5,708	5,439	Surplus/(Deficit) committed in future year's budget setting	(2,071)	7,869	5,798
<b>(17)</b>	<b>(5,364)</b>	<b>(5,381)</b>	<b>Excess (Surplus)/Deficit c/fwd to following year's tax setting.</b>	<b>(286)</b>	<b>(2,164)</b>	<b>(2,450)</b>

### Income and Expenditure Account

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

amounts determined by the nationally set multiplier and the local Business Rates tax base and split by pre-determined percentages.

### Income from Business Rates

The City Council collects rates from local businesses on behalf of Central Government. The Government determines the level of rates payable, which was 49.3p per £ of rateable value (47.9p in 2017/18). The Valuation Office Agency sets the rateable value of each property and the total was

£318,565,753 at 31st March 2019 (£312,922,430 at 31st March 2018). 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 141,077 of which 7,458 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	138	58.8
A	53,414	26,238.4
B	40,189	24,048.9
C	22,484	15,596.7
D	9,113	7,187.3
E	4,567	4,476.0
F	2,262	2,626.1
G	1,354	1,826.4
H	98	154.4
<b>Total</b>	<b>133,619</b>	<b>82,213.0</b>
Estimated eventual collection rate		98.3%
Total Council Tax Base Band D 2018/19		80,815.4
Total Council Tax Base Band D 2017/18		78,971.9

**Provisions and Write Offs**

Level of Provisions & Write Offs	Business Rates	Council Tax	Business Rates
	Bad Debt Provision	Bad Debt Provision	Appeals Provision *
	£000	£000	£000
Provision brought forward	(2,374)	(4,876)	(8,372)
Written off in year	707	1,507	3,837
(Increase)/decrease in provision	(1,058)	(1,932)	(4,050)
<b>Provision carried forward</b>	<b>(2,725)</b>	<b>(5,301)</b>	<b>(8,585)</b>

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

**Gross Debtors**

	Business Rates	Council Tax
	£000	£000
Gross Debtors brought forward	4,511	12,992
Gross Debtors carried forward	4,518	14,156

**Precepts and Demands on the Collection Fund**

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

2017/18		2018/19		
Total	Council Tax	Precept	Share of surplus /(deficit)	Total
£000		£000	£000	£000
123,286	Coventry City Council	127,253	4,151	131,404
9,595	West Midlands Fire Service	10,389	363	10,752
4,691	West Midlands Police	4,755	155	4,910
<b>137,572</b>	<b>Total</b>	<b>142,397</b>	<b>4,669</b>	<b>147,066</b>

2017/18		2018/19			
Total	Business Rates	Precept	Share of surplus /(deficit)	Top-up/(Tariff)	Total
£000		£000	£000	£000	£000
(255)	Central Government	0	255	0	255
115,353	Coventry City Council	116,592	(2,038)	(7,857)	106,697
1,150	West Midlands Fire Service	1,178	(18)	0	1,160
<b>116,248</b>	<b>Total</b>	<b>117,770</b>	<b>(1,801)</b>	<b>(7,857)</b>	<b>108,112</b>

## 4 Additional Financial Statements - Group Accounts

### 4.1 Overview of Group Accounts

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

Note 3.35 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. Coombe Abbey Park Ltd (CAPL), North Coventry Holding (NCH) and Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and Coventry & Solihull Waste Disposal Company (CSWDC) and Friargate JV Project Ltd are included as joint ventures.

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, Coventry & Warwickshire Local Enterprise Partnership Limited and UK Battery Industrialisation Centre UK Ltd 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 2019 for NCH, CNR and CSWDC have been used. For CAPL draft accounts as at 31st December 2018 and management accounts for January to March 2019 have been used. Friargate JV Project Ltd was only incorporated on 17th December 2018 so management accounts up to 31st March 2019 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 consolidated into the group accounts under the equity method.

## 4.2 Group Comprehensive Income and Expenditure Account

	2017/18			SERVICE ANALYSIS	2018/19		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	20,482	(19,343)	1,139	Public Health	25,704	(23,642)	2,062
	1,541	(126)	1,415	People Directorate Management	1,598	(126)	1,472
	222,180	(203,590)	18,590	Education and Skills	226,899	(200,536)	26,363
	82,940	(9,717)	73,223	Children and Young People's Services	81,485	(10,787)	70,698
	115,985	(38,602)	77,383	Adult Social Care	123,777	(45,885)	77,892
	7,567	(3,154)	4,413	Customer Services & Transformation	19,344	(3,741)	15,603
	1,685	(574)	1,111	Place Directorate Management	5,338	(732)	4,606
	20,837	(6,408)	14,429	Business, Investment & Culture	36,186	(6,842)	29,344
	37,618	(16,654)	20,964	Transportation & Highways	32,723	(14,783)	17,940
	45,870	(15,949)	29,921	Streetscene & Regulatory Services	56,832	(25,483)	31,349
	6,291	(1,548)	4,743	Project Management and Property Services	7,730	(2,102)	5,628
	132,493	(122,436)	10,057	Finance & Corporate Services	121,254	(114,451)	6,803
	6,854	(21,573)	(14,719)	Contingency and Central Budgets	12,248	(18,333)	(6,085)
	<b>702,343</b>	<b>(459,674)</b>	<b>242,669</b>	<b>Cost of Services</b>	<b>751,118</b>	<b>(467,443)</b>	<b>283,675</b>
			39,946	Other Operating Expenditure			32,786
			26,481	Finance and Investment Income and Expenditure			9,696
			0	Profit or Loss on Discontinued Operations			0
			(309,686)	Taxations and Non-Specific Grant Income			(324,924)
			<b>(590)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>			<b>1,233</b>
			(7,095)	Associates and JVs accounted for on Equity Basis			(7,976)
			1,375	Tax Expenses			1,544
			<b>(6,310)</b>	<b>Group (Surplus) or Deficit</b>			<b>(5,199)</b>
			(22,803)	(Surplus)/Deficit on revaluation of non current assets			(6,259)
			5,962	(Surplus)/Deficit on revaluation of available for sale financial assets			11,296
			(31,045)	Actuarial (gains) or losses on pension assets and liabilities			(52,157)
			812	Share of other comprehensive income and expenditure of associates & joint ventures			(2,705)
			<b>(47,074)</b>	<b>Sub-total of other Comprehensive Income and Expenditure</b>			<b>(49,825)</b>
			<b>(53,384)</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>(55,024)</b>

### 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	£000
<b>31st March 2018</b>	<b>(91,409)</b>	<b>(7,179)</b>	<b>(23,978)</b>	<b>(122,566)</b>	<b>(126,602)</b>	<b>(249,168)</b>
Total Comprehensive Income and Expenditure	2,178	0	0	2,178	(57,202)	(55,024)
Adjustments between Accounting Basis and Funding Basis under Regulations	(18,930)	5,285	2,511	(11,134)	11,134	0
<b>Net (Increase) / Decrease</b>	<b>(16,752)</b>	<b>5,285</b>	<b>2,511</b>	<b>(8,956)</b>	<b>(46,068)</b>	<b>(55,024)</b>
<b>31st March 2019</b>	<b>(108,161)</b>	<b>(1,894)</b>	<b>(21,467)</b>	<b>(131,522)</b>	<b>(172,670)</b>	<b>(304,192)</b>

#### Group Unusable Reserves

	Capital Adjustment Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Financial Instruments Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Authority's share of the reserves of subsidiaries, associates and joint ventures	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>31st March 2018 (Prior to IFRS 9 adjustment)</b>	<b>(523,875)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>0</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>(18,381)</b>	<b>5,366</b>	<b>(126,602)</b>
<b>Impact of transition to IFRS 9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(75,610)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,610</b>	<b>0</b>	<b>0</b>
<b>31st March 2018</b>	<b>(523,875)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>(75,610)</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>57,229</b>	<b>5,366</b>	<b>(126,602)</b>
Total Comprehensive Income and Expenditure	0	(6,259)	0	0	(3,882)	0	(52,157)	0	15,178	(10,082)	(57,202)
Adjustments between Accounting Basis and Funding Basis under Regulations	(33,341)	19,216	2,858	(384)	(75,610)	2,608	20,905	(728)	75,610	0	11,134
<b>Net (Increase) / Decrease</b>	<b>(33,341)</b>	<b>12,957</b>	<b>2,858</b>	<b>(384)</b>	<b>(79,492)</b>	<b>2,608</b>	<b>(31,252)</b>	<b>(728)</b>	<b>90,788</b>	<b>(10,082)</b>	<b>(46,068)</b>
<b>31st March 2019</b>	<b>(557,216)</b>	<b>(181,447)</b>	<b>(2,629)</b>	<b>10,916</b>	<b>(79,492)</b>	<b>(7,177)</b>	<b>573,193</b>	<b>3,491</b>	<b>72,407</b>	<b>(4,716)</b>	<b>(172,670)</b>

## Group Usable Reserves and Overall Position Comparatives

	General Fund Balance *restated £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>31st March 2017</b>	<b>(73,965)</b>	<b>(9,737)</b>	<b>(20,489)</b>	<b>(104,191)</b>	<b>(91,593)</b>	<b>(195,784)</b>
Total Comprehensive Income and Expenditure	(648)	0	0	(648)	(52,736)	(53,384)
Adjustments between Accounting Basis and Funding Basis under Regulations	(16,796)	2,558	(3,489)	(17,727)	17,727	0
<b>(Increase) / Decrease in Year</b>	<b>(17,444)</b>	<b>2,558</b>	<b>(3,489)</b>	<b>(18,375)</b>	<b>(35,009)</b>	<b>(53,384)</b>
<b>31st March 2018</b>	<b>(91,409)</b>	<b>(7,179)</b>	<b>(23,978)</b>	<b>(122,566)</b>	<b>(126,602)</b>	<b>(249,168)</b>

## 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	Authority's share of the reserves of subsidiaries, associates and joint ventures £000	Total Unusable Reserves £000
<b>31st March 2017</b>	<b>(507,086)</b>	<b>(169,486)</b>	<b>(10,830)</b>	<b>1,777</b>	<b>(9,198)</b>	<b>613,236</b>	<b>4,121</b>	<b>(24,343)</b>	<b>10,216</b>	<b>(91,593)</b>
Total Comprehensive Income and Expenditure	9,147	(31,950)	0	0	0	(31,045)	0	5,962	(4,850)	(52,736)
Adjustments between Accounting Basis and Funding Basis under Regulations	(25,936)	7,032	5,343	9,523	(587)	22,254	98	0	0	17,727
<b>Net (Increase) / Decrease</b>	<b>(16,789)</b>	<b>(24,918)</b>	<b>5,343</b>	<b>9,523</b>	<b>(587)</b>	<b>(8,791)</b>	<b>98</b>	<b>5,962</b>	<b>(4,850)</b>	<b>(35,009)</b>
<b>31st March 2018</b>	<b>(523,875)</b>	<b>(194,404)</b>	<b>(5,487)</b>	<b>11,300</b>	<b>(9,785)</b>	<b>604,445</b>	<b>4,219</b>	<b>(18,381)</b>	<b>5,366</b>	<b>(126,602)</b>

## 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.

31st March 2018		Group Balance Sheet		31st March 2019		Section Ref.
£000		£000				
854,146	Property, Plant and Equipment	859,546		4.6		
25,893	Heritage Assets	25,893				
174,310	Investment Property	218,281				
29,169	Long Term Investments	29,252		4.6		
23,114	Investment in Associates and Joint Ventures	32,789		4.6		
20,890	Long Term Debtors	24,883				
<b>1,127,522</b>	<b>Long Term Assets</b>	<b>1,190,644</b>				
45,119	Short Term Investments	37,285				
264	Inventories	410		4.6		
58,933	Short Term Debtors	77,546		4.6		
19,636	Cash and Cash Equivalents	30,185		4.6		
4,819	Assets held for Sale	2,938				
<b>128,771</b>	<b>Current Assets</b>	<b>148,364</b>				
(39,892)	Short Term Borrowing	(65,572)				
(70,878)	Short Term Creditors	(75,702)		4.6		
(2,288)	Short Term Provisions	(1,946)				
0	Liabilities in Disposal Groups	0				
<b>(113,058)</b>	<b>Current Liabilities</b>	<b>(143,220)</b>				
(9,582)	Long Term Provisions	(12,329)				
(333,115)	Long Term Borrowing	(317,514)		4.6		
(542,245)	Net Pension Liability	(542,093)				
(4,693)	Donated Assets Account	(1,447)				
(3,120)	Capital Grants Receipts in Advance	(8,256)				
(1,312)	Other Long Term Liabilities	(9,957)				
<b>(894,067)</b>	<b>Long Term Liabilities</b>	<b>(891,596)</b>				
<b>249,168</b>	<b>Net Assets</b>	<b>304,192</b>				
(122,566)	Usable Reserves	(131,522)				
(126,602)	Unusable Reserves	(172,670)		4.6		
<b>(249,168)</b>	<b>Total Reserves</b>	<b>(304,192)</b>				

## 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.

2017/18	Cash Flow Statement	2018/19
£000's		£000's
(6,310)	Net (Surplus) or Deficit on the Provision of Services	(5,199)
(58,417)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(100,846)
41,136	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	70,491
<b>(23,591)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(35,554)</b>
19,611	Investing Activities	27,774
1,513	Financing Activities	(6,212)
<b>(2,467)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(13,992)</b>
(17,467)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(19,636)
(19,636)	Cash and Cash Equivalents at the End of the Reporting Period	(33,628)

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

2017/18	Reconciliation of Single Entity to Group Cash Flows	2018/19
£000		£000
<b>Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b>		
(64,079)	Single Entity Accounts	(108,223)
5,662	Additional element relating to Group Accounts	7,377
<b>(58,417)</b>	<b>Total for Group Accounts</b>	<b>(100,846)</b>
<b>Investing Activities</b>		
23,054	Single Entity Accounts	31,338
(3,443)	Additional element relating to Group Accounts	(3,564)
<b>19,611</b>	<b>Total for Group Accounts</b>	<b>27,774</b>

## 4.6 Reconciliation of Single Entity to Group Accounts

### Income and Expenditure Surplus/Deficit Adjustments

2017/18	2018/19
£000	£000
<b>Reconciliation of Single Entity to Group (Surplus)/Deficit</b>	
(648) (Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year	2,178
(37) 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	(70)
<b>(685) (Surplus)/Deficit in the Group Income &amp; Expenditure attributable to the Authority</b>	<b>2,108</b>
Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
53 Subsidiaries	(911)
(5,678) Joint Ventures	(6,396)
<b>(6,310) Group Account (Surplus)/Deficit for the year</b>	<b>(5,199)</b>

### Balance Sheet Adjustments

As at 31st March 2018			As at 31st March 2019			
Single Entity £000	Group Adjustment £000	Group Accounts £000	Balance Sheet Category	Single Entity £000	Group Adjustment £000	Group Accounts £000
852,981	1,165	<b>854,146</b>	Property, Plant and Equipment	858,230	1,316	<b>859,546</b>
95,545	(66,376)	<b>29,169</b>	Long Term Investment	110,809	(81,557)	<b>29,252</b>
0	23,114	<b>23,114</b>	Investment in Associates and Joint Ventures	0	32,789	<b>32,789</b>
227	37	<b>264</b>	Inventories	363	47	<b>410</b>
57,402	1,531	<b>58,933</b>	Short Term Debtors	75,870	1,676	<b>77,546</b>
16,193	3,443	<b>19,636</b>	Cash and Cash Equivalents	26,621	3,564	<b>30,185</b>
(69,599)	(1,279)	<b>(70,878)</b>	Short Term Creditors	(74,388)	(1,314)	<b>(75,702)</b>
(332,927)	(188)	<b>(333,115)</b>	Long Term Borrowing	(317,344)	(170)	<b>(317,514)</b>
(165,155)	38,553	<b>(126,602)</b>	Unusable Reserves	(216,319)	43,649	<b>(172,670)</b>

Explanations of these balance sheet adjustments are provided in section 4.9.

## 4.7 Group Tax Expense

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

2017/18 £000	Group Tax Expense	2018/19 £000
	<b>CURRENT TAX:</b>	
1,356	Current Tax Expense / (Income)	1,599
8	Adjustment Recognised in the Period for Current Tax of Prior Periods	(4)
<b>1,364</b>	<b>Total Current Tax</b>	<b>1,595</b>
	<b>DEFERRED TAX:</b>	
15	Origination and Reversal of Temporary Differences	(55)
(2)	Changes in Tax Rates or the Imposition of New Taxes	6
(3)	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	(1)
<b>10</b>	<b>Total Deferred Tax</b>	<b>(50)</b>
<b>1,374</b>	<b>Total Tax Expense</b>	<b>1,545</b>

## 4.8 Group Companies Disclosure

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

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

CCC hold 'A' class shares and SMBC hold 'B' class shares.

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

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

As at 31st March 2019 the Company had Capital Commitments of £703,000.

Despite the issue of the C Class share and changes to the Shareholders Agreement the fundamental status of CSWDC has not changed. CCC & SMBC will continue to work together to arrive at mutually agreed decisions which are voted on accordingly at the Shareholder Panel. As a result of this, the existing

treatment of CSWDC in the group accounts of both Coventry and Solihull, is for the Company to be treated as a Joint Venture. This position implies that no shareholder has ultimate control.

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

The Council holds 100% of the shares (value £2.7m) in North Coventry Holdings 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.

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

Coventry City Council holds 100% of the shares (value £11.4m) in CAPL. CAPL is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.

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

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

#### **Related Party Transactions**

Details of related party transactions are provided in section 3.10.

### **4.9 Notes to the Group Balance Sheet**

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

The group balance sheet excludes the long term investments of £57,000k in CSWDC, £2,703k in NCH, £11,359k in CAPL and £10,495 in FJVP 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 2019	CSWDC	CAPL	NCH	CNR	Friargate Project	Total
	£000	£000	£000	£000	£000	£000
Share in Gross Assets of Joint Ventures and Subsidiaries	33,904	3,864	2,734	5	10,496	51,003
Share in Gross Liabilities of Joint Ventures and Subsidiaries	(11,116)	(1,469)	(12)	(2)	(495)	(13,094)
<b>Total</b>	<b>22,788</b>	<b>2,395</b>	<b>2,722</b>	<b>3</b>	<b>10,001</b>	<b>37,909</b>

31st March 2018	CSWDC	CAPL	NCH	CNR	Friargate Project	Total
	£000	£000	£000	£000	£000	£000
Share in Gross Assets of Joint Ventures and Subsidiaries	34,939	8,371	2,739	0	0	46,049
Share in Gross Liabilities of Joint Ventures and Subsidiaries	(11,825)	(6,389)	(13)	0	0	(18,227)
<b>Total</b>	<b>23,114</b>	<b>1,982</b>	<b>2,726</b>	<b>0</b>	<b>0</b>	<b>27,822</b>

### Unusable Reserves

CSWDC – The Council’s investment of £51,667k in CSWDC has been excluded from the group Available for Sale Reserve.

NCH – The Council’s investment of £2,703k in NCH has been excluded from the group Available for Sale Reserve.

CAPL – The Council’s initial investment in CAPL of £2,859k has been removed from the group Available for Sale Reserve. The recent purchase of the remaining interest in CAPL of £9,147k has been excluded from the group Capital Adjustment Account.

FJVP – The Council’s investment of £10,495k in FJVP has been excluded from the group Available for Sale Reserve.

Unusable Reserves	2017/18	2018/19
	£000	£000
Single Entity	(165,155)	(216,319)
CSWDC	28,552	34,212
CAPL	10,024	8,965
NCH	(23)	(19)
CNR	0	(3)
Friargate JV Project Limited	0	494
<b>Group Unusable Reserves</b>	<b>(126,602)</b>	<b>(172,670)</b>

Additional information relating to subsidiaries and joint ventures, including net assets and results, and where accounts of the companies may be acquired are included in note 3.35 to the single entity accounts.

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st

March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 – 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 remains at £542m at the end of the 2018/19 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 2018/19 the updating of data and assumptions by the Council's actuaries has led to a net nil change.

**Asset Valuations** – Valuations are undertaken on the basis of a five year rolling programme

with investment properties being revalued on a more regular basis. This is supplemented by annual reviews to reflect significant changes in market values. The valuations are heavily assumption sensitive and are influenced by economic and financial circumstances which can change significantly from year to year. 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 Critical Judgements in Applying Accounting Policies

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

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

The material assets and revenue transactions of community, foundation and voluntary

controlled schools are reflected in these accounts. The revenue transactions of voluntary aided schools have also been included; however the land and buildings used by these schools are not included on the balance sheet. This treatment is based on the fact that these land and buildings are not under the Council's ownership, the Council has no legal agreement with the relevant Dioceses in respect of them, and there are no obligations to/from the Dioceses in respect of them. The Dioceses also have the right to terminate the Council's occupation of the relevant land and

buildings. Neither the revenue transactions nor the assets of academy schools are reflected within the accounts.

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

Coventry City Council and Coventry and Rugby Clinical Commissioning Group (CCG) drew up an agreement to operate a Better Care Fund (BCF) pooled budget from 1st April 2015, with the purpose of further integrating the health and

social care services within Coventry. Note 3.11 details the respective contributions to the pooled budget during 2018/19 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were envisaged at the time, including management and control of expenditure decisions. However, the details of the expenditure identified in note

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

## 5.4 Accounting standards issued, but not yet adopted

The Council is required to disclose information relating to the impact of any accounting changes that will be required by new standards that have been issued but not yet adopted in the CIPFA Code of Practice. The accounting standards that are to be introduced in the 2019/20 Code include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

## 5.5 Changes in Accounting Policies

IFRS9 Financial Instruments has been adopted with effect from 1<sup>st</sup> April 2018. The standard impacts on the classification, remeasurement and impairment of financial instruments, and the consequent accounting treatment. Further details are set out in sections 3.34 Financial Instruments, 3.22 Long Term Debtors and 3.21 Long Term Investments, as well as below within the accounting policies. The Council has made use of the transitional provisions in IFRS9 not to restate prior year's financial statements. However, the impact of the remeasurement of instruments as at 1<sup>st</sup> April 2018 is included in section 3.34.

The Council has incorporated the requirements of IFRS 15 Recognition from Contracts with Customers within its accounting policy for accruals of income and expenditure below. Adopting this policy has not led to any changes in the timing of income recognition within the 2018/19 accounts.

The Council has incorporated the requirements of IFRS 4 Insurance Contracts within its accounting policy for provisions below. 'IFRS4 Insurance Contracts' requires an insurer (in this case the Council) to assess at the end of each reporting period whether its recognised insurance liabilities are adequate under its insurance contracts. This has been applied specifically in relation to pension guarantees provided by the Council to a number of organisations that have been admitted to the West Midlands Pension Fund. The Council has considered the probability of the guarantees being called and is satisfied that they do not represent a significant potential liability for the Council in the form of a provision. Therefore there is no recognition in the Comprehensive Income and Expenditure Statement.

## 5.6 Accounting Policies – Categories

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

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

## 5.7 Accounting Policies

### **Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for at the date the Council provides the relevant goods or satisfies the relevant service obligations.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as 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.

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

### **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits that can be reliably measured, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

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

### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the

appropriate service category within the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against Council Tax for the expenditure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

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

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

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

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 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.

**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 fully in the year of investment. Unless identified otherwise, assets have been acquired separately and the asset lives are finite. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading on the income statement.

### **Revenue Expenditure Funded from Capital Under Statute**

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

### **Government Grants and Contributions**

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as a liability, either within creditors or within the Capital Grants Receipts in Advance (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 of more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.

### **Financial Assets**

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

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

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

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the

amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where loans to organisations are made at less than market rates these are classified as soft loans, in which case a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

### **Expected Credit Loss Model**

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

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

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

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

Where equity instruments are expected to be held for the long-term, the Council may make an irrevocable election upon initial recognition to present changes in their fair value in Other Comprehensive Income. The Council elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by IFRS9:

- Birmingham Airport Holdings Ltd
- Coventry Solihull Waste Disposal Co (CSWDC)
- Coombe Abbey Park Ltd
- North Coventry Holdings Ltd
- Coventry North Regeneration Ltd
- University of Warwick Science Park Business Innovation Centre Ltd
- UK Battery Industrialisation Centre Ltd
- Friargate JV Project Limited
- Threadneedle Strategic Bond Fund
- Investec Diversified Income Fund
- M&G Optimal Income Sterling

- M&G Strategic Corporate Bond Fund Sterling
- M&G UK Income Distribution Fund Sterling
- Schroder Income Maximiser

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

The fair value measurements of the financial assets are based on the following principles:

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

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

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

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

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

### **Leases**

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

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

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

**Teaching Staff** - Teachers may be members of the Teachers Pension Scheme, which is administered by the Department of Education. It is a defined benefit scheme. However, as the authority's share of the underlying assets and liabilities cannot be identified, it is treated as a defined contribution scheme. The pension costs charged to the accounts are the employer's contributions payable to the Teachers' Pension Scheme.

**Former NHS Staff** - Staff who transferred to the City Council on 1st April 2013 may be members of the NHS Pension Scheme, which is administered by the NHS Business Services Authority. It is a defined benefit scheme. However, as the authority's share of the underlying assets and liabilities cannot be identified, it is treated as a defined contribution scheme. The pension costs charged to the accounts are the employer's contributions payable to the NHS Pension Scheme.

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

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

The assets of the West Midlands Pension Fund attributable to the council are included in the balance sheet at their fair value:

- Quoted securities – bid price.
- Unquoted securities – professional estimate.
- Unitised securities – average of the bid and offer rates.
- Property – market value.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest on pension liabilities – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

- Interest on pension assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Finance and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – settlements which relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees and curtailments which increase the liabilities in respect of past service – included within the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Re-measurements – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – included within Other Comprehensive Income and Expenditure, and transferred to the Pension Reserve.
- Employer contributions paid to the West Midlands Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- Administration Expenses - debited to the Cost of Services in the Comprehensive Income and Expenditure Statement.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Adjustments between Accounting Basis and Funding Basis under Regulation there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

#### **Discretionary Employee Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

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

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

Under IFRIC 12, the PFI arrangements have been classified and accounted for as 'service concessions', recognising the finance leases under IAS 17 'Leases'. PFI and similar contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under the PFI schemes and as ownership of the fixed asset will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed asset used under the contracts on the Balance Sheet. The original recognition of the asset is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

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

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

### **Group Accounts**

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

### **Cash and Cash Equivalents**

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

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

### **Joint Operations**

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

### **Schools**

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

**Events after the Balance Sheet date**

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

**Adjusting Events**

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

**Non-adjusting Events**

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

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

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

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

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

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

## 6 Glossary of Terms

### Accruals

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

### Actuarial Assumptions

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

### Amortisation

The gradual write off of initial costs of intangible assets.

### 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.

#### LASAAC

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

#### Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

#### Liquid Resources

Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

#### Levy

A 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.

SOLACE

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

Specific Revenue Grants

Grants received from Central Government in respect of specific services.

Work in Progress

If the Council is in the process of constructing an asset at the time when the accounts are prepared the value of this work is shown in the accounts as 'Assets Under Construction'.

# 7 Audit Certificate

(To be added on completion of the audit)

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Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

24<sup>th</sup> June 2019

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

City Wide

**Title:**

Internal Audit Annual Report 2018-19

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**Is this a key decision?**

No

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**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 2018 to March 2019 against the agreed Audit Plan for 2018-19 and the Public Sector Internal Audit Standards.
- To provide the Audit and Procurement Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2018-19 (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 2018-19.
2. The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.

3. 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 2018-19 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.
4. The opinion of the 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 2018-19

Appendix Two - Summary findings from key audit reports

**Background papers:**

None

**Other useful documents:**

Half Year Internal Audit Progress Report 2018-19

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11821&Ver=4>

Internal Audit Plan 2018-19 – Quarter Three Progress Report

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11825&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 2018-19

**1. Context (or background)**

1.1 The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2018-19 at its meeting on the 18<sup>th</sup> June 2018. During the last financial year, the Committee has received progress reports summarising completed audit activity in November 2018 and February 2019.

1.2 This report details the performance of the Internal Audit Service against the Plan for 2018-19, 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:

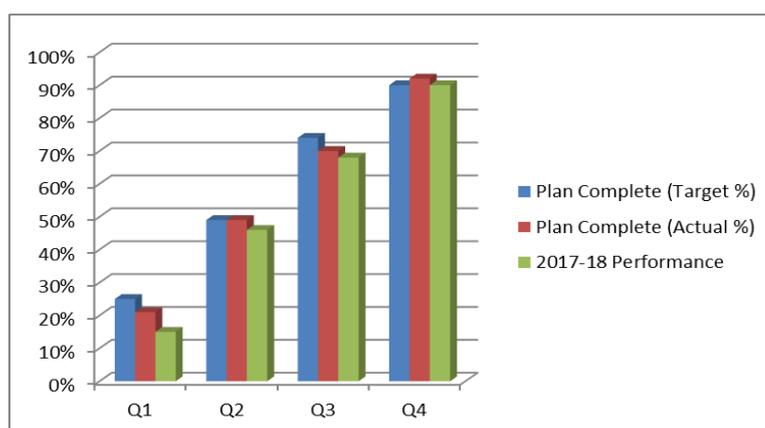
- Assessment of the performance of the Internal Audit Service against its key targets.
- The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.
- A summary of the audit activity in 2018-19, and highlighting issues that have not been reported to the Audit and Procurement Committee previously and are relevant to the overall opinion.
- The 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 31<sup>st</sup> March 2019. The chart below shows that the Service met this target.

**Chart One: Performance of Internal Audit 2018-19**



It should be noted that the reported performance was based on revised audit plan of 480 days which reflected un-planned absence within the Team and which was reported to the Audit and Procurement Committee in February 2019.

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 2018-19, compared with performance in 2017-18.

**Table One: KPIs for the Internal Audit Service**

<b>Performance Measure</b>	<b>Target</b>	<b>Performance 2018-19</b>	<b>Performance 2017-18</b>
<b>Planned Days Delivered</b>	100%	94%	93%
<b>Productive Time of Team</b> (% of work time spent on audit work)	90%	91%	91%
<b>Draft Report to Deadline</b> (Draft issued in line with date agreed)	80%	84%	82%
<b>Final Report to Deadline</b> (Final issued within 4 weeks of draft)	80%	82%	100%
<b>Audits Delivered within Budget Days</b>	80%	77%	75%

Whilst improvements in performance are still required around 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 60 audits completed, 14 over-ran in terms of budget days. Actions to continue to improve performance form part of the Quality Assurance and Improvement Programme (see 2.2 below).

## **2.2 Quality Assurance Improvement Programme**

2.2.1 The Public Sector Internal Audit Standards require that the Internal Audit Service develops and maintains a quality assurance programme that covers all aspects of the internal audit activity. In 2018-19, the Programme included the following:

- An annual self-assessment of the Internal Audit Service against the Public Sector Internal Audit Standards. This was undertaken by the Chief Internal Auditor.
- On-going supervision and review of audit work. In 2018-19, quality review checklists have also been introduced which are completed after every audit to provide a formal assessment of the quality of the work undertaken and identify areas for improvement.

- Monitoring of key performance indicators and work with individual members of staff on planning and time management to deliver audits in budget days. In 2018-19, this has included bi-monthly one to ones with staff where individual performance against targets is reviewed.
- Results of staff performance appraisals

2.2.2 As a result of the Programme, a number of improvement actions have been identified, which are summarised in table two below. These include actions where progress was delayed in 2018-19 due to the restructure of the Internal Audit Service. Forthcoming progress against these actions will be included in future reports to the Audit and Procurement Committee.

:

**Table Two: Internal Audit Improvement**

**Actions**

<b>Public Sector Internal Audit Standards</b>	<b>Specific Standard</b>	<b>Improvement Action</b>
Code of Ethics	Competency	Development of a training strategy for Internal Audit and skills matrix
Attribute standards	Purpose, authority and responsibility	Review and update of the Internal Audit Charter
Attribute standards	Proficiency and due professional care	Continuing to develop knowledge of available technology based audit and data analysis techniques to perform audit work
Attribute standards	Quality Assurance and Improvement Programme	Planning for a full external assessment against the Public Sector Internal Audit Standards to be undertaken in 2020-21.
Attribute standards	Quality Assurance and Improvement Programme	Introduction of a formal mechanism for capturing customer feedback
Performance standards	Managing the Internal Audit activity	Review and update of the Internal Audit Manual
Performance standards	Managing the Internal Audit activity	Continued focus on planning and time management to deliver audits in budget days

2.2.3 In considering the results of the quality assurance and improvement programme, it has been concluded that the Internal Audit Service partially conforms with the Public Sector Internal Audit Standards and it is recognised that there are improvement opportunities to achieve full conformance. Where improvements have been identified, it is not considered that this impacts on the overall scope or operation of the internal audit activity.

**2.3 Audit Activity 2018-19**

2.3.1 Appendix One details the audit reviews that have been carried out in the financial year 2018-19 along with the level of assurance provided. Table three overleaf provides definitions to support the level of assurance applied to audit reviews carried out by the Service.

**Table Three: Definitions of Assurance Levels**

<b>Assurance Opinion</b>	<b>What does this mean?</b>
<b>Significant</b>	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.
<b>Moderate</b>	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.
<b>Limited</b>	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.
<b>No</b>	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.

2.3.2 **Other** – A summary of the findings of key audits that have not already been reported to the Committee during municipal year 2018-19 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.

2.3.3 **Follow up of Disclosures made in the Internal Audit Annual Report 2017-18** – In the previous annual report, the 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:

- **The Council's readiness for the implementation of the General Data Protection Regulations (GDPR)** – This disclosure was based on the findings of the 2017-18 review of the Council's preparations for GDPR. In 2018-19, follow up audit work has confirmed that action has been taken to address a number of the key concerns highlighted and moderate assurance has now been given that the Council has appropriate arrangements in place to comply with the Data Protection Act 2018.
- **Homelessness** – This disclosure was based on the acknowledged risk around the increasing costs of temporary accommodation. In 2018-19, an audit review was undertaken around the Council's response to preventing and relieving homelessness, the findings of which are summarised at Appendix Two. In addition, a refreshed Housing and Homeless Strategy was adopted by the Council in March 2019. This focuses on prevention, supporting homeless households, improving existing

accommodation and increasing housing supply. A number of key appointments and new roles have been made to increase the Council's capability in this area. As these arrangements are still embedding, this issue has been considered in the preparation of the Annual Governance Statement for 2018-19.

- **Delivery of the IT Strategy** – During 2018-19, the existing IT Strategy has been reviewed, with input from across the Council. Alongside this, there has been a major restructure of the ICT and Digital Service with the introduction of new senior management roles which will support the on-going development and delivery of the IT Strategy. An updated IT Strategy is planned in 2019-20 and this has been considered in the preparation of the Annual Governance Statement for 2018-19.

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

2.4.1 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 Chief Internal Auditor is a key element of the framework of assurance that informs the Annual Governance Statement.

2.4.2 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.

2.4.3 **Audit Opinion / Disclosures** – In the 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 Chief Internal Auditor's opinion 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.

2.4.4 **Audit work undertaken** – Appendix One details the audit reviews that have been carried out in the financial year 2018-19 along with the level of assurance provided. In considering

the outcome of audit activity for 2018-19, 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 Four: 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
2018-19	60	5	8%
2017-18	65	7	11%
2016-17	58	6	10%

Table four 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 and is largely consistent with the number of these reviews over the last three years. Other factors that 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 five reviews, they fall into one of the following categories:
  - Reviews that are focused on working practices in specific services / 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 small number of fact-finding reviews have been undertaken as in some circumstances this approach is viewed as a more appropriate way of responding to identified /emerging risks. This includes reviews linked to providing advice around proposed changes to systems and the assessment of risks and as such, an assurance level is not provided given the specific scope of such reviews.
  - In 2018-19, 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.

**2.4.5 Issues relevant to the preparation of the Annual Governance Statement** – In undertaking the assessment of the Council's internal control environment, the 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 2018-19.

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 significant 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. **Homelessness** – This reflects the findings of the review of the Council's processes to prevent and relieve homelessness which is summarised at Appendix Two, along with the need for new arrangements to become embedded, as highlighted in section 2.3.3 of this report.
2. **Controls over accessing system data** – This reflects the findings of a review of the Council's arrangements to govern employees' use of ICT systems holding personal / sensitive data. The findings of this review were reported to the Audit and Procurement Committee in February 2019 and whilst moderate assurance was given that the Council has appropriate arrangements, the review highlighted the need for a corporate approach to be taken to manage risk, given the number of systems in place across the Council. Consequently, the requirement for a corporate data access standard has been considered in the preparation of the Annual Governance Statement for 2018-19.
3. **Delivery of the IT Strategy** – This reflects the requirement for an updated IT Strategy, which as highlighted in section 2.3.3 of this report, is planned for 2019-20 and the findings of a review of the Council's IT Strategy, Policies and Procurement which is summarised at Appendix Two. Whilst a new IT Strategy was originally planned to be produced in 2018-19, this has been delayed to allow for closer alignment to the One Coventry approach.

### 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 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 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

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Barry Hastie	Director of Finance and Corporate Resources	Place	4/6/2019	12/6/2019
Adrian West	Member and Elections Team Manager	Place	4/6/2019	12/6/2019
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	4/6/2019	13/6/2019

This report is published on the council's website:

[www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

## Appendix One – Internal Audit Reviews Completed in 2018-19

Audit Area	Audit Title	Assurance
<b>2017-18 B/Fwd</b>	User accounts	Moderate
	Housing benefits	Significant
<b>Corporate Risk</b>	Children's Services (section 17 monies) Financial Culture*	n/a fact finding
	Controls over accessing system data*	Moderate
<b>Council / Audit Priorities</b>	ICT Strategy, policies and procurement	Moderate
	Sharepoint / legacy storage	Moderate
	Changes to invoice processing	n/a systems advice
	Mandatory training*	Moderate
	Resourcelink self service – delegated authority*	Limited
	Homelessness – prevention and relief duties	Limited
	Tax evasion	n/a risk assessment
<b>Financial Systems</b>	Controls over cash administration	Moderate
	Purchasing cards	n/a systems advice
	Accounts payable	Significant
	Accounts receivable	Significant
	Payroll	Significant
	Council tax	Significant
	CareDirector (income and expenditure)	Moderate
<b>Regularity</b>	Annual governance statement	n/a Annual Review
	Early Measures Grant	n/a verification
	Declaration of Interest	n/a Annual Review
	S256 Health Grant	n/a verification
	Troubled Families Programme Claim 1	n/a verification
	Castlewood School	Moderate
	Troubled Families Programme Claim 2	n/a verification
	Foxford School	Moderate
	Spon Gate Primary School	Significant
	Disabled Facilities Grant	n/a verification
	Disabled Facilities Additional Grant	n/a verification
	Teachers' Pension statements	n/a verification
	Post 16 Schools Funding	n/a verification
	Bus Subsidy Grant	n/a verification
	Highway Maintenance / Incentive / Pothole Grant	n/a verification
	Integrated Transport Block Grant	n/a verification
	Highways Maintenance Challenge Fund Grant	n/a verification
	Swanswell Viaduct Grant	n/a verification
	Catch Grant	n/a verification
	School Direct grant	n/a verification
	Frederick Bird Primary School*	Limited
	Sowe Valley Primary School	Moderate
	Corley Centre	Moderate
	Coventry North Regeneration	Significant
	North Coventry Holdings	Significant
	UK Cite Grant	n/a verification
	UK Autodrive Grant	n/a verification
Risk Management	Moderate	

<b>Audit Area</b>	<b>Audit Title</b>	<b>Assurance</b>
	Troubled Families Programme Claim 3	n/a verification
	Troubled Families Programme Claim 4	n/ verification
<b>Directorate issues</b>	Children's Services permanence payments*	Moderate
	Learning disability providers contract management	Moderate
	Agency workers contract	n/a advice
	Car park passes	n/a verification
	Administration of corporate identify cards*	Limited
	Community support grants	Significant
<b>Follow Up</b>	GDPR readiness*	Moderate
	Hillfields School	Significant
	Edgewick School	Significant
	Housing benefit overpayments	Moderate
	Energy billing	Significant
	Direct payments	Moderate
	Management of plant and equipment	Limited

(\*) Audit findings reported to Audit and Procurement Committee during municipal year 2018-19

## Appendix Two – Summary Findings from Key Audit Reports

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Homelessness – prevention and relief duties</b></p> <p><b>October 2019</b></p> <p><b>Head of Housing / Customer Services Manager</b></p>	<p><b>Overall Objective:</b> To ensure that the Council has effective and efficient processes in place to prevent and relieve homelessness.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Processes are in place to ensure all eligible households who are threatened with homelessness have access to appropriate support and Personal Housing Plans are agreed on a timely basis to ensure reasonable steps can be taken to prevent homelessness.</li> <li>- Processes are in place to ensure all eligible households who are already homeless or become homeless are provided with appropriate support to help secure accommodation on a timely basis.</li> <li>- Financial support is made available to prevent and relieve homelessness where applicable to do so, which is underpinned by robust arrangements to support the assessment of funding requests, approval of payments and monitoring of the impact of awards made.</li> <li>- Processes are in place to enable the Council to discharge their Prevention and Relief Duties where appropriate, due to an applicant's deliberate and unreasonable refusal to co-operate with the steps agreed within the Personal Housing Plan.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Ensure that responsibility is allocated for adapting and publishing self-helps packs and agree a deadline for this work to be undertaken to enable customers to take action themselves to resolve their housing problems. (M)</li> <li>• As part of the on-going development of the Service / transformation work, consider how improvements can be made to working practices to ensure all customers who make an approach under the prevention duty are assessed for eligibility on a timely basis. (H)</li> <li>• Introduce arrangements to take account of existing caseloads when producing rotas for housing officers to ensure that officer caseloads are appropriately managed. (H)</li> <li>• As part of the on-going development of the Service / transformation work, introduce a risk based approach to how customers are supported to prevent and relieve homelessness based on an assessment of their individual support needs. (H)</li> <li>• Produce a library of information sheets which staff can refer to and which provides guidance around what</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<p>support actions should be considered for different types of customers. (H)</p> <ul style="list-style-type: none"> <li>• Introduce appropriate governance arrangements, including (a) development of documented procedures which cover all key aspects of the prevention and relief duty process (b) establishing performance targets in relation to the timeliness of actions (c) introduce a programme of quality assurance checks on officers cases by Senior Housing Officers and use the results as part of on-going performance management arrangements (d) continue to develop the service's understanding of the functionality of the Jigsaw system in respect of management information which can be used to assist in providing oversight of cases and managing performance. (H)</li> <li>• Communicate to all officers the requirement for all interventions with the customer to be recorded within the Jigsaw system. (M)</li> <li>• Communicate to all officers the requirement to record within the Jigsaw system when notifications are received by the Salvation Army that customers have left or been evicted from their interim accommodation. (M)</li> <li>• Consider whether the weekly lists provided by the Salvation Army to Housing Benefits are fit for purpose and take action to ensure that reliance can be placed on this information. (M)</li> <li>• Issue a copy of the framework for the use of Prevention Pot funding to all staff and develop a written procedure which provides detailed requirements of the processes that staff need to follow. (H)</li> <li>• In all cases where the financial assessment identifies the need to submit an application for a Discretionary Housing Payment, ensure that housing officers provide sufficient support to the customer to complete the application form and submit it on a timely basis. (M)</li> <li>• Work with the Benefits Team to streamline the Discretionary Housing Payment application process, including sharing of supporting information obtained by housing officers. (M)</li> <li>• Reallocate budget holder responsibility for Prevention Pot funding to an appropriate officer within the Housing Team. (M)</li> <li>• Take action to revise the scheme of delegation under the Prevention Pot Framework to reflect a more appropriate view of risk. (M)</li> <li>• Undertake analysis / evaluation of the overall effectiveness of Prevention Pot funding to inform strategy to maximise the benefit. (M)</li> <li>• Establish procedures to provide governance over all decisions to discharge the Council's duty as a result of the customers actions / behaviour. (M)</li> <li>• Establish arrangements for the peer review of cases where a decision is taken to discharge the Council's duty for a customer's deliberate and unreasonable refusal to co-operate, including determining a process for recording these reviews. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>IT Strategy, policies and procurement</b></p> <p><b>September 2019</b></p> <p><b>Head of ICT and Digital</b></p>	<p><b>Overall Objective:</b> A review of the Council's IT Strategy and associated polices to ensure processes are sufficiently directed, they are complied with and opportunities to operate more efficiently and be prepared for forthcoming changes are identified.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Documented and approved IT Strategy</li> <li>- Comprehensive and documented information security policies</li> <li>- User awareness of cyber security threats including ransomware and spear phishing</li> <li>- Vendor support for all key IT database and operating system platforms</li> <li>- Procurement process linked to any major developments</li> <li>- Procurement of non-IT approved software and hardware</li> </ul> <p><b>Opinion:</b> Moderate Assurance</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Management to ensure that a new IT Strategy is produced in line with the Council's One Coventry vision and priorities. (M)</li> <li>• Management to ensure that all un-supported Windows 2003 servers are promptly decommissioned. (M)</li> <li>• Management to ensure that all un-supported SQL server 2005 databases are promptly decommissioned. (M)</li> <li>• Management to ensure user access to personal and insecure email services is withdrawn. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p><b>Direct Payments Follow Up review</b></p> <p><b>April 2020</b></p> <p><b>Independent Living Practice Adviser / Head of Social Work Mental Health and Sustainability</b></p> <p>A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="132 790 530 1099"> <tbody> <tr> <td>Number of Actions</td> <td>11</td> </tr> <tr> <td>Implemented</td> <td>8</td> </tr> <tr> <td>No Progress</td> <td>0</td> </tr> <tr> <td>On-going</td> <td>3</td> </tr> </tbody> </table>	Number of Actions	11	Implemented	8	No Progress	0	On-going	3	<p><b>Overall Objective:</b> To provide assurance that agreed actions have been implemented as planned and there are now robust systems in place to ensure that arrangements for administering and monitoring direct payments are effective, efficient and includes appropriate processes to protect the public purse.</p> <p><b>Recommendations followed up:</b></p> <ul style="list-style-type: none"> <li>- Re-allocate the task of setting up the payment details for new direct payment clients to a more appropriate resource. (H)</li> <li>- Review whether other administrative tasks undertaken by the Financial Monitoring Officer are necessary and if so whether they can be carried out by other parts of the business. (H)</li> <li>- Ensure that the Independent Living Team cease undertaking checks linked to the set up of direct payments and review whether the administration task of recording the Agresso code in CareDirector should be undertaken by other parts of the business in line with other processes. (M)</li> <li>- Review and update the starter letters to direct payment clients to include more payment information to the client in advance of their direct payment commencing. (M)</li> <li>- Change the current approach to monitoring direct payments to a rolling programme of reviews. (H)</li> <li>- Revise the process for obtaining monitoring information from direct payment clients. This should include (a) sending a written request to clients in advance of the date the information is required which details what they need to provide and deadline for providing it (b) reducing the number of reminder letters issued to one with an appropriate deadline by which clients must respond by (c) ensuring that where clients do not respond after the first reminder deadline, details are promptly escalated to case management. (H)</li> <li>- Where issues relating to direct payments need to be escalated, ensure that these are raised through CareDirector. (H)</li> <li>- Review the process for dealing with escalated cases to ensure they are dealt with in a timely manner. (H)</li> <li>- Introduce an annual monitoring spreadsheet which clearly records the checks performed / results and follow up action and which is consistent across all types of direct payments. (H)</li> <li>- Ensure that direct payments for one-off Disabled Facility Grants are monitored. (M)</li> <li>- Ring fence the back log work on direct payment ends and adequately prioritise / resource the activity so that this work is completed promptly and complete work on new direct payment ends on a weekly basis to ensure that backlogs do not recur. (H)</li> </ul> <p><b>Opinion:</b> Moderate Assurance</p>
Number of Actions	11								
Implemented	8								
No Progress	0								
On-going	3								

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<p data-bbox="562 320 1272 352"><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul data-bbox="562 392 2056 560" style="list-style-type: none"><li data-bbox="562 392 2056 456">• Review and update the starter letters to direct payments to include (a) a proposed start date for the direct payment and (b) the gross amount of the direct payment that they are due. (M)</li><li data-bbox="562 459 2056 491">• Review the process for dealing with escalated cases to ensure they are dealt with in a timely manner. (H)</li><li data-bbox="562 494 2056 560">• Ensure that work to process outstanding direct payment ends continues to be undertaken on a timely basis, including action to identify and recover all excess balances in accordance with the Direct Payments policy.</li></ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>CareDirector Income and Expenditure</b></p> <p><b>April 2020</b></p> <p><b>Head of Business Systems / Financial Operations Manager / Operational Manager Financial Assessments</b></p>	<p><b>Overall Objective:</b> To provide assurance that the Council has effective systems in place to administer both payments made through CareDirector and income due from client contributions in respect of adult social care.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- All source input to the CareDirector system is accurate, complete and carried out on a timely basis.</li> <li>- All relevant clients in receipt of care provision are subject to a financial assessment, which determines accurate charges to be applied against the relevant client account on CareDirector.</li> <li>- Payments to individuals and suppliers are accurate, authorised prior to payment and are made on a timely basis.</li> <li>- Changes in circumstances that affect both services provided and client charges raised in CareDirector are dealt with accurately and on a timely basis.</li> <li>- Controls exist to ensure that the interface between CareDirector and Agresso is processed accurately and completely.</li> <li>- Appropriate action is taken to pursue outstanding monies owed to the Council and provide accurate budgetary control information for management.</li> </ul> <p><b>Opinion:</b> Moderate Assurance</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Consider how workflow within adult social care can be improved to ensure service provisions are input on a timely basis. (H)</li> <li>• Take action to ensure (a) ensure that arrangements for the electronic filing of invoices are fit for purpose and complied with (b) introduce risk based checks over manual variations to invoices input to the CareDirector system to ensure that they are supported by an approved Service Request Form. (H)</li> <li>• Take action to improve the timeliness of ending service provisions on the CareDirector system. (H)</li> <li>• Take action to reduce / minimise retrospective requests for service provisions being received. (H)</li> <li>• Ensure that checks on out of city placements are undertaken on a quarterly basis. (M)</li> <li>• Consider how workflow within adult social care can be improved to ensure referrals to Financial Assessments are received on a timely basis. (M)</li> <li>• Ensure that all outstanding audit actions linked to the financial assessment process are implemented. (M)</li> </ul>

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Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

24<sup>th</sup> June 2019

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

City Wide

**Title:**

Internal Audit Plan 2019-20

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to share the draft Internal Audit Plan for 2019-20 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 2019-20 (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 2019-20

**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 2019-20

**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 2019-20. 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 (and updated March 2017), 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".*

The priorities of internal audit activity are determined through the development of an annual risk- based Internal Audit Plan. This report documents the planning process and identifies the outcome of this process, namely the draft Internal Audit Plan for 2019-20.

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 a quality Internal Audit Service in line with the Public Sector Internal Audit Standards, to assist the Council in achieving its aims and objectives.
- 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 and provide relevant assurance.
- Ensuring that the level and skills of audit resources available is appropriate to meet the audit needs of the Council.
- To allow the 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 2019-20** – 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. The resource requirements have been assessed, taking into account the requirement to produce an annual audit opinion and the Council's overall assurance framework. For 2019-20, this assessment has also been influenced by the following factors:
  - The Internal Audit Service has recently undergone a restructure, which is currently being implemented and includes undertaking a recruitment exercise. However, at this stage, it is difficult to predict with any certainty the exact timescales of when the new structure will be fully populated.
  - Unplanned absence within the Team.

Consequently, the level of resources available in 2019-20 for audit and corporate fraud work cannot be precisely defined at the current time. Taking these factors into account, alongside an assessment of the resources which will be available when the new structure has been fully implemented, the draft plan has been developed on an estimate of 550 days available for audit and corporate fraud work. This compares to 480 days which were available in 2018-19. Whilst the level of resources will continue to be closely monitored, it is envisaged that any short-term reduction will be compensated for later in the year. Updates on the resource position and any resulting change to the audit plan will be provided in future reports to the Committee.

In focusing the available resources to develop a plan which meet the needs of the Council, the following approach has been taken:

- A documented risk assessment has been undertaken, which considers the Council's corporate risk register and key priorities as identified from consultation with Directors and other senior managers, alongside other priorities identified from (a) the annual review of the Local Code of Corporate Governance and (b) areas of risk which have been highlighted by the Chief Internal Auditor during the course of the year. Where appropriate, an assessed risk level has been included in appendix one. Where the risk has been assessed as medium rather than high, this generally reflects the findings of previous audit reviews in the respective area / an initial assessment of the control environment.
- A risk-based approach to the audit of schools based on links with School Finance / issues raised by schools, rather than a fixed programme of audit work. In 2019-20, specific focus has been given to schools which have not been audited for some time.
- A flexible and responsive approach to issues highlighted by senior officers with 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, it is believed that the draft Audit Plan for 2019-20 is sufficient for the work required to report on governance, the management of risks and controls in the year and to prepare our annual opinion and report.

- Corporate Risks – The focus of audit coverage in 2019-20 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. This includes reviews of health and safety, contract management framework, ICT, homelessness reduction, information governance risk management and compliance with key HR procedures.
- Council / Audit Priorities – This incorporates audit work linked to specific Council priorities around governance which have a corporate impact such as oversight over agency workers, appointments to outside bodies and data quality of performance indicators linked to the Council Plan.
- Corporate Governance – The work related to corporate governance is also under the heading Regularity because it includes mandatory audit requirements such as the co-ordination of the Annual Governance Statement and Declarations of Interest exercise.
- Contingency / Directorate risks – This audit area includes those issues highlighted through dialogue with Directors / senior officers which, whilst they may not have a corporate impact, could affect the achievement of operational objectives. In 2019-20, identified areas include the new early payments system, parking enforcement recovery and tribunals for special school places.
- Carried forward audits – The areas highlighted above also include a small number of audits which were postponed from 2018-19, either following a request from senior management or the resources available in the Team during the year.

### **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 31<sup>st</sup> March 2020. 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 2020 and will include the opinion of the 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:**

Chief Internal Auditor

**Directorate:**

Place

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Paul Jennings	Finance Manager Corporate Finance	Place	4/6/2019	5/6/2019
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Director of Finance and Corporate Resources	Place	4/6/2019	12/6/2019
Adrian West	Member and Elections Team Manager	Place	4/6/2019	12/6/2019
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	4/6/2019	13/6/2019

This report is published on the council's website:

[www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

## Appendix One – Internal Audit Plan 2019-20

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
<b>Corporate Risk</b>			
	High	ICT (Infrastructure and Change)*	30
	High	Finance (Contract Management Framework)	20
	High	Workforce strategy	22
	High	Adult Social Care	15
	High	Safeguarding	15
	High	Information Governance	7
	High	Health and Safety	10
<b>Council / Audit Priorities</b>			
	Medium	Payment Audit*	5
	Medium	Leavers IT processes	5
	Medium	Separation of duties Agresso / IT	5
	High	Agency workers contract	7
	Medium	Bribery and Corruption	5
	Medium	Code of governance	17
<b>Financial Systems</b>			
	High	Care Director	20
	High	Business Rates	10
	Medium	Accounts Payable	10
	Medium	Accounts Receivable	10
	Medium	Council Tax	10
	Medium	Payroll	10
	Medium	Housing Benefits	10
<b>Regularity</b>			
		Grants	82
		Corporate Governance	20
		Risk Management	10
		Schools	28
<b>Other</b>			
		Contingency / Directorate Risks	71
		Fraud	40
		Follow up	38
		2018/19 B/Fwd	18
		<b>Total Days Available</b>	<b>550</b>

*\*Audits partly undertaken by third party*