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Coventry City Council

Agenda

Audit and Procurement Committee

Time and Date
2.30 pm on Monday, 9th October 2023

Place
Diamond Rooms 1 and 2 - Council House, Coventry

Public Business

1. **Apologies**

2. **Declarations of Interest**

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

   To agree the minutes of the meeting held on 24th July 2023

4. **Exclusion of Press and Public**

   To consider whether to exclude the press and public for the private item of business for the reasons shown in the report

5. **Audited 2019/20 Statement of Accounts and Audit Findings Report** (Pages 11 - 268)

   Report of the Chief Operating Officer (Section 151 Officer)

6. **2023/24 First Quarter Financial Monitoring Report (to June 2023)** (Pages 269 - 294)

   Report of the Chief Operating Officer (Section 151 Officer)

7. **Whistleblowing Annual Report 2022-23** (Pages 295 - 302)

   Report of the Chief Operating Officer (Section 151 Officer)

8. **Outstanding Issues** (Pages 303 - 308)

   Report of the Chief Legal Officer

9. **Work Programme 2023/2024** (Pages 309 - 310)

   Report of the Chief Legal Officer

10. **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

11. **Procurement and Commissioning Progress Report** (Pages 311 - 330)

Report of the Chief Legal Officer

(Listing Officer: R Amour. Email: rob.amor@coventry.gov.uk)

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

Julie Newman, Chief legal Officer, Council House, Coventry

Friday, 29 September 2023

Note: The person to contact about the agenda and documents for this meeting is Michelle Salmon, Governance Services, Email: michelle.salmon@coventry.gov.uk

Membership:
Councillors S Agboola, M Ali, J Blundell, R Lakha (Chair), G Ridley, E Ruane and B Singh (Deputy Chair)

By invitation:
Councillor R Brown - Cabinet Member for Strategic Finance and Resources

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Michelle Salmon
Governance Services
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Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm on Monday, 24th July 2023

Present:

Members:	Councillor R Lakha (Chair) Councillor S Agboola Councillor J Blundell Councillor R Brown Councillor E Ruane Councillor B Singh

Employees (by Service Area):

Finance	B Hastie, Chief Operating Officer (Section 151 Officer), P Jennings, T Pinks, K Tyler
Law and Governance	S Bennett
Apologies:	Councillors M Ali and T Sawdon

Public Business

9. **Declarations of Interest**

There were no disclosable pecuniary interests.

10. **Minutes of Previous Meeting**

The Minutes of the meeting held on 26th June 2023 were agreed and signed as a true record.

There were no matters arising.

11. **Outstanding Issues**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which identified issues on which a further report/information had been requested or was outstanding, so that the Committee were aware of them and could manage their progress.

Appendix 1 to the report provided details of issues where a report had been requested to a meeting along with the anticipated date for consideration of the issue. The Committee noted that there were no issues in Appendix 1.

Appendix 2 of the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed. The Committee received an oral update at the meeting in relation to action taken in relation to the Corporate Risk Register (Minute 65/22) and requested that the information now reported in relation to the three items the

Committee had requested be added to the Register be circulated to the Committee in due course. The action taken in relation to the Annual Governance Statement (Minute 5/23), which discharged this matter, was noted.

RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report and the action taken to discharge matters, which can now be removed from the report.

12. **Work Programme 2023/24**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which detailed the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2023/2024.

It was noted that an additional meeting of the Committee had been arranged for 11th September 2023 to consider the following items:

Statement of Accounts 2019/2020
Audit Findings Report 2019/2020

RESOLVED that the additional meeting of the Committee to be held on 11th September 2023 be added to the Work Programme.

13. **Revenue and Capital Outturn 2022/23**

The Committee considered a report of the Chief Operating Officer (Section 151 Officer) which outlined the final revenue and capital outturn position for 2022/23 and which reviewed treasury management activity and 2022/23 Prudential Indicators reported under the Prudential Code for Capital Finance.

The report had also been considered by Cabinet (their Minute 13/23 refers) and Council (their Minute 35/23 refers).

The overall financial position included the following headline items:

- An overspend of £6.7m, balanced by a contribution from legacy COVID reserves.
- Capital Programme expenditure of £146.9m
- A reduction in the level of available Council revenue reserves from £140m to £123m

Further detail included:

- An overspend of £9.4m within Streetscene, and Regulatory Services includes the combined impact of the refuse drivers' strike, strike mitigation costs and the loss of commercial refuse service income as a result of the strike.
- An overspend of £4.1m within Childrens' Services reflecting high placement costs and social worker recruitment and retention pressures.
- An overspend of £2.7m in Adults' Social Care reflecting an increased number of high-cost complex cases.
- An overspend of £2.7m on Business & Investment Culture which represents significant energy inflationary pressure, as well as running costs and

business rates for the Collection Centre in advance of construction start dates.

- A net underspend of £13.5m within central budgets including lower superannuation costs, interest income from loans and higher than budgeted investment income, and a surplus from the Coventry and Warwickshire Business Rates Pool.

The underlying revenue position has improved by £1.8m since Quarter 3 when an overspend of £8.5m was forecast. In particular the improved position relates to improvements within Contingency and Central budgets which were set out in the report.

The prudent management of the Councils financial position throughout the Covid crisis enabled the Council to retain some resources to manage any legacy issues. £6.7m of this has been used to balance the position at the end of 2022/23. Although the Covid crisis is no longer a significant threat to the Councils service delivery and financial position, the cost-of-living crisis and growing levels of inflation have had tangible impacts on demand for both Childrens and Adults services. The complexity of need, support required and sufficiency of the external market to provide for this has directly impacted the Councils financial outturn reported up to 31st March 2023 and will be an ongoing financial challenge in 2023/24.

In considering the report, the Committee asked for further information in relation to:

a) Details of loss of commercial income (£1.3m) resulting from the Refuse Service dispute

b) A breakdown of information in relation to the Council's Reserves, including an understanding of what is included in the Innovation and Development Fund and how much has been spent. The Committee noted that consideration of the City Council's Reserves was included in the Work Programme for the Finance and Corporate Resources Scrutiny Board (1) for 2023/24.

RESOLVED that the report be noted and that officers be requested to provide the Committee with the information requested in a) and b) above.

14. **Audit and Procurement Committee Annual Report to Council 2022/23**

The Audit and Procurement Committee considered their Annual Report to Council that provided an overview of its activity during 2022-2023. The report would be submitted to the City Council at their meeting on 5th September 2023.

The report included an introduction by the Chair, Councillor R Lakha, and indicated that the Audit and Procurement Committee is a key component of the Council's governance framework, supporting good governance and strong public financial management. Over the last year, the Committee has continued to discharge its key responsibility effectively, namely providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes.

The report indicated that, during the year, the Committee has provided oversight of key matters such as the Annual Governance Statement, Internal Audit activity and challenges in meeting the regulatory deadlines for the publication of the Council's accounts. Alongside this, the Committee has considered additional information which provides assurance over the governance arrangements for procurement activity.

The Annual report detailed priorities for 2023-24 which include ensuring that:

- The Council's risk management, governance, internal control, and financial management arrangements continue to operate effectively, especially in light of the inflationary pressures facing the country.

- Matters relating to the publication of the Council's Statements of Accounts are resolved, with an expectation that the 2019-20 accounts are published before the end of 2023.

The Annual report also detailed activity in the following areas:

- Governance
- Financial Management and Accounting
- External Audit
- Internal Audit
- Fraud and Error
- Procurement
- Salaries

Other reports were considered during this period, which were linked to risk management, internal control, and governance, including the Whistleblowing Annual Report 2021/22; Complaints to the Local Government and Social Care Ombudsman 2021/22; the Corporate Risk Register; the Information Governance Annual Report 2021/22; and the Regulation of Investigatory Powers Act 2000 Annual Compliance Report.

The Committee agreed to recommend that the City Council consider the Annual Report for 2022-2023 at their meeting on 5th September 2023.

RESOLVED that the Audit and Procurement Committee recommends that the City Council considers the Audit and Procurement Committee Annual Report 2022-2023 at their meeting on 5th September 2023.

15. **Internal Audit Plan 2023/24**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that submitted the draft Internal Audit Plan for 2023-24, attached as an appendix to the report, to enable the Committee to express its views on the extent and nature of the planned coverage.

In terms of proposed audit activities, the draft Internal Audit Plan documented the outcome of the audit planning process for 2023-24. The report set out the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility but also enabled them, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

The report indicated that the draft plan is based on an allocation of priorities against the current level of audit resources available. For 2023-24, it has been assessed that the resources available are 480 days for audit and corporate fraud work. However, due to unplanned absence within the Service at the current time (which has been factored in as far as possible), this assessment may be subject to some adjustment during the course of the year. In the event that there are significant changes to the level of resources available for 2023-24 which impact on the delivery of the Audit Plan, this will be reported to the Audit and Procurement Committee.

In addition to the 480 available audit days, the Service also has two trainee posts as part of the longer-term strategic plan for the Service. Given the nature of these posts, it is not viewed as appropriate to formally include them within the assessment of resources for 2023-24, although they will provide support to the Team in delivery of audit work.

In focusing the available resources to develop a plan which meets the needs of the Council and adds value, the following approach has been taken:

- An initial risk assessment has been undertaken, which considers the Council's corporate risk register and any priorities identified from consultation with Directors, and other senior managers, alongside other priorities linked to areas of risk which have been highlighted by the Chief Internal Auditor. 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.

- The approach to undertaking annual audits of the Council's key financial systems has been reviewed and where appropriate to do so (e.g., where there is history of the system being well controlled) it has been determined that full audits will be undertaken on a bi-annual basis. However, where it has been agreed that there are areas of identifiable risk within these systems, these have been included as specific engagements within the draft audit plan for 2023-24, e.g., Housing Benefit (HB) subsidy.

- A risk-based approach to the audit of schools, rather than a cyclical programme of audit work.

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

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

Areas of planned work include:

- Corporate Risks
- ICT
- Council/Audit priorities
- Regularity
- Directorate risks

The report concluded that it is believed that the draft Audit Plan for 2023-24 is sufficient for the work required to report on governance, the management of risks and internal controls in the year and to prepare the annual opinion and report.

RESOLVED that the draft Internal Audit Plan for 2023-34, as appended to the report, be noted.

16. **Annual Fraud and Error Report 2022/23**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that provided a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service for the financial year 2022-23.

The report documents the Council’s response to fraud and error during 2022-2023 and was presented to the Committee in order to discharge its responsibility, as reflected in its terms of reference ‘to monitor Council policies on whistleblowing and the fraud and corruption strategy’.

The report indicated that during 2022-2023 the work of the Team has concentrated on the following three main areas, key activities of which were outlined in the report:

- Business Support Grants – In response to Covid-19, the government announced that there would be support for businesses in the form of grant funding schemes. A summary of the schemes and number/value of grants issued was provided in the report, together with a summary of the current position in respect of the recovery of grants paid fraudulently/in error identified across all of the grant schemes. The Committee noted that where the Council have taken all reasonable steps to recover the grant but have been unsuccessful, they are able to refer the debt to the Department of Business, Energy, and Industrial Strategy (BEIS). In addition to the work on debt recovery in 2022-23, Internal Audit have also led on complying with the evidence requirements for sample checks undertaken by BEIS across all of the grant schemes.

- National Fraud Initiative – This exercise is led by the Cabinet Office and takes place every two years, matching electronic data within and between public bodies with the aim of detecting fraud and error.

- Referrals and investigations considered through the Council’s Fraud and Corruption Strategy. A table in the report detailed the number of referrals by source in 2022-23, together with figures for the previous three financial years.

The report also indicated that between April 2022 to March 2023, one significant fraud had been concluded, details of which were contained in the report.

The Local Government Transparency Code requires local authorities to publish information in relation to fraud on an annual basis and this information was provided in the report.

RESOLVED that the Annual Fraud and Error report 2022-2023 be received and noted.

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

There were no other items of urgent public business.

(Meeting closed at 4.00pm)

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Coventry City Council

Public report

Audit and Procurement Committee 9th October 2023

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:
Chief Operating Officer (Section 151 Officer)

Ward(s) affected:
City Wide

Title:
Audited 2019/20 Statement of Accounts and Audit Findings Report

Is this a key decision?
No

Executive Summary:

The purpose of this report is to gain Audit & Procurement Committee's approval for the audited 2019/20 Statement of Accounts and Grant Thornton's Audit Findings Report provided alongside the accounting statements. The Audit & Procurement Committee is approving these accounts on the Council's behalf. This follows a very significant period of delay resulting in these accounts being brought much later than the original regulatory deadline of 30th November 2020.

Committee has discussed the extensive content of the accounting statements on several previous occasions. Members are advised to focus on the appended Audit Findings Report as the key document detailing the changes to previous versions and key issues which need to be addressed by the Council.

Recommendations:

Audit and Procurement Committee is recommended:

1) To consider and approve the final 2019/20 Statement of Accounts.

2) To consider and accept Grant Thornton's Audit Findings Report provided alongside the accounting statements.

3) To consider the Annual Governance Statement as amended and incorporated within the 2019-20 Statement of Accounts.

4) To delegate authority to the Chief Operating Officer (Section 151 Officer) in consultation with the Chair of Audit and Procurement Committee to agree any final changes to the Statement

in the event that any of the items outstanding with the audit are not resolved before the Committee meets on 9th October 2023.

List of Appendices included:

Appendix 1 – Final Audited 2019/20 Statement of Accounts
Appendix 2 – Grant Thornton 2019/20 Audit Findings Report

Background Papers

None

Other useful documents:

Final Accounts Working papers.

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 - The Audit & Procurement Committee is approving the City Council's Statement of Accounts on the Council’s behalf.

Report title: Audited 2019/20 Statement of Accounts and Audit Findings Report

1. Context (or background)

1.1 Responsibility for approving the Council's Statements rests with the Audit & Procurement Committee, which is the key body in respect of understanding, analysing, and discussing the content of these statements.

1.2 Audit and Procurement Committee have been informed previously of the regulations requiring local authority 2019/20 Accounts to be audited and published by 30th November 2020. Although the Council sought to meet this requirement further work and challenges from the Council's auditors, Grant Thornton, led to delays which have become very significant and have led to an extremely protracted audit of the accounts. Formal updates on this position were provided to the Committee on 28th June 2021, 29th November 2021 and Grant Thornton provided a further verbal update to Committee on 20th March 2023.

1.3 Committee has been informed previously of some of the factors responsible for the delay including: practical issues with undertaking audit work in a 'virtual' way; additional work required of the auditors including that insisted upon by the Financial Reporting Council in relation to the valuation of Property, Plant and Equipment; well publicised pressure on the auditing sector which were outlined in the Redmond Review; delays elsewhere in the process, for instance in the completion of the accounts of the Council's companies; and national issues in relation to accounting for highways infrastructure assets. Despite these mitigating factors, in the final analysis it is reasonable to conclude that the majority of the lapsed time in completing the Council's accounts is as a result of errors relating to the Council's Group Accounts and property valuations.

1.4 Although a previous report obtained delegated approval for the final Statement of Accounts to be approved by the Section 151 Officer in consultation with the Chair of Audit and Procurement Committee, the extent of the changes made since the previous draft notified to Committee have led to the conclusion that it is more appropriate for these changes to be considered formerly by a full meeting of Committee.

2. Options considered and recommended proposal

2.1 This report and the Statement of Accounts are presented alongside the Audit Findings Report of the Council's external auditors Grant Thornton which details the significant changes to the draft accounts published in November 2020. These changes have been agreed between Grant Thornton and the Chief Operating Officer (Section 151 Officer). The Audit and Procurement Committee is being recommended to approve the Statement of Accounts and endorse the Audit Findings Report. A marginal change (in relation to the delay in completing the accounts) has also been made to the Annual Governance Statement (AGS) approved previously by Audit and Procurement Committee, which is now being asked to re-approve the AGS with these marginal amendments.

2.2 At the time of writing, the intention is for a final Statement of Accounts and Audit Findings Report to be presented to members. However, should there be any late changes or issues outstanding when the Committee meets and which are not judged to be material, Committee is recommended to delegate the approval of such changes to the Chief Operating Officer in consultation with the Chair of Audit and Procurement Committee.

2.3 A decision not to agree these recommendations would result in further delay to the Council having an approved accounting statement.

3. Results of Consultation Undertaken

3.1 None

4. Timetable for implementing this decision

5.

4.1 If Committee approve the report the final Statement of Accounts will be published on the Council's website with almost immediate effect.

5. Comments from the Interim Chief Executive (section 151 Officer) and the Chief Legal Officer

5.1 Financial Implications

There are no regulatory penalties for missing the accounting deadlines although both the Council's finance team and its auditors have been involved in significantly greater work on the accounts than is normal and at an additional audit cost of c£200k. The delay gave rise to a risk that the Council does not have sufficient understanding of its financial position. The reality is however that the errors and adjustments highlighted are not ones that affect the Council's underlying financial position, so this risk has not crystallised in a material way.

The delays have highlighted several areas where the Council should seek to make improvements to its performance, structure, and processes in particular in relation to its group accounting and property asset valuations. A new dedicated post has been created to tackle group accounting providing both expertise and capacity in this area. In terms of property valuations, work has been under way over the Summer to improve understanding, processes and working practices across the Council's finance and property teams and with the Council's externally procured valuer.

5.2 Legal Implications

The 2019/20 Accounting Statement is governed by the Accounts and Audit Coronavirus) (Amendment) Regulations 2020 which required the accounts to be approved and published by November 2020. Wider regulations regarding the publication of accounts require councils to publish an explanatory notice on its website in the event of missing such deadlines. The Council has complied with the requirement to post a notice.

Although the Council is one of only a small number for which the 2019/20 accounts remain outstanding, a large number of local authority accounts (numbering in the hundreds) for later years, remain outstanding. This reflects some systemic issues with the nature of local authority accounting and the processes for auditing them which have been much discussed within the sector.

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Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
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Karen Tyler	Chief Internal Auditor	Finance	25/08/23	25/08/23
Names of approvers for submission: (Officers and Members)				
Sarah Harriott	Civil, Information and Governance Solicitor	Law and Governance	25/08/23	30/08/23
Barry Hastie	Chief Operating Officer	Finance	25/08/23	30/08/23
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	29/08/23	

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Coventry City Council

Coventry City Council's
2019-20
Statement of Accounts

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

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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 2020. The narrative report below helps to explain some of the key elements of the Council’s role, its impact on major developments in the city and its performance for the year including some of the key financial information and how this links to the statements and notes in this document.

1.2 Narrative Report

Preface

This narrative report was largely written during, and from the perspective of, Summer 2020 with a small number of updates in a few key areas. Given the significant delay in completing these accounts there have been subsequent developments that have changed the status of issues referenced in this report. An updated section at the end of this narrative report summarises the key matters to help put the position reported into context.

Overview

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

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

With the coronavirus pandemic, the work of the Council to support local communities has never been more important: the Council has been involved in a wide range of responses across the city including providing food, medicine and social support to our most vulnerable residents both directly and through our partners; as well as in providing advice and grants to help reduce the impact to our local business community.

Globally connected

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

Locally committed

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

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

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

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

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

The Council's Financial Performance – Revenue

The final weeks of the 2019/20 financial year were affected dramatically in the UK by events linked to the COVID-19 pandemic that has been felt across the world. It is fair to say that no single event has had such a profound effect on the lives of people in this country since the Second World War. Although 'lockdown' was not announced by the Prime Minister until March 23rd, the emergency measures announced in the Budget nearly two weeks previously demonstrated the degree and speed with which events had already progressed by that point. The most impactful developments for Coventry included; the halting of universal schooling but with the maintenance of school opening for vulnerable children and those of workers in key sectors; the need to ensure food and other support for vulnerable groups; the ordering of large amounts of personal protective equipment (PPE); arrangements providing for a temporary sub-regional mortuary facility; responding to changes in the demand for and nature of adult and children's social care and homelessness provision; financial support for suppliers of goods and services to the Council; processing of cash grants and rate reliefs to business ratepayers and managing reliefs for Council Tax payers; ceasing many direct face to face services to the public; and the wide-scale re-location of several thousand officers from office based activity to working from home.

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

These very apparent effects on everyday council services were reflected upon in the world of local authority accounting. It was no surprise therefore that the unprecedented measure to suspend the requirement to apply the Code of Accounting Practice for 2019/20 in its current format was put forward by the CIPFA/LASAAC Code Board in April 2020. This proposal was subsequently rejected and was replaced by less radical proposals to ease reporting timescales and delay the implementation of International Financial Reporting Standard 16 (Leases) until 2022/23. As a result, notwithstanding the massive impact on society and the day to day effects on the working practices of those who compile, audit and approve the accounts, the key components of this Statement of Accounts reflect those of recent years and there have been no significant changes to accounting policies for the 2019/20 accounts.

In the same way that individuals and businesses experienced dramatic effects on their personal finances and trading performance, the Council too found that a wide range of its services were subject to immediate financial consequences. This has

created some immediate and obvious additional costs and income reductions in 2019/20 and an initial assessment on the need to make additional provision for bad debt. Together these totalled £2.8m and the Council used the first tranche of the Government's COVID-19 funding (£10.4m), which was received in late March, to fund them. What is clear is that the level financial shock will be far greater in 2020/21 and beyond as the Council, its partners and the wider city face the direct costs and subsequent impact of managing the virus.
Other than the actual financial costs referred to above, the main impact on the Council's accounting statements relates to the impact of the volatility of financial and property markets and the wider economy. These conditions have increased the uncertainty of assumptions around the Council's property and other asset valuations, including our shareholdings in arms-length companies and to a lesser degree in the recovery of amounts owed to the Council. As a result, and where appropriate, the disclosures within the financial statements reflect the unprecedented situation and its impact on the accounts, particularly in relation to these uncertainties.

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

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

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

Consistent with recent years there has continued to be budgetary pressures in services for children and young people, driven especially by the number and cost of placements for looked after children and an increasing need to meet the financial consequences of the issue of youth violence. Other areas of financial pressure, such as transport for children with special educational needs and waste collection and disposal, demonstrate the point that local authorities are faced constantly with the costs of demand led services, the causes of which they often have limited control over.
The Council's contingency and central budgets were underspent by £6.3m with the most significant area being that of its employer pension contributions. The Council budgeted for the full amount of contributions relating to its current payroll figures. However, these figures are higher than assumed at the time that fixed contributions were calculated and agreed to be paid to the West Midlands Pension Fund (WMPF) three years ago, creating an underspend of £7m. Revised arrangements for 2020/21 mean that the WMPF will expect these amounts to be paid on an annual basis in future.

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

Summary of the Council's Revenue Outturn

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

The Council’s Financial Performance – Capital

The scale of the Council’s ambition is most obvious in the size of its Capital Programme. Having delivered the largest programme for many years in 2018/19 (£147m), capital expenditure in 2019/20 totalled £216m. The programme incorporated sub-regional highways infrastructure works in the Whitley South scheme, investment in local sporting provision including The Wave destination leisure facility, development of rail infrastructure through the Coventry (rail) Station Masterplan, further improvements in the form of city centre public realm works, a major innovative project supporting local economic development – the UK Battery Industrialisation Centre, and acquisition of a local major commercial waste company, Tom White Waste Limited. Funding for the programme came largely from external grant or commercial business case based prudential borrowing, as set out in note 3.18 Capital Expenditure and Capital Financing.

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

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

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

In recent years the Council's plans have included the generation of capital receipts from the sale of property assets and investing some of the proceeds into assets providing a higher return. This model remains an option for the Council going forward but will be limited by the Council's ability and desire to continue to identify potential property assets for disposal from what is a reducing stock of available sites. Although the Council completed the purchase of a site currently occupied by B&M stores earlier in the year, subsequent approvals relating to Oak House and Belgrade Plaza had not completed by the year-end. Any decisions to complete these purchases and approve future deals will clearly need to consider the wider ramifications of the impact of COVID-19.

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

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

Both the Wave and Tom White Waste have commercial models that have been affected by the COVID-19 situation and these will require the original business cases on which they were based to be re-evaluated as Coventry begins to recover from current conditions. Due to the nature of its funding position, its size and the financial resilience that it has built into its financial plans, the Council is in a strong position to withstand this type of event. However, they are an important reminder of the risk that is now built into the Council's budgetary position.

Reserve Balances

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

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

The revenue reserves are held for a number of reasons. Several of the largest balances include: £9m set aside to deliver the Council's long-term Private Finance Initiative specific projects, £9m held to help the Council to restructure its workforce so that it can balance future budgets; £8m to protect the Council from future Business Rates volatility and £4m to support the UK City of Culture 2021 Programme. As explained earlier in this Narrative Statement, £13m has been set aside to respond to financial issues arising from COVID-19, £8m of direct Government funding provided for this purpose and £5m from the Council's outturn surplus earmarked for the city's reset and recovery following the pandemic. The global and national impact give clear justification for organisations such as the Council to protect their financial position by maintaining reserve balances. The Council's recent actions to increase its reserve balances is one reason, although not the only one, why it has been able to avoid being one of those councils giving dire warnings of their financial distress as a result of COVID-19. In addition, the Council's view is that the scale of the financial challenges facing it and the range of the projects and aspirations that it has established for itself over the next few years provides a strong justification for setting aside these amounts. Further detail on the Council's reserve balances are set out in section 3.13 Usable and Unusable Reserves.

Treasury Management

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

The Council's delay in taking out further long-term borrowing at this stage, as a result of its cash position, is in line with the advice of the Council's Treasury Management advisors which has been to use short-term borrowing available on very low rates of interest. As a result of some existing borrowing being repaid, the Council's long-term borrowing reflected in the Balance Sheet has gone down in the year from £317m to £313m.

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

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

Other Issues within the Accounts

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

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

The audit of these accounts has resulted in a significant delay in their completion and approval resulting in an additional elapsed time period of almost two and a half years beyond the timescale originally envisaged. The key issues are addressed within the external auditor's separate Audit Findings Report whilst a number of Prior Period Adjustments affecting balances and movements in previous years' accounts are described in sections 3.39 and 4.14. In headline terms the most significant change relates to an increase in the value of the Council's land identified for future housing use (£94m, as at 31/3/20) bringing this into line with the Council's Local Plan. A further change in the Group Accounts reflects an increase in the valuation of property relating to UK Battery Industrialisation Centre Ltd (£31m) and Coombe Abbey Park Limited (£22m). The Audit Findings Report also includes recommendations on how the Council can improve its accounts closedown processes and the Council will implement these changes for 2020/21 and future years.

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, Plant and Equipment assets represent £991m or 68% of the Long-Term Assets figure. Its net pension liability represents £573m or 61% of its Long-Term Liabilities.

Balance Sheet Category	31st March 2019 *restated £m	31st March 2020 £m
Long Term Assets	1,349	1,457
Net Current Assets (Current Assets less Current Liabilities)	1	(6)
Long Term Liabilities	(903)	(939)
Net Assets	**447**	**512**
Represented by:		
Usable Reserves	(131)	(144)
Unusable Reserves	(316)	(368)
Total Reserves	**(447)**	**(512)**

Pensions Accounting

The Council's pension deficit continues to represent the most striking single factor within these accounts. The balance sheet shows a shortfall of £573m between the current value of amounts paid into the pension fund and the forecast cost of pensions that will need to be paid out in future. This is higher than the deficit recorded in the 2018/19 accounts and, when compared with the total value of everything the Council owns (£1,606m), the overall pension deficit remains a significant matter for consideration. In particular the value of the Council's share of pension fund assets has decreased by £43m and this will include valuations taken as at 31st March 2020 during the Covid-affected period.

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

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

In line with a number of other local authorities, the Council took the opportunity to pay a sum in 2017/18, equivalent to all of its employer pension contributions for the three year period 2017/18 to 2019/20, to the West Midlands Pension Fund. The nature and longevity of the investment opportunities available to the Pension Fund mean that they can secure greater returns on their investments. As a result, the Fund was able to offer councils including Coventry a discount on their overall contributions; in Coventry's case these contributions totalled £93m. Accounting conventions allowed the payments to be allocated across the period up to 2019/20. Therefore, the Council has only charged the in-year figure to its general fund. Although the previous two years have seen a divergence between the Pension Liability and Pension Reserve, which is allowable under the circumstances described here, the two balances are aligned for this, the third and final year of the arrangement. A similar payment has been made for the three-year period starting 2020/21.

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

Asset Valuations

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

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

Eight Coventry schools transferred to academy status in 2019/20. The day to day costs and funding of the schools are included within these accounts up to the day on which they transferred. Their budget shares of c£20m will not be included in the Council's accounts in future and £2.1m of asset value has been removed from the Council's accounts in the year.

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

Going Concern

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

It is important to be clear that the Code of Practice, under which local authorities operate, confirms that councils can only be discontinued under statutory prescription and should, therefore, prepare their financial statements on a going concern basis of accounting. This means that they should be prepared on the assumption that the functions of the authority will continue in operation for the foreseeable future. However, as part of putting these accounts together, alongside its overall response to COVID-19, the Council's financial monitoring and planning has continued focus on providing assurance that its financial position remains secure. This includes looking at the Covid related expenditure pressures, the direct impact on council income, impairments required against existing debts and continued analysis of the Council's cashflow requirements. The calculation of the financial impact of COVID-19 is necessarily subjective although subsequent events have suggested that the Council may be able to manage within the Government grant provided to fund these. The length and intensity of Covid related measures and society's response to the post-Covid environment will determine the extent of any long-term financial impact.

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

Exit From the European Union

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

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

The Better Care Fund

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

University Hospital Business Rates Appeal

The Council received a request in February 2016 for mandatory Business Rates relief for the University Hospitals Coventry and Warwickshire NHS Trust. If the relief had been granted this would have represented 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. However, the Council's view was that the claim was not valid. Ongoing legal action, taken by other NHS trusts, challenged this assessment and led to the Council recognising a contingent liability in its accounts. In 2019 the High Court ruled that these trusts' claim for mandatory relief was not valid. In March 2021 the relevant trusts decided not to petition the Court of Appeal in an effort to overturn the High Court's ruling. This marked the end of the legal action and, as result, the Council no longer recognises a contingent liability for this issue.

City of Culture 2021

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

Future Plans

The Council's key priorities incorporate a need for the city to become more prosperous and for the Council to lead the drive for economic growth and stimulate the local economy. The Council's Capital Programme achievements and future plans reflect much of these aspirations and for 2020/21 in particular have been focussed on schemes that complement the forthcoming City of Culture programme in relation to: significant highways and public realm works; the Station Masterplan; plans for a hotel within the Friargate district. It also includes the planned refurbishment and investment in a range of cultural assets including the city's medieval St Mary's Guildhall as part of a distinct Cultural Capital Programme. 2020/21 should also see a large programme of works on the city's schools as part of the Education One Strategic Plan, the final round of projects within the sub-regional Growth Deal, the final phases of the National Battery Manufacturing facility and the start of works on Friargate building 2.

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

As indicated the Council's commitment to its continuing ambitious investment in the city will be increasingly focussed on preparations for, delivery of and legacy from the UK City of Culture 2021. It is clear that COVID-19 has affected the cultural sector across the UK and the cancelation of the City of Culture test event due to be held in 2020 was an early indication that the programme is susceptible to prevailing conditions. The number and range of capital schemes in the programme is challenging enough but will be further at risk from the demands for contractors to work within prevailing social distancing measures and the threat to the supply of materials as the world seeks to restore supply chains that have been disrupted in recent months. The pattern of recovery and delivery is likely to be patchy and is difficult to predict at this stage.

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

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

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

The Council continues to participate in the West Midlands Business Rates Retention Pilot, within which 99% of Business Rates income is retained locally. One of the consequences of 99% retention has been that the Council has moved from a position where it received a resource top-up from Government to one where it paid a resource tariff to Government. This tariff was nearly £20m in 2019/20 and is a similar figure in 2020/21. The Council's participation in the Pilot and in the Coventry and Warwickshire Business Rates Pool will prolong the optimisation of its financial position within the existing arrangements for local government finance. However, the impact on local businesses from the economic downturn mean that any financial benefit is likely to be lower than in recent years.

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

Like many councils, in the early Summer of 2020 Coventry is still coming to terms with the immediate impact of Covid. Whilst it is already starting to look forward to what 'reset and recovery' might look like, both for its own services and for the wider city, there is an inescapable fact that it will be more difficult to balance its budget for 2021/22. It is likely that some services will retain a legacy of needing to respond to new demand pressures and more expensive ways of working. Others are likely to experience income reductions as wider society becomes aligned to new patterns of behaviour. It is certain as well that both Business Rates and Council Tax income will be depressed in the short to medium term at least. This jolt to the Council's Budget process, the delay caused by Covid in examining Budget plans and the uncertainty of future revenue resources means that the Council will face a renewed challenge within its Medium Term Financial Strategy. It will need to build a significant degree of flexibility into its financial plans to allow it to respond to a range of financial scenarios and may also need to consider how best it can utilise the financial resilience it has built up through its reserve balances in order to manage immediate pressures. At the time of writing, there are no easy answers to these issues. There is no doubt that the Covid pandemic has thrown up some interesting opportunities which may offer at least part of the answer to these pressures, as the way that many of the workforce undertake their duties and the location that they do this from has experienced a fundamental change for several months.

The 2019/20 outturn position once again indicated that, whilst the Council is able to manage its financial position at a macro level, there continue to be areas where cost control remains a challenge. As well as identifying new ways of balancing its budget it will continue to be vital for core services to be well managed with a view to operating within reasonable financial envelopes.
The Council has been able to stabilise the budgetary pressure within adult social care in recent years. However, in common with the wider funding arrangements for local government, the position beyond 2019/20 remains unclear for this area. It will be essential for the Government to provide the necessary clarification, via its plans for Improved Better Care Funding and its much delayed Adult Social Care Green Paper, to enable this sector to be put on a firm financial footing and continue the closer working relationship to deliver services that has developed between the Council and the health sector locally.

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

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

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

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

The Council's response to the key governance issues that it faces in 2019/20 are set out in the Annual Governance Statement (AGS) below. The Statement is written in the context of the current Covid conditions and has been written in a modified form reflecting the guidance provided by CIPFA on this subject. In particular the 2019/20 AGS acknowledges the impact that the coronavirus pandemic has had in respect of governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation.

August 2023 Update

Given the significant delay in completing these accounts there have been subsequent developments that have changed the status of issues reported in the Summer of 2020. This updated section summarises the key matters to help put the position reported into context.

The COVID-19 pandemic persisted at differing levels of intensity through 2020 and 2021 and into the early part of 2022. Subsequent to 2019/20, a wide range of Council services continued to be subject to financial consequences, with further additional costs and income reductions within the general fund estimated at £91m. These costs were funded by the Government's COVID-19 Emergency Funding and its Sales, Fees and Charges Compensation Scheme. In addition, the Government provided grant funding for specific Covid related spending programmes including The Covid Winter Grant Scheme (which at different times was referred to as the Local Support Grant or Household Support Fund) and Lateral Flow Test Funding. Whilst Government grants funded all of the Council's direct costs of managing the pandemic, other long-term (but difficult to quantify) impacts on areas like car park income, the number and cost of children's social care, and depressed valuations of some of the Council's company shareholdings have arguably persisted. With the vast majority of life now having returned to business as usual, any such financial impacts now probably need to be considered as the new normal.

Any impact of Covid on the Council's assessment of its going concern status has reduced over time and as of August 2023 is no longer a factor. It continues to be the case that councils can only be discontinued under statutory prescription and should, therefore, prepare their financial statements on a going concern basis of accounting and on the assumption that the functions of the authority will continue in operation for the foreseeable future. However, in recent months the Council has incurred a £6.7m overspend in 2022/23 and is reporting a further £12.1m overspend within its first monitoring report of 2023/24. This reflects significant pressure from inflation and in particular the costs of adults' and children's social care, a pattern reflected in many councils across the country. This trend presents a likelihood of more councils issuing Section 114 notices (a self-imposed limit on making any non-statutory expenditure as result of financial distress) although even where this has occurred, the intervention of Government provides a backstop which means that going concern status is preserved. In the immediate future, the level of the Council's reserve balances, and its record of proactive and decisive action enable its Section 151 Officer to continue to have confidence in Coventry's going concern position but the justifications for this will need to be kept under regular review over the coming period.

The local government sector continues to be in dialogue with Government over the need for fundamental reform of the financial settlement mechanism, although it is clear now that any major reform will not happen in this Parliament. Indications of a steady state settlement for 2024/25 with some indicated modest growth are unlikely to be sufficient to meet the inflationary pressures being experienced currently. As ever, the detailed proposals, including any as yet unannounced one-off funding, are unlikely to be known until towards the end of 2023, meaning that uncertainties in future funding arrangements continue. Like many other councils, Coventry now faces a challenge in setting balanced budgets going forwards, with, at the time of writing, the prospect of needing to identify service cuts and/or policy changes in a manner that it has avoided in recent years.

In terms of an overall impact on the Council's balance sheet, the largest single change has come about within the reporting of the improvement in pensions accounting. The pensions deficit reported in note 3.31 stood at £573m as at 31st March 2020. The indicative (and subject to audit) position for 31st March 2023 is a much reduced deficit of £25m – an unprecedentedly low figure since pensions accounting was overhauled in the early part of the 21st Century. The improved position is mainly down to high UK corporate bond yields, resulting in high accounting discount rates, which place a significantly lower value on the pension liability. There is every expectation that this position will continue to behave in a volatile pattern going forward.

The Council's capital plans have continued to progress, perhaps most visibly around the Friargate regeneration district, where the newly re-modelled Coventry railway station has been completed and the second Friargate office block and new Indigo Hotel are in their final build phases. Elsewhere the Council completed the purchase of the closed down IKEA retail unit, which is now part of a wider Cultural Gateway project, with partners providing for the creation of a Collections Centre for nationally significant cultural, arts and historical artefacts, along with the development of a new cultural hub.

The Events After the Balance Sheet Date disclosure note (section 3.36) reports a £1m loan made by the Council to the City of Culture Trust in October 2022, designed to meet what was assessed at that time as a short-term cash-flow shortfall faced by the Trust. In February 2023 the

Trust announced that it had gone into administration with both the £1m loan and further amounts totalling £0.6m owed by the Trust to the Council, in addition to c.£2.6m owed to other organisations. Although the Council had previously agreed to be a guarantor for the UK City of Culture 2021 programme the Council's view is clear that it is not legally accountable for the remaining balance of debt. An administrator has been appointed to manage the Trust's affairs. As such any previous guarantee provisions have now passed.

The note on Contingent Liabilities (section 3.37) has been updated to reflect the fact that the Council has received a number of Equal Pay Claims from employees which would, if successful, result in a financial liability to the Council. This issue is at an early stage and there has been no reliable assessment of the likely success of these claims or the financial cost if they are demonstrated to be valid. It is probable that this matter will be subject to complex and protracted legal proceedings and negotiations between the relevant parties.

Given the passage of time, the Events After the Balance Sheet note reports a number of other matters that have arisen since Summer 2020 in addition to those referenced above.

1.3 Statement of Responsibilities

Coventry City Council's Responsibilities

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

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

The Director of Finance' Responsibilities

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

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

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

The Director of Finance has also:

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

Certification of the Accounts

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

Barry Hastie, CPFA
Chief Operating Officer (Director of Finance)
9 October 2023

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council on 9 October 2023

Cllr Ram P. Lakha OBE
Chair of Audit and Procurement Committee
9 October 2023

1.4 Annual Governance Statement

Scope of responsibility

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

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

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

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

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Coventry City Council policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Coventry City Council for the year ended 31st March 2020 and up to the date of approval of the Statement of Accounts.

The governance framework

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

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

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

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

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

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

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

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

How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Constitution includes the Council’s senior management structure and a scheme of delegation which sets out the principles for decision making and responsibility for functions. The Council facilitates policy and decision making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee. The Member decision making, advisory and scrutiny bodies can be found on our website.

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

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

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

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

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

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

- The Chief Financial Officer (CFO) in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.

- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

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

- The CFO in a local authority must be professionally qualified and suitably experienced.

- The S151 Officer is a key member of the Corporate Leadership Team. During 2019-20, the senior management structure was reviewed. As from December 2019, the S151 Officer now reports directly to the Chief Executive and from March 2020 also became a member of the Council's Strategic Management Board. These changes further strengthen the arrangements that were already in place, with regular reviews of the senior management structure helping management team to focus on the current challenges and opportunities as well as to look ahead. Changes to the Strategic Management Board in 2019-20 have provided a more robust structure to support the delivery of priorities, with the Monitoring Officer and Director of Human Resources also joining the Board, alongside the S151 Officer. Improvements have also been made to the way the Corporate Leadership Team, which consists of all the Directors of the Council, works in collaboration to develop and deliver the One Coventry Plan.

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

- The Coventry and Solihull Waste Disposal Company Limited is owned jointly by Coventry City Council, Solihull Metropolitan Borough Council, Warwickshire County Council and Leicestershire County Council. A formal agreement sets out the governance arrangements between the shareholders. The Company is subject to the Industrial Emissions Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the Company monitors its activities through an Environmental Management System accredited to the ISO 14001 standard, its Health and Safety Management System which is certified to the OHSAS 18001 standard and the Cyber Essentials accreditation it has achieved for its IT systems. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2019, did not highlight any concerns.

- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. All the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2019. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although it is also engaged in providing business development services to the City Council.

- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. All the Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2019.

- Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. Three of the four Directors of the Company during 2019/20 are senior officers of Coventry City Council. As part of the original acquisition, the Council secured external independent advice from a number of sources to support the financial and legal due diligence assessment which resulted in a programme of changes including the restructuring of the Board, as well as recruitment of a new senior Operations Manager and finance staff. The Company has appointed RSM UK Audit LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st December 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. 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 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.

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

Review of effectiveness

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

Arrangements to assess the effectiveness of the governance framework include:

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

- Regular meetings of the Council's Governance Steering Board to consider on-going and emerging governance issues and co-ordinate actions required. Updates on this work are provided to Strategic Management Board every month.

- Consideration of ethical governance matters by the Ethics Committee, including reflecting on national governance failings to identify if there are any lessons learnt for the Council to take forward.

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

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

- An annual review against the principles and best practice set out in the Code of Corporate Governance and which is used to identify improvements to strengthen the Council's governance arrangements.

- The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.

- The Council's Corporate Risk Register.

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

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

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

Other matters – delay in approving the Council's accounts (August 2023 update.) Although the Council's draft accounts were originally put forward for approval in November 2020 there were several outstanding issues to be resolved at that time. Subsequent to this, further work by the External Auditors identified a number of issues with the Council's accounting statements which have taken an unusually long time to resolve. Delays to approving local authority accounts have been a factor across the local government sector over the last three years as a result of a number of systemic issues. Nevertheless, Coventry is one of only a small number of councils for which the 2019/20 accounts remain outstanding.

The auditors have identified some mitigating factors for the delay including the complexity of the Council's Group Accounts structure, the impact of Covid on property valuation work and the impact of national changes including the valuation of infrastructure assets. However, the Council accepts that there have been some significant shortcomings in its accounts closure processes and is agreeing an action plan with the auditors aimed at catching-up the backlog of accounting statements for 2020/21, 2021/22 and 2022/23. This is set out in Table 2 below.

Significant governance issues

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

Table one

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

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

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

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

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

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

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

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

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

A log of internal control issues which have arisen during the pandemic is being maintained by the Internal Audit function to ensure the effectiveness of the overall system of internal control is kept under review and compensating controls agreed where required. This will also help to inform the focus of Internal Audit work in the forthcoming year.

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

The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. The review of effectiveness and further consideration of the implications of the coronavirus pandemic has informed identification of the following key challenges for 2020-21 (table two), along with the actions planned to address these matters to further enhance our governance arrangements.

Table Two

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

3	Raising educational standards	A decision has been made to delay the co-creation of the annual actions and key principles for Education Standards and Improvement until September 2020. Whilst the Council would normally have some indicative results for the key year groups that would set the direction for the improvement statements by this time, this year the information is not available as a result of COVID 19. Whilst there are 'outcomes' of a type for older children at GCSE and at A level, the Council does not have results for Reception Good Level of Development, Year 1 phonics or Key stage 1 or 2 Standard Assessment Tests, beyond school held predictions, which may not be an accurate reflection given the time some children have had out of school. Work has commenced on proposed actions from a secondary perspective, which are focused in some regard around the reset and recovery needed in September 2020, and feedback is being sought on these from Secondary Headteacher colleagues. The Council will work on developing these for all phases in September 2020.	Director of Education & Skills Head of Education Improvement & Standards 0-19 Senior Adviser Education Improvement 11-19 (25)	Ongoing
4	Implementation of the Information Management Strategy	The following actions are planned for 2020/21: Confirm and approve: the Information Management Strategy Group terms of reference, the updated Information Management Strategy and the new Training Strategy. The Senior Information Risk Owner and Head of Information Governance to drive the imbedding of Data Security and Information Risk Management across the organisation. Implement new mandatory training; subject to Senior Management Board sign off.	Senior Information Risk Owner/ Head of Information Governance / Information Management Strategy Group / Data Protection Team	December 2020 December 2020 March 2021
5	Delivery of the People Plan	During 2020/21 the following actions are planned: The further development and implementation of the workforce created values to embed the Council's One Coventry approach Continued development of the Equality, Diversity & Inclusion Strategy and a related action plan Introduction of an electronic case work system to improve the management of casework Introduction of a new reward platform for employees Extending the opportunities for talent mapping and career progressions at all levels across the organisation Improved Employee Engagement which can be measured through job satisfaction Continued development of employee relations including continuing to revise core policies and procedures and providing supporting training The continuation of ensuring the safety and wellbeing of our employees. Increasing the numbers of apprentices joining the council and securing substantive roles.	Director of Human Resources	On-going

		The People Plan is in the process of being reviewed to ensure it continues to meet the organisational need post Covid-19. The introduction of the values was delayed to the pandemic but will be going to vote in September 2020 which will be the revised start of the employee engagement strategy. The pandemic has greatly impacted on the Human Resources service and resulted in some significant changes; reduction in recruitment but increase in the volume of applicants and online interviewing for example, the work undertaken by Occupational Health to continue to provide support to staff remotely, extending service hours, development of Covid-19 specific risk assessments etc. The Council has continued to develop and deliver its commitment to Equality, Diversity and Inclusion through relaunching the employee support networks and introducing the women's network. As a result of an external survey of the Equality Diversity and Inclusion work to date, the Council is developing a strategy to address areas of weakness.		
6	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	A range of actions have been planned to mitigate the cost of temporary accommodation (TA). These actions have led to a forecast of a balanced budget at Quarter 1: Ensure 90% occupancy of Caradoc Hall and Cornerstone TA contract. Delivery of up to 74 Private rented properties to end homelessness duties. The purchasing of HMOs to accommodate single people in TA. Continue no families in B&B accommodation and eliminate the use of B&Bs for single people. Negotiated reductions in nightly rates and secured a number of HMOs through TA providers. Implement the TA charging policy The impact of Covid-19 has added greater risk and complexity and is an actively moving picture at this time. Although demand on the Housing service has reduced during the pandemic, it is anticipated that a sharp increase in demand for services will be forthcoming over the coming months. The service has made a number of operational changes to ensure that the ability to prevent homelessness increase significantly.	Director of Housing & Transformation Head of Housing & Homelessness	Ongoing
7	Development of a corporate data access standard	Development and implementation of a corporate access standard and protocol for all systems that hold personal data.	Members & Elections Team Manager	January 2021

8	Governance over relationships with partners and outside bodies	During 2020/21, the following actions are taking place: One Coventry approach continues to be developed through a shared partnership approach. Covid-19 reset and recovery work utilised to confirm key shared priorities: Economic recovery aligned to the West Midlands Combined Authority and Coventry & Warwickshire Local Enterprise Partnership strategies. Health and Well-being recovery aligned to health and care system and Coventry & Warwickshire joint Health & Well-Being strategies. Development of a CEO led Anchor Leaders group across Coventry and Warwickshire to consolidate partnership working and key mutual priorities for action. One Coventry Plan refresh planned for 2020/21 to capture and consolidate changes resulting from Covid-19 and Council policy direction.	Deputy Chief Executive	On-going
9	Governance over the programme of capital projects	The Council has an ambitious programme of capital projects, which in 2020/21 will continue to accelerate in advance of the Council becoming City of Culture in Spring 2021. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. This is particularly important as we deal with the effects of the Covid-19 epidemic. Governance arrangements are established with delivery overseen by project boards who report to the responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Council's Capital Programme Delivery Board which is chaired by the Chief Executive. In 2020/21 the focus will be on ensuring that as the programme continues to move at pace, governance arrangements remain embedded and robust and programme delivery supports the Council's wider aspirations as well as supporting the local economy as we emerge from the Pandemic.	Chief Executive	On-going
10	City of culture legacy	To date, circa £90million of direct investment has been secured for the city through being awarded the title of UK City of Culture 2021. Of this funding £45million is being invested in the city's infrastructure (improving public realm and highways) and £19million is to be invested in the city's cultural assets (performance spaces, heritage venues and creative hubs.) Work on both these investment programmes has commenced, with the Box at FarGo and Belgrade Theatre Phase 1 works already completed. Work will continue to secure further programme and legacy investment from private and public sector sponsors and partners. The range and quality of visitor accommodation	Strategic Lead, City of Culture / Head of Service Sports, Culture, Destination & Business in-conjunction with key stakeholders /colleagues	On-going

		available in the city is being improved, including through new hotel developments, alongside the city's food and beverage sectors. The city's Cultural Compact, which brings together the Council's key partners in delivery of the City of Culture Legacy meets regularly. The Compact is in the process of refreshing the cultural strategy, to take account of recent changes such as the impact of Covid-19 and the imperative of Black Lives Matters on the cultural sector, and to ensure that the development of the City of Culture legacy is clearly rooted in a shared set of priorities and action plans. This work is funded by Arts Council England and will be linked to an annual action plan and reporting cycle. Also under way is a consultancy project commissioned by the City of Culture Trust, to investigate the routes to a sustainable and impactful legacy. This is intended to be completed by the Summer of 2021.		
11	Acting on the outcomes of the review of the Council's Scrutiny function.	The planned final stage and subsequent follow up to the review planned for March 2020 was delayed by the Covid-19 situation. This is now being programmed again and will be built into the Scrutiny work programme which is being developed for this municipal year.	Members & Elections Team Manager	March 2021
12	Strengthening arrangements linked to the programme of health and safety audits undertaken.	A revised audit strategy for 2020-22 has been developed and a new set of audit protocols have been put in place. Whilst a resource assessment to underpin a risk-based audit programme for 2020/21 was developed in March 2020, the production and delivery of the programme has been significantly impacted due to the coronavirus pandemic and the refocusing of the priorities of the Occupational Health, Safety and Wellbeing Service as a result. As such, it is recognised that embedding these arrangements may not be possible during 2020-21, although this will be kept under review for the remainder of the year.	Occupational Health, Safety & Wellbeing Services Manager	March 2021
13	Further development of the Council's IT disaster recovery plans and processes	A working group will be established to enhance understanding between ICT and the Resilience Team of business needs / ICT capabilities, which will support the development of robust and realistic plans and ensure that the disaster recovery and business continuity processes are more integrated and aligned. ICT disaster recovery processes will be enhanced, with supporting documents formalised and testing arrangements agreed.	Head of ICT & Digital	March 2021

14	Review and update of the Social Value and Sustainability Policy	A working group will review the Policy, consult on the revised Policy and then propose a final version of a new Policy for approval by Cabinet.	Head of Procurement & commissioning	December 2020
15	Implementation of the Local Government Ethical Standards Best Practice from the Committee on Standards in Public Life	Separate bodies which have been set up or are owned by the Council will be advised around the application of the Nolan principle of openness and requested to consider publication of their board agendas / minute and annual reports in an accessible place, whilst understanding any wider implications arising from this.	Director of Law & Governance	March 2021
16	Implementation of the Redmond Review into the oversight of local audit and the transparency of local authority financial reporting	Senior management and key stakeholders will consider the findings of the Redmond Review and develop arrangements to ensure the effective implementation of the report's recommendations from the Council's perspective and any future legislation arising from this.	Strategic Management Board / Corporate Governance Group in-conjunction with key stakeholders	March 2021
	August 2023 update	**Planned actions 2023-24**		
17	Implementation of Action Plan – Statement of Accounts for 2020/21, 2021/22 and 2022-23	The following actions have been agreed with the Auditors: • Undertake a root cause analysis of the delays in the 2019/20 financial statements audit and prepare an appropriate action plan in response to these delays. These should particularly focus on the valuation process. • Prepare its 2020/21 group accounts for audit as soon as possible. • Review the Council's (single entity) financial statements for 2020/21 applying additional quality checks to the accounts and land and property valuations. • Put in place the additional capacity needed to prepare and complete the 2020/21, 2021/22 and the 2022/23 financial statements. • Agree a timetable with Grant Thornton for the completion of the open accounts. Progress against this timetable should be reported to the Audit and Procurement Committee. Where there is slippage against the programme arrangements should be made to resolve these issues.	Chief Operating Officer (Section 151 Officer)	September 2024

We acknowledge that the coronavirus pandemic will continue to have an impact during 2020-21, including creating challenges to the delivery of some of the planned actions which are highlighted in table two above. Notwithstanding this, we are satisfied that these steps will address the need for improvements that were identified in our review and we will monitor their implementation and operation, as part of our next annual review.

Cllr George Duggins
Leader of Coventry City Council

Dr Julie Nugent
Chief Executive of Coventry City Council

2 Main Financial Statements

2.1 Overview of Main Financial Statements

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

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

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

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

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments. Changes have been made to improve and simplify the presentation to the Movement in Reserves Statement in accordance with recommendations in the Code of Practice. Details of the movements in usable revenue reserves are provided within section 3.13.

Balance Sheet *(sections 2.4 & 4.4)*

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

Cash Flow Statement *(sections 2.5 & 4.5)*

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

2.2 Comprehensive Income & Expenditure Statement

2018/19 Gross Expenditure *restated £000	2018/19 Gross Income *restated £000	2018/19 Net Expenditure *restated £000	Service segment	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000	Section Ref.
25,704	(23,642)	2,062	Public Health	26,318	(24,857)	1,461	3.2
1,598	(126)	1,472	People Directorate Management	1,571	(127)	1,444	3.2
221,485	(202,759)	18,726	Education and Skills	202,753	(190,786)	11,967	3.2
81,485	(10,787)	70,698	Children and Young People's Services	86,701	(11,380)	75,321	3.2
124,016	(46,062)	77,954	Adult Social Care	128,704	(49,164)	79,540	3.2
15,745	(2,580)	13,165	Housing & Transformation	26,819	(7,814)	19,005	3.2
3,075	(1,161)	1,914	Human Resources	2,743	(977)	1,766	3.2
5,338	(732)	4,606	Place Directorate Management	2,605	(923)	1,682	3.2
32,171	(4,216)	27,955	Business, Investment & Culture	55,610	(6,588)	49,022	3.2
26,377	(14,783)	11,594	Transportation & Highways	39,667	(16,741)	22,926	3.2
47,662	(15,619)	32,043	Streetscene & Regulatory Services	50,079	(18,572)	31,507	3.2
6,348	(2,328)	4,020	Project Management and Property Services	6,490	(3,162)	3,328	3.2
121,071	(114,451)	6,620	Finance & Corporate Services	107,490	(98,769)	8,721	3.2
33,834	(18,333)	15,501	Contingency and Central Budgets	48,105	(38,980)	9,125	3.2
745,909	**(457,579)**	**288,330**	**Cost of Services**	**785,655**	**(468,840)**	**316,815**	
		51,536	**Other Operating Expenditure**			**19,461**	3.1
		(12,045)	**Finance and Investment Income and Expenditure**			**(8,134)**	3.1
		(324,924)	**Taxations and Non-Specific Grant Income**			**(378,357)**	3.1
		2,897	**(Surplus)/Deficit on the Provision of Services**			**(50,215)**	
		(72,225)	**Sub-total of other comprehensive Income and Expenditure**			**(14,894)**	3.1
		(69,328)	**Total Comprehensive Income and Expenditure (Surplus)/Deficit**			**(65,109)**	

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

2.3 Movement in Reserves Statement

2019/20

	Balance at 31st March 2019	Total Comprehensive Income and Expenditure	Adjustments between Accounting Basis & Funding Basis under regulations	(Increase)/ Decrease in Year	Balance at 31st March 2020
	£000	£000	£000		£000
Usable Reserves					
General Fund Balance*	(108,161)	(50,215)	47,149	(3,066)	(111,227)
Capital Grants Unapplied	(1,894)	0	60	60	(1,834)
Capital Receipts Reserve	**(21,467)**	0	(9,632)	(9,632)	**(31,099)**
Total Usable Reserves	**(131,522)**	**(50,215)**	**37,577**	**(12,638)**	**(144,160)**
Unusable Reserves					
Capital Adjustment Account	**(641,212)**	0	(76,867)	(76,867)	**(718,079)**
Revaluation Reserve	**(184,559)**	5,864	2,737	8,601	**(175,958)**
Deferred Capital Receipts Reserve	**(2,629)**	0	2,629	2,629	**0**
Financial Instruments Adjustment account	**10,916**	0	(385)	(385)	**10,531**
Financial Instruments Revaluation Reserve	**(79,441)**	15,354	0	15,354	**(64,087)**
Collection fund adjustment	**(7,177)**	0	6,869	6,869	**(308)**
Pensions Reserve (local government)	**585,005**	(36,112)	23,613	(12,499)	**572,506**
Accumulated Absence	**3,491**	0	591	591	**4,082**
Pooled Investment Funds Adj. Acc.	**(51)**	0	3,236	3,236	**3,185**
Total Unusable Reserves	**(315,657)**	**(14,894)**	**(37,577)**	**(52,471)**	**(368,128)**
Total Reserves	**(447,179)**	**(65,109)**	**0**	**(65,109)**	**(512,288)**

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

2018/19 Comparatives (*restated)

	Balance at 31st March 2018 *restated	Total Comprehensive Income and Expenditure *restated	Adjustments between Accounting Basis & Funding Basis under regulations *restated	(Increase)/ Decrease in Year *restated	Balance at 31st March 2019 *restated
	£000	£000	£000		£000
Usable Reserves					
General Fund Balance	(91,409)	2,897	(19,649)	(16,752)	(108,161)
Capital Grants Unapplied	(7,179)	0	5,285	5,285	(1,894)
Capital Receipts Reserve	**(23,978)**	0	2,511	2,511	**(21,467)**
Total Usable Reserves	**(122,566)**	**2,897**	**(11,853)**	**(8,956)**	**(131,522)**
Unusable Reserves					
Capital Adjustment Account	**(596,368)**	0	(44,844)	(44,844)	**(641,212)**
Revaluation Reserve	**(187,999)**	(14,684)	18,124	3,440	**(184,559)**
Deferred Capital Receipts Reserve	**(5,487)**	0	2,858	2,858	**(2,629)**
Financial Instruments Adjustment account	**11,300**	0	(384)	(384)	**10,916**
Financial Instruments Revaluation Reserve	**(74,594)**	(5,384)	537	(4,847)	**(79,441)**
Collection fund adjustment	**(9,785)**	0	2,608	2,608	**(7,177)**
Pensions Reserve (local government)	**604,445**	(52,157)	32,717	(19,440)	**585,005**
Accumulated Absence	**4,219**	0	(728)	(728)	**3,491**
Pooled Investment Funds Adj. Acc.	**(1,016)**	0	965	965	**(51)**
Total Unusable Reserves	**(255,285)**	**(72,225)**	**11,853**	**(60,372)**	**(315,657)**
Total Reserves	**(377,851)**	**(69,328)**	**0**	**(69,328)**	**(447,179)**

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

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2.4 Balance Sheet

31 March 2018 *restated £000	31 March 2019 *restated £000	Balance Sheet	31 March 2020 £000	Section Ref.
852,891	900,538	Property, Plant and Equipment	990,586	3.15
25,893	25,893	Heritage Assets	25,900	3.16
257,914	287,123	Investment Property	302,312	3.17
95,545	110,809	Long Term Investments	110,092	3.21
20,890	24,883	Long Term Debtors	28,058	3.22
1,253,133	**1,349,246**	**Long Term Assets**	**1,456,948**	
45,119	37,285	Short Term Investments	37,245	3.34
227	363	Inventories	303	
57,402	75,870	Short Term Debtors	85,262	3.23
16,193	26,621	Cash and Cash Equivalents	24,593	2.5
4,819	2,938	Assets held for Sale	1,340	3.17
123,760	**143,077**	**Current Assets**	**148,743**	
(39,892)	(65,572)	Short Term Borrowing	(67,426)	3.34
(69,599)	(74,388)	Short Term Creditors	(85,463)	3.24
(2,288)	(1,946)	Short Term Provisions	(1,674)	3.25
(111,779)	**(141,906)**	**Current Liabilities**	**(154,563)**	
(9,582)	(12,329)	Long Term Provisions	(19,757)	3.25
(332,927)	(317,344)	Long Term Borrowing	(313,422)	3.34
(542,245)	(553,905)	Net Pension Liability	(572,506)	3.31
(1,312)	(1,447)	Donated Assets Account	(1,566)	3.28
(4,693)	(8,256)	Capital Grants Receipts in Advance	(21,808)	3.7
(3,120)	(9,957)	Other Long Term Liabilities	(9,781)	3.26
(893,879)	**(903,238)**	**Long Term Liabilities**	**(938,840)**	
371,235	**447,179**	**Net Assets**	**512,288**	
(122,566)	(131,522)	Usable Reserves	(144,160)	2.3
(255,285)	(315,657)	Unusable Reserves	(368,128)	2.3
(377,851)	**(447,179)**	**Total Reserves**	**(512,288)**	

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

The unaudited accounts were authorised for issue on 26th June 2020 and the audited accounts were authorised for issue on 9 October 2023.

2.5 Cash Flow Statement

2018/19 *restated £000's	Cash Flow Statement	2019/20 £000's
2,897	Net (Surplus) or Deficit on the Provision of Services	(50,215)
(102,927)	Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(69,530)
70,491	Adjust items included in Net Surplus/Deficit on the Provision of Services that are Investing &Financing Activities	133,324
(29,539)	**Net Cash Flows from Operating Activities**	**13,579**
25,323	Investing Activities	(12,579)
(6,212)	Financing Activities	1,028
(10,428)	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**2,028**
(16,193)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(26,621)
(26,621)	Cash and Cash Equivalents at the End of the Reporting Period	(24,593)

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

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

3 Notes to the Main Financial Statements

3.1 Note to the CIES

2018/19 Net Expenditure *restated £000	Category of Income or Expenditure	2019/20 Net Expenditure £000	Section Ref.
36,735	(Gain)/Loss on Disposal of Fixed Assets**	3,698	
14,770	Levy Payments to Other Bodies	15,728	
31	Precepts of Local Precepting Authorities	35	
51,536	**Other Operating Expenditure**	**19,461**	
19,537	Interest Payable and Similar Charges	17,519	3.34
(2,857)	External Investment Income	(3,635)	3.34
13,681	Net interest on the net defined benefit liability	13,086	3.31
(17,225)	Commercial Property Income	(16,941)	
6,772	Commercial Property Expenditure	6,792	
(22,631)	Changes in the fair value of investment properties	(19,547)	
(9,191)	Dividends and Interest Receivable	(8,561)	3.34
122	(Gain)/loss on impairment of assets	0	3.34
(253)	(Gain)/loss on revaluation of financial instruments	3,153	3.34
(12,045)	**Finance and Investment Income and Expenditure**	**(8,134)**	
(131,404)	Council Tax	(134,449)	3.38
(114,554)	Retained Business Rates	(114,732)	3.38
7,857	Business Rates Top-up	17,916	3.38
(12,370)	General Government Grants	(14,165)	
(74,380)	Capital Grant	(132,842)	3.7
(73)	Donated Assets – amortised credits	(85)	
(324,924)	**Taxations and Non-Specific Grant Income**	**(378,357)**	
(14,684)	(Gain)/loss on revaluation of non current assets	5,864	3.13
(5,384)	(Gain)/loss on revaluation of financial instruments	15,354	3.34
(52,157)	Remeasurement of the net defined benefit liability	(36,112)	3.31
(72,225)	**Sub-total of other comprehensive Income and Expenditure**	**(14,894)**	

* These amounts have been restated as detailed in section 3.39.
**The 2019/20 ‘Loss on Disposal of Fixed Assets’ includes £2,117k of derecognition as a result of schools transferring to academy status during the year. The equivalent figure for 2018/19 was £17,818k.

3.2 Expenditure and Funding Analysis

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

	2018/19				2019/20	
Net Expenditure Chargeable to the General Fund restated* £000	Adjustments between the Funding and Accounting Basis restated* £000	Net Expenditure in the Comprehensive Income and Expenditure Statement restated* £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
2,090	(28)	2,062	Public Health	1,571	(110)	1,461
1,472	0	1,472	People Directorate Management	1,444	0	1,444
(12,393)	31,119	18,726	Education and Skills	15,075	(3,108)	11,967
70,197	501	70,698	Children and Young People's Services	75,478	(157)	75,321
74,064	3,890	77,954	Adult Social Care	76,536	3,004	79,540
9,192	3,973	13,165	Housing & Transformation	17,208	1,797	19,005
1,914	0	1,914	Human Resources	1,766	0	1,766
1,110	3,496	4,606	Place Directorate Management	817	865	1,682
7,259	20,696	27,955	Business, Investment & Culture	9,107	39,915	49,022
(6,009)	17,603	11,594	Transportation & Highways	(261)	23,187	22,926
29,563	2,480	32,043	Streetscene & Regulatory Services	28,324	3,183	31,507
(4,677)	2,448	4,020	Project Management and Property Services	3,674	(346)	3,328
6,618	2	6,620	Finance & Corporate Services	8,719	2	8,721
11,688	3,813	15,501	Contingency and Central Budgets	7,500	1,625	9,125
192,088	**89,993**	**288,330**	**Net Cost of Services**	**246,958**	**69,857**	**316,815**
(215,089)	(70,344)	(285,433)	Other Income and Expenditure	(250,024)	(117,006)	(367,030)
(23,001)	**19,649**	**2,897**	**(Surplus) or Deficit**	**(3,066)**	**(47,149)**	**(50,215)**
(91,409)			Opening General Fund	(108,161)		
(16,752)			Plus (Surplus)/Deficit on General Fund	(3,066)		
(108,161)			**Closing General Fund at 31 March**	**(111,227)**		

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

3.3 Note to the Expenditure and Funding Analysis

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

2018/19					2019/20			
Adjustment for Capital Purposes (Note 1) *restated	Net Changes for the Pension Adjustment (Note 2)	Other Differences (Note 3) *restated	Total Adjustments *restated	Service segment	Adjustment for Capital Purposes (Note 1)	Net Changes for the Pension Adjustment (Note 2)	Other Differences (Note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
(28)	0	0	(28)	Public Health	(110)	0	0	(110)
0	0	0	0	People Directorate Management	0	0	0	0
31,119	0	0	31,119	Education and Skills	(3,108)	0	0	(3,108)
501	0	0	501	Children and Young People's Services	(157)	0	0	(157)
3,890	0	0	3,890	Adult Social Care	3,004	0	0	3,004
3,973	0	0	3,973	Housing & Transformation	1,797	0	0	1,797
0	0	0	0	Human Resources	0	0	0	0
3,496	0	0	3,496	Place Directorate Management	865	0	0	865
20,696	0	0	20,696	Business, Investment & Culture	39,915	0	0	39,915
17,603	0	0	17,603	Transportation & Highways	23,187	0	0	23,187
2,480	0	0	2,480	Streetscene & Regulatory Services	3,183	0	0	3,183
2,448	0	0	2,448	Project Management and Property Services	(379)	0	33	(346)
2	0	0	2	Finance & Corporate Services	2	0	0	2
(14,130)	19,036	(1,093)	3,813	Contingency and Central Budgets	(12,464)	10,527	3,562	1,625
72,050	**19,036**	**(1,093)**	**89,993**	**Net Cost of Services**	**55,735**	**10,527**	**3,595**	**69,857**
(86,633)	13,681	2,608	(70,344)	Other Income and Expenditure	(136,961)	13,086	6,869	(117,006)
(14,583)	**32,717**	**1,515**	**19,649**	**Surplus or Deficit**	**(81,226)**	**23,613**	**10,464**	**(47,149)**

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

Note 1: Adjustments for Capital Purposes – This column adds in depreciation and revaluation gains and losses, and includes adjustments for the following:
- Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure Minimum Revenue Provision and other revenue contributions not chargeable under generally accepted accounting practices.
- Capital grant income and expenditure

Note 2: Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current and past service costs.

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

3.4 Revenue Outturn

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

2019/20	Net Expenditure Chargeable to the General Fund	Adjustment for elements within the Provision of Service that are not included in the Cost of Services	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position	Budget	Overspend/ (Underspend)
Service Segment	£000	£000	£000	£000	£000	£000
Public Health	1,571	21	502	2,094	2,808	(714)
People Directorate Management	1,444	0	0	1,444	1,501	(57)
Education and Skills	15,075	5,431	(5,351)	15,155	13,851	1,304
Children and Young People's Services	75,478	(67)	(664)	74,747	72,280	2,467
Adult Social Care	76,536	1,217	(287)	77,466	77,466	0
Housing & Transformation	17,208	(8)	(548)	16,652	13,610	3,042
Human Resources	1,766	27	(152)	1,641	1,319	322
Place Directorate Management	817	1,277	313	2,407	2,500	(93)
Business, Investment & Culture	9,107	(488)	(469)	8,150	7,853	297
Transportation & Highways	(261)	4,473	523	4,735	4,585	150
Streetscene & Regulatory Services	28,324	1,414	(153)	29,585	28,484	1,101
Project Management and Property Services	3,674	(14,500)	1,778	(9,048)	(7,990)	(1,058)
Finance & Corporate Services	8,719	(338)	(1,297)	7,084	7,407	(323)
Contingency and Central Budgets	7,500	(17,032)	8,871	(661)	5,776	(6,437)
Net Cost of Services	**246,958**	**(18,573)**	**3,066**	**231,451**	**231,450**	**1**
Other Income and Expenditure	(250,024)	18,573	0	(231,451)	(231,450)	(1)
Surplus or Deficit	**(3,066)**	**0**	**3,066**	**0**	**0**	**0**

2018/19	Net Expenditure Chargeable to the General Fund *restated	Adjustment for elements within the Provision of Service that are not included in the Cost of Services *restated	Contributions to/(from) revenue earmarked reserves *restated	Revenue Outturn Position *restated	Budget *restated	Overspend/ (Underspend) *restated
Service Segment	£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	(12,393)	23,989	2,252	13,848	13,763	85
Children and Young People's Services	70,197	35	695	70,927	71,945	(1,018)
Adult Social Care	74,064	1,483	(1,060)	74,487	74,523	(36)
Housing & Transformation	9,192	407	(246)	9,353	7,561	1,792
Human Resources	1,914	(730)	610	1,794	1,631	163
Place Directorate Management	1,110	3,790	(3,538)	1,362	1,361	1
Business, Investment & Culture	7,259	745	(231)	7,773	6,909	864
Transportation & Highways	(6,009)	10,844	(604)	4,231	4,430	(199)
Streetscene & Regulatory Services	29,563	385	(280)	29,668	26,655	3,013
Project Management and Property Services	(4,677)	(10,222)	690	(14,209)	(7,706)	(6,503)
Finance & Corporate Services	6,618	(330)	3	6,291	7,009	(718)
Contingency and Central Budgets	11,688	(11,250)	12,488	12,926	21,415	(8,489)
Net Cost of Services	**192,088**	**19,301**	**11,177**	**222,566**	**234,390**	**(11,824)**
Other Income and Expenditure	(215,089)	(19,301)	0	(234,390)	(234,390)	0
Surplus or Deficit	**(23,001)**	**0**	**11,177**	**(11,824)**	**0**	**(11,824)**

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

3.5 Segmental Analysis

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

2019/20	Income from Grants and Contributions	Tax Income	Income from Fees and Charges	Total Income	Total Expenditure	Net Total Expenditure	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position
Service Segment	£000	£000	£000	£000	£000	£000	£000	£000
Public Health	(24,740)	0	(117)	**(24,857)**	26,449	**1,592**	502	**2,094**
People Directorate Management	(127)	0	0	**(127)**	1,571	**1,444**	0	**1,444**
Education and Skills	(185,192)	0	(5,594)	**(190,786)**	211,291	**20,505**	(5,351)	**15,154**
Children and Young People's Services	(9,932)	0	(1,448)	**(11,380)**	86,791	**75,411**	(664)	**74,747**
Adult Social Care	(31,440)	0	(17,724)	**(49,164)**	126,917	**77,753**	(287)	**77,466**
Housing & Transformation	(1,597)	0	(6,226)	**(7,823)**	25,023	**17,200**	(548)	**16,652**
Human Resources	(30)	0	(947)	**(977)**	2,770	**1,793**	(152)	**1,641**
Place Directorate Management	(923)	0	0	**(923)**	3,017	**2,094**	313	**2,407**
Business, Investment & Culture	(5,428)	0	(1,160)	**(6,588)**	15,207	**8,619**	(469)	**8,150**
Transportation & Highways	(6,765)	0	(10,061)	**(16,826)**	21,038	**4,212**	523	**4,735**
Streetscene & Regulatory Services	(963)	0	(17,639)	**(18,602)**	48,340	**29,738**	(153)	**29,585**
Project Management and Property Services	(12)	0	(18,286)	**(18,298)**	7,472	**(10,826)**	1,778	**(9,048)**
Finance & Corporate Services	(96,192)	0	(2,915)	**(99,107)**	107,488	**8,381**	(1,297)	**7,084**
Contingency and Central Budgets	(162,560)	185	(34,955)	**(197,330)**	187,798	**(9,532)**	8,871	**(661)**
Net Cost of Services	**(525,901)**	**185**	**(117,072)**	**(642,788)**	**871,172**	**228,384**	**3,066**	**231,450**
Other Income and Expenditure	0	(231,450)	0	**(231,450)**	0	**(231,450)**	0	**(231,450)**
Surplus or Deficit	**(525,901)**	**(231,265)**	**(117,072)**	**(874,238)**	**871,172**	**(3,066)**	**3,066**	**0**

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	(197,669)	0	(5,090)	**(202,759)**	214,355	**11,596**	2,252	**13,848**
Children and Young People's Services	(9,631)	0	(1,156)	**(10,787)**	81,019	**70,232**	695	**70,927**
Adult Social Care	(28,693)	0	(17,369)	**(46,062)**	121,609	**75,547**	(1,060)	**74,487**
Housing & Transformation	(904)	0	(1,794)	**(2,698)**	12,297	**9,599**	(246)	**9,353**
Human Resources	(7)	0	(1,154)	**(1,161)**	2,345	**1,184**	610	**1,794**
Place Directorate Management	(662)	0	(70)	**(732)**	5,632	**4,900**	(3,538)	**1,362**
Business, Investment & Culture	(3,486)	0	(730)	**(4,216)**	12,220	**8,004**	(231)	**7,773**
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)**	45,609	**29,948**	(280)	**29,668**
Project Management and Property Services	0	(15)	(17,809)	**(17,824)**	9,174	**(8,650)**	690	**(7,960)**
Finance & Corporate Services	(111,929)	0	(2,851)	**(114,780)**	121,068	**6,288**	3	**6,291**
Contingency and Central Budgets	(90,342)	(3,711)	(26,065)	**(120,118)**	120,556	**438**	12,488	**12,926**
Net Cost of Services	**(473,400)**	**(3,726)**	**(98,496)**	**(575,622)**	**793,260**	**217,638**	**11,177**	**228,815**
Other Income and Expenditure	0	(234,390)	0	**(234,390)**	0	**(234,390)**	0	**(234,390)**
Surplus or Deficit	**(473,400)**	**(238,116)**	**(98,496)**	**(810,012)**	**793,260**	**(16,752)**	**11,177**	**(5,575)**

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

3.6 Income and Expenditure Analysis

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

Expenditure/ Income	2018/19 *restated £000	2019/20 £000
Income		
Fees, charges and other service income	(69,707)	(87,482)
Interest and investment income	(28,804)	(29,590)
Income from council tax and non-domestic rates	(238,101)	(231,265)
Government grants and contributions	(473,400)	(525,901)
Total Income	**(810,012)**	**(874,238)**
Expenditure		
Employee benefits expenses	297,512	298,064
Other services expenses	391,487	403,311
Depreciation, amortisation, impairment	39,409	69,429
Interest payments	33,218	30,605
Precept and levies	14,801	15,763
(Gain)/Loss on Disposal of Assets	36,735	3,698
(Gain)/Loss on Revaluation of Financial Instruments	(253)	3,153
Total Expenditure	**812,909**	**824,023**
Surplus/ Deficit on the Provision of Services	**2,897**	**(50,215)**

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

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

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

3.7 Analysis of Capital Grants

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

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

* 2018/19 figures have been restated to reflect updated grant categories.
** The significant increase in the grant from Innovate UK was due to £68m being received for the new Battery Plant facility.

3.8 Analysis of Revenue Grants

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

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

*2018/19 figures have been restated to reflect updated grant categories.
** The difference between the level of Dedicated Schools Grant (DSG) provided in this table and the amount provided within Deployment of Dedicated Schools Grant note (section 3.9) is due to adjustments agreed with the Department for Education.

3.9 Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the school Finance and Early Years (England) regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 are as follows:

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

Notes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.10 Related Party Transactions

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

The former Deputy Chief Executive (Place) is also the Chief Executive of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and a senior officer is seconded to the role of Operations Director at the same organisation. A member of Coventry City Council is on the board of CWLEP. It is a company limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity, and it also has a role in coordinating elements of government funding for growth.
During 2019/20 the Council gave grants to the CLWLEP of £1,082,172 and also paid it £18,600 for services. At the end of the financial year the Council balance sheet had a debtor balance of £64,984 in respect of the CWLEP and a creditor balance of £81,785.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances is shown in note 3.33. During 2019/20, in addition to the transactions relating to the CWLEP outlined above, works and services to the value of £1,551,017 were commissioned from organisations that 15 members had an interest in (most of which are not for profit). Contracts were entered into in full compliance with the Council's standing orders. In addition, the Council paid grants totalling £4,191,032 to voluntary organisations in which 13 members had an interest. In all instances the grants were made with proper consideration to declarations of interest. The sum of £505383 was received from organisations with which 18 members declared an interest. There was a debtors balance of £710,004 with companies in which 16 members declared an interest; and a creditors balance of £1,214,255 in which 16 members declared an interest.

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

Senior Officers

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

Central Government

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

Other Public Bodies

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

- Pension payments are made to the West Midlands Metropolitan Authorities Pension Fund, The Teachers' Pension Agency and the NHS Business Service Authority. Further details are included in section 3.30.
- Precept payments are made to the West Midlands Crime and Police Commissioner and the West Midlands Fire and Rescue Authority, and these are shown within the Collection Fund Income and Expenditure Statement (section 3.38).
- Levy payments are made to the Environment Agency.
- Payments to the West Midlands Combined Authority (WMCA) of £16,019,478, of which £15,629,986 was a levy, and other contributions totalling £389,482. Details of the capital grants received from the WMCA are shown in section 3.7.
- The Council has a pooled budget arrangement with Coventry and Rugby Clinical Commissioning group to operate a Better Care Fund (BCF). Transactions and balances are detailed in section 3.11.

Organisations Controlled or Significantly Influenced by the Council

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

The Coventry & Solihull Waste Disposal Company Limited (CSWDC)

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

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

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

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

During 2019/20 NCH placed a cash deposit of £2,700,000 with the City Council. This was repaid to NCH including interest of £20,405 in March 2020. NCH supplied services to the City Council to the value of £347,583. The City Council provided services to the value of £10,278.

Culture Coventry Trust (CCT)

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

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

The Trust paid the City Council

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

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

Coombe Abbey Park Limited (CAPL)

The Council has multiple loan arrangements with CAPL with a long term balance of £4,197,663, and a short term balance of £643,298. These loans cover revenue expenses and capital projects.

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

The City Council provided services to CAPL totalling £37,996 of which £18,012 was unpaid as at 31st March 2020. The City Council also provided further a loan facility of £211,460.

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

UK Battery Industrialisation Centre UK Ltd (UKBIC)

During 2019/20 the City Council paid £9,320,000 towards the development costs of UKBIC. In addition, the Council purchased £20,595,400 of plant and equipment, and spent a further £38,103,510 developing the buildings to be used by UKBIC. These have been provided to UKBIC for nil consideration under the terms of a peppercorn lease.

Friargate JV Project Limited (FJVP)

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

Tom White Waste Limited (TWW)

The City Council acquired a 100% shareholding in TWW on 5th March 2020. It is considered that there is no added value to this statement by including related party transactions for such a short period to the end of the financial year.

3.11 Pooled Budgets

Better Care Fund

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

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

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

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

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

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

3.12 External Audit Costs

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

2018/19 *restated £000	Audit Fees	2019/20 £000
150	Fees payable to the external auditors in respect of statutory external audit services	353
55	Fees payable in relation to other services	60
205	**Total Fees**	**413**

* These amounts have been restated to reflect additional audit work.

Since 2012/13 the appointed external auditors have been Grant Thornton UK LLP.
The fees in respect of other services provided by Grant Thornton in 2019/20 relate to certification of the Teachers' Pension return (£4,200), the Innovate UK Grant claim for UK BIC (£15,800), and the certification of the Housing Benefit Subsidy Claim (£40,000). The comparative figure for 2018/19 related to the certification of the Teachers Pension return (£4,200), the Innovate UK Grant claim for UK BIC (£7,900), the Housing Benefit Module X (£5,000) and the certification of the Housing Benefit Subsidy Claim (£38,000).

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	31st March 2018	Contributions from reserves 2018/19	Contributions to reserves 2018/19	31st March 2019	Contributions from reserves 2019/20	Contributions to reserves 2019/20	31st March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Balance - Uncommitted *	**(4,702)**	**0**	**(5,575)**	**(10,277)**	**0**	**0**	**(10,277)**
Earmarked Revenue Reserves:							
Schools Reserves (specific to individual schools)	(19,590)	0	(718)	(20,308)	2,300	0	(18,008)
Schools Reserves (retained centrally)	(4,742)	1,834	(3,176)	(6,084)	6,014	(3,228)	(3,298)
Total Schools Reserves	**(24,332)**	**1,834**	**(3,894)**	**(26,392)**	**8,314**	**(3,228)**	**(21,306)**
Adult Social Care	(4,798)	6,187	(4,923)	(3,534)	9,113	(8,592)	(3,013)
Public Health	(606)	199	(381)	(788)	225	(793)	(1,356)
Troubled Families	(486)	531	(1,140)	(1,095)	619	(25)	(501)
Leisure Development	(1,599)	320	(55)	(1,334)	884	(374)	(824)
Kickstart Project	(5,068)	3,790	0	(1,278)	1,278	0	0
City of Culture	(4,750)	0	0	(4,750)	750	0	(4,000)
Potential Loss of Business Rates Income	(3,414)	0	(4,321)	(7,735)	0	0	(7,735)
Early Retirement and Voluntary Redundancy	(8,261)	0	(1,809)	(10,070)	747	0	(9,323)
COVID-19 Government Funding	0	0	0	0	0	(7,558)	(7,558)
Reset and Recovery	0	0	0	0	0	(5,467)	(5,467)
Commercial Developments	0	0	(4,000)	(4,000)	281	(700)	(4,419)
Insurance Fund	(1,595)	989	(1,092)	(1,698)	2,324	(1,347)	(721)
Management of Capital	(6,332)	2,120	(1,187)	(5,399)	2,313	(2,478)	(5,564)
Private Finance Initiatives	(10,781)	1,341	(729)	(10,169)	1,440	(738)	(9,467)
Other Directorate	(7,194)	4,926	(7,221)	(9,489)	5,886	(7,685)	(11,288)
Other Directorate funded by Grant	(2,193)	1,146	(517)	(1,564)	842	(340)	(1,062)
Other Corporate	(5,298)	1,319	(4,610)	(8,589)	1,360	(117)	(7,346)
Revenue Earmarked Reserves (Non-School)	**(62,375)**	**22,868**	**(31,985)**	**(71,492)**	**28,062**	**(36,214)**	**(79,644)**
Total Revenue Earmarked Reserves	**(86,707)**	**24,702**	**(35,879)**	**(97,884)**	**36,376**	**(39,442)**	**(100,950)**
Other Usable Reserves:							
Usable Capital Receipts Reserve	(23,978)	10,752	(8,241)	(21,467)	12,678	(22,310)	(31,099)
Capital Grant Unapplied Account	(7,179)	14,359	(9,074)	(1,894)	1,894	(1,834)	(1,834)
Total Other Usable Reserves	**(31,157)**	**25,111**	**(17,315)**	**(23,361)**	**14,572**	**(24,144)**	**(32,933)**
Total Usable Reserves	**(122,566)**	**49,813**	**(58,769)**	**(131,522)**	**50,948**	**(63,586)**	**(144,160)**

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

Unusable Reserves

2018/19 Capital Adjustment Account [CAA] *restated £000	2018/19 Revaluation Reserve [RR] *restated £000	2018/19 CAA & RR Combined *restated £000	Category of Reserve Movement	2019/20 Capital Adjustment Account [CAA] £000	2019/20 Revaluation Reserve [RR] £000	2019/20 CAA & RR Combined £000
(596,367)	**(188,001)**	**(784,368)**	**Opening Balance**	**(641,212)**	**(184,559)**	**(825,771)**
26,238	0	26,238	Depreciation	22,146	0	22,146
36,568	0	36,568	Derecognitions	3,423	0	3,423
2,557	(14,682)	(12,125)	Revaluations	(3,440)	5,864	2,424
(22,631)	0	(22,631)	Investment Property Revaluations	(19,547)	0	(19,547)
1,340	0	1,340	Intangibles	898	0	898
(79,665)	0	(79,665)	Capital grants and contributions applied	(132,902)	0	(132,902)
31,782	0	31,782	Revenue Expenditure funded from Capital	69,370	0	69,370
(10,586)	0	(10,586)	Capital receipts applied	(8,202)	0	(8,202)
4,870	0	4,870	Disposal of Assets	14,749	0	14,749
514	0	514	Repayment of Loans	730	0	730
(2,771)	0	(2,771)	Capital Expenditure funded from Revenue	(6,437)	0	(6,437)
(1,250)	0	(1,250)	Issue of Loans	(1,376)	0	(1,376)
(18,124)	18,124	0	Written out of the Revaluations Reserve	(2,737)	2,737	0
(10,904)	0	(10,904)	Revenue provision for the Repayment of Debt	(11,464)	0	(11,464)
(1,764)	0	(1,764)	Management of Capital Reserve	(2,148)	0	(2,148)
(73)	0	(73)	Deferred Capital - Amortised credit	(85)	0	(85)
78	0	78	Impairment of Financial Assets	0	0	0
(1,218)	0	(1,218)	Revaluation of Financial Assets	(83)	0	(83)
194	0	194	Other Gains and Losses	238	0	238
(641,212)	**(184,559)**	**(825,771)**	**Closing Balance**	**(718,079)**	**(175,958)**	**(894,037)**

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

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

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

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

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

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

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

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

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

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

Financial Instruments Revaluation Reserve
This reserve contains the gains made by the authority arising from increases in value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

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

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

3.14 Adjustments between Accounting Basis & Funding Basis under Regulations

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

2018/19 *restated £000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	2019/20 £000
	Reversal of items debited or credited to the CIES	
	Usable Reserves	
(5,285)	**Capital grants & contributions unapplied movement to the CIES**	**(60)**
	Unusable Reserves	
(26,240)	Charges for depreciation non-current assets	(22,146)
(36,568)	Charges for derecognition of non-current assets	(3,423)
(2,557)	Revaluation of Property, Plant & Equipment and Assets Held for sale	3,438
22,631	Movements in the fair value of investment properties	19,547
(1,340)	Amortisation of intangible assets	(898)
79,665	Capital grants and contributions applied	132,902
(31,782)	Revenue expenditure funded from capital under statute	(69,370)
384	Movement in Debt Redemption Premia	385
(32,717)	Retirement benefit Adjustment Account debited or credited to the CIES	(23,613)
(2,608)	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	(6,869)
728	Accumulated Absences Account (difference between renumeration charged to the CIES and renumeration paid for the year)	(591)
0	Loss on Deferred Capital Receipt	0
(167)	Loss on Disposal funded from Capital Receipts	(274)
(193)	Rescheduling of Finance Lease Repayments	(236)
73	Amortised Deferred Receipts	84
(78)	Loss on Impairment of Debtors	0
253	(Gain)/Loss on Revaluation of Fair Value through P&L Financial Instruments	(3,153)
10,904	Statutory provision for the financing of capital investment	11,464
1,250	Repayment of Transferred Debt Principal	1,376
4,535	Capital expenditure charged against the General Fund balance.	8,586
(537)	Crystalisation of Financial Instrument revaluation (gains)/losses	0
(14,364)	**Sub Total of adjustments affecting Unusable Reserves**	**47,209**
(19,649)	**Total Adjustments**	**47,149**

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

3.15 Property, Plant and Equipment

In accordance with the temporary relief offered by CIPFA's Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets. The authority has chosen not to disclose this information as the historical approach to maintaining the relevant information is not considered appropriate to accurately measure the gross cost and accumulated depreciation and, as such, these details could not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets. Further more, the authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

The table below shows the movement in the City Council's Property, Plant and Equipment (excluding Infrastructure Assets) during the year.

	Other Land & Buildings	Vehicles, Plant & Equip't	Community Assets	Surplus Assets	Under Construction	Total (excluding Infrastructure Assets)
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
01 April 2019	**476,136**	**38,962**	**15,982**	**7,102**	**103,053**	**641,235**
Additions	5,896	4,786	696	0	87,354	**98,732**
Revaluation increase/(decreases) to Revaluation Reserve	(6,034)	0	0	0	0	**(6,034)**
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(21,155)	0	0	252	0	**(20,903)**
Disposals	(22)	0	0	0	0	**(22)**
Derecognition	(7,000)	0	(1,503)	0	0	**(8,503)**
Reclassifications	46,347	0	0	2,050	(46,639)	**1,758**
31 March 2020	**494,168**	**43,748**	**15,175**	**9,404**	**143,768**	**706,263**
Depreciation and Impairment						
01 April 2019	**21,924**	**31,526**	**0**	**18**	**0**	**53,468**
Depreciation Charge	10,977	1,913	0	0	0	**12,890**
Disposals	0	0	0	0	0	**0**
Derecognition	(1,417)	0	0	0	0	**(1,417)**
Depreciation written out to the Revaluation Reserve	(72)	0	0	0	0	**(72)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(23,363)	0	0	0	0	**(23,363)**
Reclassifications	0	0	0	0	0	**0**
31 March 2020	**8,049**	**33,439**	**0**	**18**	**0**	**41,506**
Net Book Value						
31 March 2020	486,119	10,309	15,175	9,386	143,768	**664,757**
01 April 2019	454,212	7,436	15,982	7,084	103,053	**587,767**

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The City Council's Property, Plant and Equipment asset net book values, including Infrastructure Assets, are provided in the following table:

	Total (excluding Infrastructure Assets) £000	Infrastructure Assets £000	Total Property, Plant and Equipment £000
Net Book Value			
31 March 2020	**664,757**	**325,829**	**990,586**
01 April 2019	**587,767**	**312,771**	**900,538**

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

	Other Land & Buildings	Vehicles, Plant & Equip't	Community Assets	Surplus Assets	Under Construction	Total (excluding Infrastructure Assets)
	*restated			*restated	*restated	*restated
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
01 April 2018	**482,882**	**36,722**	**15,971**	**3,994**	**45,578**	**585,147**
Additions	7,537	2,240	436	0	66,655	**76,868**
Revaluation increase/(decreases) to Revaluation Reserve	12,867	0	0	0	0	**12,867**
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(7,170)	0	0	0	0	**(7,170)**
Disposals	(2,275)	0	0	0	0	**(2,275)**
Derecognition	(24,695)	0	(426)	859	0	**(24,262)**
Reclassifications	6,990	0	1	2,249	(9,180)	**60**
31 March 2019	**476,136**	**38,962**	**15,982**	**7,102**	**103,053**	**641,235**
Depreciation and Impairment						
01 April 2018	**12,116**	**29,031**	**0**	**18**	**0**	**41,165**
Depreciation Charge	14,747	2,495	0	0	0	**17,242**
Disposals	0	0	0	0	0	**0**
Derecognition	(375)	0	0	0	0	**(375)**
Depreciation written out to the Revaluation Reserve	(751)	0	0	0	0	**(751)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,813)	0	0	0	0	**(3,813)**
Reclassifications	0	0	0	0	0	**0**
31 March 2019	**21,924**	**31,526**	**0**	**18**	**0**	**53,468**
Net Book Value						
31 March 2019	454,212	7,436	15,982	7,084	103,053	**587,767**
01 April 2018	470,766	7,691	15,971	3,976	45,578	**543,982**

* These amounts have been restated as detailed in section 3.39

The Property, Plant and Equipment asset net book value, including Infrastructure Assets, are provided in the following table:

	Total (excluding Infrastructure Assets) *restated £000	Infrastructure Assets £000	Total Property, Plant and Equipment *restated £000
Net Book Value			
31 March 2019	**587,767**	**312,771**	**900,538**
01 April 2018	**543,982**	**312,976**	**856,958**

The following table provides a breakdown of the Infrastructure movements during 2019-20 and the previous year for comparative purposes.

	2018-19 Infrastructure Assets £000	2019-20 Infrastructure Assets £000
Net Book Value		
Opening Balance	**312,976**	**312,771**
Additions	16,077	22,314
Depreciation Charge	(8,998)	(9,256)
Derecognition	(7,284)	
Closing Balance	**312,771**	**325,829**

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

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

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

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

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

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

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

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

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

- **Self Sacrifice**, The Lady Godiva Statue - created in 1944 and installed in Broadgate in 1949.

- **Godiva and Peeping Tom figures Broadgate Clock Tower** - Carved wooden figures which form part of the clock located in Broadgate. Created in 1951 by Trevor Tennant.

- **Broadgate Standard** - Standard containing elephant and castle from City coat of arms. Located in Broadgate and installed in March 1948.

Artefacts and archaeology relating to the Pottery and Ceramics Industry - The Authority holds a significant collection of pottery and ceramics at various sites that have been obtained via collection and archaeological finds. None of these collections satisfy the authority's capital de minimis policy and, although they warrant recognition in terms of their contribution to knowledge and culture, this is the reason they are not included in the Balance Sheet. One of the most significant collections of historic importance to Coventry is the collection from the Lunt Roman Fort which is now located at the Whitefriars site, circa 40 complete or near complete Roman "pots".

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

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

3.17 Non-Operational Assets

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

	Investment Property £000	Assets Held for Sale £000	Heritage Assets £000	Under Construction** £000	Total £000
01 April 2019	**276,757**	**2,938**	**25,893**	**10,366**	**315,954**
Additions	5,500	0	7	3,952	9,459
Revaluation increase/(decrease) to Revaluation Reserve	98	0	0	0	98
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	19,547	979	0	0	20,526
Disposals	(14,200)	(527)	0	0	(14,727)
Derecognition	0	0	0	0	0
Reclassifications	3,406	(2,050)	0	(3,114)	(1,758)
31 March 2020	**291,108**	**1,340**	**25,900**	**11,204**	**329,552**

	Investment Property *restated £000	Assets Held for Sale £000	Heritage Assets £000	Under Construction *restated £000	Total £000
01 April 2018	**251,560**	**4,819**	**25,893**	**8,903**	**291,175**
Additions	6,873	0	0	1,463	8,336
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	22,631	(61)	0	0	22,570
Disposals	0	(2,595)	0	0	(2,595)
Derecognition	(4,246)	(292)	0	0	(4,538)
Reclassifications	(61)	1	0	0	(60)
31 March 2019	**276,757**	**2,938**	**25,893**	**10,366**	**315,954**

* These amounts have been restated as detailed in section 3.39
** All Under Construction Non-Operational Assets are Investment Properties and are included within that category on the Balance Sheet. These are reviewed annually and have been revalued where material differences arise.

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

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

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

Type of Investment Property	31 March 2019 *restated £000	31 March 2020 £000
Commercial	148,612	154,402
Office Units	17,803	20,357
Agricultural	10,307	10,362
Residential	98,186	103,801
Other	1,849	2,186
Total	**276,757**	**291,108**

* These amounts have been restated as detailed in section 3.39

3.18 Capital Expenditure and Capital Financing

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

2018/19 *restated £000		2019/20 £000
400,518	Opening Capital Financing Requirement	**440,276**
	Capital Investment	
92,943	Property, Plant and Equipment	121,048
8,336	Investment Properties	9,459
1,340	Intangible Assets	898
31,782	Revenue Expenditure Funded from Capital Under Statute	69,370
10,495	Investments	14,637
2,010	Debtors	660
146,906	Total Capital Investment	**216,072**
	Sources of Finance	
(10,586)	Capital Receipts	(8,202)
(79,665)	Government Grants and Other Contributions	(132,902)
(4,535)	Revenue Contributions	(8,586)
(10,904)	Revenue Provision for Debt Repayment	(11,464)
(208)	Donated Assets	(204)
(1,250)	Other Adjustments	(1,375)
(107,148)	Total from Sources of Finance	**(162,733)**
440,276	Closing Capital Financing Requirement	**493,615**
	Explanation of movement in year	
(10,904)	Revenue Provision for Debt Repayment	(11,464)
(1,115)	Repayment of Transferred Debt Principal	(1,225)
51,911	Capital Investment funded by borrowing	66,178
(135)	Restatement of Historic Debt Liability	(149)
39,757	**Increase/(decrease) in Capital Financing Requirement**	**53,339**

* These amounts have been restated as detailed in section 3.39

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£215,867) includes all the items recorded under capital investment above (£216,072k) less new assets recorded as part of the Street Lighting PFI contract (£205k) see section 3.28.

3.19 Revaluation of Property, Plant and Equipment

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

Year of revaluation	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	0	10,309	325,829	15,175	0	143,768	495,081
Valued at current value as at:							
31st March 2016	4,556	0	0	0	146	0	4,702
31st March 2017	18,973	0	0	0	0	0	18,973
31st March 2018	76,259	0	0	0	0	0	76,259
31st March 2019	78,852	0	0	0	0	0	78,852
31st March 2020	307,479	0	0	0	9,240	0	316,719
Total Cost or Valuation	**486,119**	**10,309**	**325,829**	**15,175**	**9,386**	**143,768**	**990,586**

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

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

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

3.20 Capital Commitments

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

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

3.21 Long Term Investments

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

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

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

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

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

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

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

The UK Battery Industrialisation Centre Ltd was incorporated in February 2018 and the Council is currently the sole shareholder. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group. The City Council has initially purchased the land and most of the equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency and the West Midlands Combined Authority. Activity within the company has been minimal to date and it is held at nil value as at 31st March 2020.

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

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

3.22 Long Term Debtors

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

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

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

3.23 Short Term Debtors

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

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

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

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

3.24 Short Term Creditors

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

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

3.25 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that it will have to make a payment to discharge the liability. If it is found that a provision is no longer needed it is returned to revenue. The movement in the City Council's provisions during 2019/20 is explained below:

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

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

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

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

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

3.26 Other Funds

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

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

3.27 Notes to the Cash Flow

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

2018/19 *restated £000	Adjustments for Non Cash Movements	2019/20 £000
(26,240)	Depreciation	(22,146)
(36,568)	Derecognition of Non-current Assets	(7,086)
20,074	Revaluation of Non-current Assets	22,985
(1,340)	Amortisation	(898)
1,301	(Increase)/ Decrease in Impairment Provision for Bad Debts	(1,499)
(14,029)	(Increase)/ Decrease in Creditors and Provisions	(20,065)
18,202	Increase/ (Decrease) in Debtors	13,990
136	Increase/ (Decrease) in Inventory	(62)
(63,817)	Pension Liability	(54,713)
(646)	Other Non Cash items charged to Net Surplus or Deficit on Provision of Services	(36)
(102,927)	**Total**	**(69,530)**

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

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

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

2018/19 *restated £000	Cash Flows from Investing Activities	2019/20 £000
102,618	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	127,399
176,734	Purchase of Short Term and Long Term Investments	629,273
12,505	Other Payments for Investing Activities	15,293
(4,870)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(14,749)
(183,721)	Proceeds from Short Term and Long Term Investments	(629,416)
(77,943)	Other Receipts from Investing Activities	(140,379)
25,323	**Total**	**(12,579)**

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

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

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

The cash flows for operating activities include the following items:

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

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

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

3.28 Private Finance Initiative (PFI)

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

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

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

Caludon Castle School PFI Contract

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

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

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

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

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

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

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

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

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

New Homes for Old PFI Contract

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

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

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

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

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

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

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

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

Operational Assets Other Land & Buildings	£000
Cost or Valuation	
Brought forward	21,758
Adjustment to brought forward position	0
Carried forward	21,758
Depreciation and Impairments	
Brought forward	(14,855)
Revaluation	(177)
Carried forward	(15,032)
Balance Sheet carried forward	**6,726**
Balance Sheet brought forward	**6,903**

Long Term Loans	£000
Liability brought forward	**(15,310)**
Unitary Charge (Lease repayment)	571
Liability carried forward (breakdown below)	**(14,739)**
Long term liability	(14,323)
Current liability	(416)

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

Street Lighting PFI Contract

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

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

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

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

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

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

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

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

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

3.29 Leases

Authority as Lessee

Finance Leases

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

	31 March 2019 £000	31 March 2020 £000
Other Land and Buildings	2,426	2,065
Vehicles, Plant, Furniture and Equipment	0	0
	2,426	**2,065**

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

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

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

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

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

Operating Leases

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

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

Authority as Lessor

Finance Leases

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

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

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

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

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20, contingent rents receivable by the Authority totalled £124k.

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

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

3.30 Pension Costs

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

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

Officers

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

In 2017/18 the City Council made an upfront payment of £93,300k to cover employer contributions up to and including 2019/20. The amount that would have been paid without this upfront payment was £37,818k, (£36,877k in 2018/19), representing 27.3% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. The contributions were set in line with local government pension regulations, following the actuarial review by Barnett Waddingham LLP as at March 2016.

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

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

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

Teaching Staff

In 2019/20, the City Council paid £11,338k (£9,059k in 2018/19) to the Department for Education (DfE) for teachers' pension costs, which represents 23.68% (rate increased from 1st September 2019 – previously16.48%) of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension contributions. In 2019/20, these amounted to £2,310k (£2,379k in 2018/19).

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

NHS Staff

Staff who work for the public health service which transferred to the City Council on 1st April 2013 may be members of the NHS Pension Scheme, which is administered by the NHS Business Services Authority. It is a defined benefit scheme. However, as the authority's share of the underlying assets and liabilities cannot be identified, it is treated as a defined contribution scheme. The pension costs charged to the accounts are the employer's contributions payable to NHS Pension Scheme. In 2019/20 the City Council paid £30k to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£28k in 2018/19), which represents 20.68% of pensionable pay.

3.31 Retirement Benefits

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

Summary of Outcome

The overall increase in the deficit is analysed as follows:

	2018/19				2019/20	
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
(510,135)	(32,110)	**(542,245)**	Deficit b/fwd	(524,204)	(29,701)	**(553,905)**
(46,301)	0	**(46,301)**	Current Service Cost	(52,220)	0	**(52,220)**
1,967	2,379	**4,346**	Employer Contributions	2,005	2,324	**4,329**
0	0	**0**	Past Service Gain (Cost)	0	0	**0**
31,235	0	**31,235**	Return on Assets	29,263	0	**29,263**
(44,174)	(742)	**(44,916)**	Interest on Pension Liabilities	(41,721)	(628)	**(42,349)**
51,385	772	**52,157**	Remeasurements	36,420	(308)	**36,112**
(7,630)	0	**(7,630)**	Settlements and curtailments	7,061	0	**7,061**
(551)	0	**(551)**	Administration Expenses	(797)	0	**(797)**
(524,204)	**(29,701)**	**(553,905)**	**Surplus/(Deficit)**	**(544,193)**	**(28,313)**	**(572,506)**

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

The LGPS deficit increased slightly within 2019/20 and there were some significant movements within the outcome which can largely be explained as follows:

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

The deficit on the local government scheme will be made good by increased contributions over the working life of the employees and other scheme changes, as assessed by the scheme's actuary. Finance is only required to be raised to cover the cost of teachers' pensions relating to added years when the pensions are actually paid.

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

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

2018/19 LGPS *restated £000	2018/19 Teachers £000	2018/19 Total *restated £000		2019/20 LGPS *restated £000	2019/20 Teachers £000	2019/20 Total *restated £000
			Net Cost of Services			
46,301	0	46,301	Current Service Cost	52,220	0	52,220
0	0	0	Past Service Costs (Gain)	0	0	0
7,630	0	7,630	Settlements and curtailments	(7,061)	0	(7,061)
551	0	551	Administration Expenses	797	0	797
54,482	**0**	**54,482**	**Net Cost of Services sub-total**	**45,956**	**0**	**45,956**
			Financing and Investment Income and Expenditure			
44,174	742	44,916	Interest cost	41,721	628	42,349
(31,235)	0	(31,235)	Expected return on scheme assets	(29,263)	0	(29,263)
12,939	**742**	**13,681**	**Net Interest Cost**	**12,458**	**628**	**13,086**
67,421	**742**	**68,163**	**Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services**	**58,414**	**628**	**59,042**
			Other Post Employment Benefit Charged to CIES			
(51,385)	(772)	(52,157)	Re-measurements	(36,420)	308	(36,112)
16,036	**(30)**	**16,006**	**Total Post Employment Benefit Charged to the CIES**	**21,994**	**936**	**22,930**
			Movement in Reserves Statement			
(67,421)	(742)	(52,157)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(58,414)	(628)	(59,042)
			Actual amount charged against the General Fund for pensions in the year:			
33,067	0	33,067	Employers contributions payable to scheme ***restated**	33,105	0	33,105
	2,379	2,379	Retirement benefits payable to pensioners		2,324	2,324

* The contributions payable to the LGPS scheme have been restated to include £31,100k, which equates to one third of the upfront payment of £93,300k paid in April 2017 to cover the next three years.

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

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

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

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

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

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

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about factors such as mortality rates and salary levels.

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

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

Sensitivity Analysis - LGPS				
Adjustments to Discount Rate		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	1,713,938	1,747,378	1,781,503
Projected Service Cost	£000	51,645	53,000	54,391
Adjustment to long term salary increase		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	1,750,172	1,747,378	1,744,606
Projected Service Cost	£000	53,026	53,000	52,974
Adjustment to Pension increases & deferred valuation		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	1,778,827	1,747,378	1,716,531
Projected Service Cost	£000	54,371	53,000	51,664
Adjustment to life expectancy assumptions		**+ 1 Year**	**None**	**- 1 Year**
Present Value of Total Obligation	£000	1,825,238	1,747,378	1,673,079
Projected Service Cost	£000	54,733	53,000	51,322

Sensitivity Analysis - Unfunded Teachers				
Adjustments to Discount Rate		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	28,050	28,313	28,579
Adjustment to Pension increases & deferred valuation		**+0.1%**	**0.0%**	**-0.1%**
Present Value of Total Obligation	£000	28,580	28,313	28,049
Adjustment to life expectancy assumptions		**+ 1 Year**	**None**	**- 1 Year**
Present Value of Total Obligation	£000	29,652	28,313	27,036

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

31st March 2019				Asset Categories	31st March 2020			
Total £000	Quoted %	Unquoted %	Total %		Total £000	Quoted %	Unquoted %	Total %
736,341	26.60%	32.40%	59.00%	**Equities**	684,908	21.70%	35.20%	56.90%
167,685	7.90%	5.60%	13.50%	**Bonds**	190,129	9.50%	6.30%	15.80%
105,812	8.50%	0.00%	8.50%	**Property**	107,018	8.90%	0.00%	8.90%
39,454	0.00%	3.20%	3.20%	**Cash/Liquidity**	43,180	0.00%	3.60%	3.60%
196,515	0.20%	15.60%	15.80%	**Other**	177,950	0.20%	14.60%	14.80%
1,245,807	43.20%	56.80%	100.00%	**Total**	1,203,185	40.30%	59.70%	100.00%

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

3.32 Officers' Remuneration (including exit packages)

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

The Council is required to disclose the number of employees whose remuneration during 2019/20 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions) and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

2018/19					2019/20			
Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total	Remuneration Band	Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total
38	13	27	78	£50,000 - £54,999	47	3	65	115
26	7	28	61	£55,000 - £59,999	20	1	22	43
17	4	16	37	£60,000 - £64,999	25	1	19	45
13	8	14	35	£65,000 - £69,999	12	3	13	28
13	1	7	21	£70,000 - £74,999	11	0	13	24
1	1	4	6	£75,000 - £79,999	9	0	7	16
3	0	4	7	£80,000 - £84,999	2	0	4	6
3	0	2	5	£85,000 - £89,999	1	0	6	7
1	0	1	2	£90,000 - £94,999	1	0	3	4
0	0	1	1	£95,000 - £99,999	0	0	3	3
0	0	4	4	£100,000 - £104,999	0	0	0	0
0	0	2	2	£105,000 - £109,999	0	0	4	4
0	0	3	3	£110,000 - £114,999	0	0	1	1
0	0	1	1	£115,000 - £119,999	0	0	4	4
0	0	0	0	£125,000 - £129,999	0	0	1	1
0	0	0	0	£135,000 - £139,999	0	0	1	1
0	0	0	0	£140,000 - £144,999	0	0	1	1
0	0	1	1	£155,000 - £159,999	0	0	1	1
0	0	1	1	£170,000 - £174,999	0	0	0	0
0	0	1	1	£195,000 - £199,999	0	0	0	0
0	0	0	0	£210,000 - £214,999	0	0	1	1
0	0	0	0	£545,000 - £549,999	0	0	1	**1**
115	**34**	**117**	**266**	**Total**	**128**	**8**	**170**	**306**

Senior Officer's Remuneration (including pension contributions)

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

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

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

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

Exit Packages

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

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

3.33 Members' Allowances

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

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

3.34 Financial Instruments

Financial instruments include both assets and liabilities.

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

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

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

The Balance Sheet includes the following categories of financial instruments:

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

	Long Term		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
Financial Assets				
At amortised Cost				
- Principal sum invested	0	0	6,916	10,020
- Accrued interest	0	0	25	131
- Loss allowance	0	0	0	0
At Fair Value through other comprehensive income				
- Principal at amortised cost	0	0	0	0
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
- Equity investments elected FVOCI	110,809	110,092	0	0
At Fair Value through profit & loss				
- Fair value	0	0	30,344	27,094
Total Investments	110,809	110,092	37,285	37,245
At amortised Cost				
- Principal sum invested	0	0	26,196	17,718
- Accrued interest	0	0	0	0
- Loss allowance	0	0	0	0
At Fair Value through profit & loss				
- Fair value	0	0	425	6,875
Total Cash & Cash Equivalents	0	0	26,621	24,593
At amortised Cost				
- Trade receivables	0	0	43,104	43,386
- Lease receivables	0	0	0	0
- Loans made for service purposes	21,359	24,384	3,647	1,247
- Accrued Interest	0	0	37	43
- Loss allowance	(122)	(89)	0	(33)
At Fair Value through profit & loss				
- Fair value	3,449	3,447	0	0
Included in Debtors	24,686	27,742	46,788	44,643
Total Financial Assets	135,495	137,834	110,694	106,481

	Long Term Debtors	Short Term Debtors	Short Term Creditors
	31 March 2019	31 March 2019	31 March 2019
	£000	£000	£000
Included in Financial Instruments	24,686	46,788	42,551
Other Debtors/Creditors	197	29,082	31,837
Total	**24,883**	**75,870**	**74,388**
	Long Term Debtors	**Short Term Debtors**	**Short Term Creditors**
	31 March 2020	31 March 2020	31 March 2020
	£000	£000	£000
Included in Financial Instruments	27,742	44,643	42,529
Other Debtors/Creditors	316	40,619	42,934
Total	**28,058**	**85,262**	**85,463**

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

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

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

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

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

	Financial Liabilities	Financial Assets			
	Amortised Cost	Amortised Cost	Elected to fair value through OCI	Fair Value through Profit & Loss	Total
	£000	£000	£000	£000	£000
Financial Assets					
Interest expense	17,519	0	0	0	**17,519**
Impairment losses	0	0	0	0	**0**
Interest payable and similar charges	**17,519**	**0**	**0**	**0**	**17,519**
Interest & Dividend Income	0	(2,116)	(8,561)	(1,519)	**(12,196)**
Gains on Derecognition	0	0	0	0	**0**
Gains from changes in Fair Value	0	0	0	(83)	**(83)**
Impairment loss reversals	0	(2,040)	0	0	**(2,040)**
Interest and investment income	**0**	**(4,156)**	**(8,561)**	**(1,602)**	**(14,319)**
Net Impact on Surplus/deficit on provision of services	**17,519**	**(4,156)**	**(8,561)**	**(1,602)**	**3,200**
Gains on revaluation	0	0	0	0	**0**
Losses on revaluation	0	0	15,354	3,236	**18,590**
Surplus arising on revaluation of financial assets	**0**	**0**	**15,354**	**3,236**	**18,590**
Net (gain) / loss for the year	**17,519**	**(4,156)**	**6,793**	**1,634**	**21,790**

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 31st March 2020, using the following methods and assumptions:

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

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

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

	Fair Value Level	31 March 2019 Carrying amount £000	31 March 2019 Fair value £000	31 March 2020 Carrying amount £000	31 March 2020 Fair value £000
Financial Liabilities at amortised cost					
PWLB	2	199,448	288,250	192,626	305,355
Market Loans	2	38,566	63,647	38,570	71,572
Stock Issue	2	12,245	17,463	12,248	16,657
Other Local Authorities	2	64,487	66,404	71,772	73,077
PFI	2	67,737	122,000	65,205	108,299
Short Term Creditors	N/A	42,551	42,551	42,529	42,529
Other	N/A	433	433	427	427
Total Liabilities		**425,467**	**600,748**	**423,377**	**617,916**
Financial Assets at fair value:					
Money Market Funds	1	425	425	6,875	6,875
Collective Investment Funds	1	30,392	30,392	27,117	27,117
Corporate and Government Bonds	1	6,894	6,894	0	0
Shares in Unlisted Companies	3	110,809	110,809	110,092	110,092
Long Term Debtors	3	3,449	3,449	3,447	3,447
Financial Assets at amortised cost:					
Short Term Cash Deposits	N/A	0	0	10,129	10,129
Long Term Debtors	3	21,236	25,661	24,295	31,336
Short Term Debtors	N/A	46,788	46,788	44,643	44,643
Bank Accounts	N/A	26,196	26,196	17,717	17,717
Total Financial Assets		**246,189**	**250,614**	**244,315**	**251,356**

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

Financial assets and liabilities categorised as Level 3 are:

- Shares in unlisted companies, as included in note 3.21. Fair value is calculated by applying a market based discount rate or multiplier to the forecast earnings set out in the financial plans of the companies. A 5% variation in earnings would alter the value of the shares by £5.0m.

- Long term loans to companies, as included in note 3.22. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2020. A 1% variation in the discount rate would alter the value of the loans by £3.0m.

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

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

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

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

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

Credit risk

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

Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2019/20 this required that deposits were only made with banks, building societies & corporate bonds with a high quality credit rating (minimum A- long term). In addition, as at 31st March 2020 the policy limited the maximum that can be deposited with an institution at any point in time to £20m. Under the Treasury Management Strategy, the Section 151 officer will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

The following analysis summarises the authority's potential maximum exposure to credit risk arising from deposits made with banks and financial institutions, together with amounts held in operational bank accounts, based on experience of default and un-collectability over the last five financial years, adjusted to reflect the current market conditions.

	Long Term		Short Term	
	31 March 2019	31 March 2020	31 March 2019 * restated	31 March 2020
	£000	£000	£000	£000
AAA	0	0	425	6,875
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	301	0
A+	0	0	14,809	7,990
A	0	0	0	0
A-	0	0	6,894	19,727
BBB+	0	0	11,086	0
Unrated Local Authorities	0	0	0	0
Unrated Building Socities	0	0	0	0
Unrated Pooled Funds	0	0	30,000	30,000
Total Investments	**0**	**0**	**63,515**	**64,592**

The figures as at 31 March 2019 have been restated to include the total amount of £26.2m held in bank accounts.

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

Country	£000
United Kingdom	59,592
Ireland	5,000
Total	**64,592**

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.

As part of the Council's corporate treasury management activities, overall limits to exposure to individual institutions through treasury investments were not exceeded during the year. Where the Council's bank drops below the minimum credit rating level set out in the treasury management strategy the Council's approach has been to minimise balances held as far as is practicable. As at 1st April 2019 a total of £11.1m was held in school operational bank accounts, across 43 schools, in an institution with a credit rating of BBB+. Whilst this is below the level set for council treasury investment activities, the operational nature of the bank accounts, with for example instant access to funds, helps to reduce credit risk.The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

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

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

Write off is considered only where it is assessed that the amount will be not be paid, taking into account any recovery plans.
Financial instruments are assessed at each balance sheet date to assess whether credit risk has increased significantly since recognition and the previous balance sheet date. Where it is deemed that the credit risk has not increased significantly or that the risk is low, then loss allowances are calculated as 12 month expected credit losses, based on the likelihood of a credit loss event occurring in the following 12 months. Otherwise loss allowances are calculated based on the expected lifetime credit losses.

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

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

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Maturity of Financial Liabilities	31/03/2019 £000	31/03/2020 £000
Less than one year	58,972	61,934
Between one and two years	1,513	1,664
Between two and five years	15,251	15,802
Between six and ten years	16,656	14,441
More than ten years	218,718	218,718
Total	**311,110**	**312,559**

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

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

Market Risk

Interest rate risk

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

Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise.
Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
Investments at variable rates – the interest income in the Income and Expenditure Account will rise.

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

The authority has a number of strategies for managing interest rate risk. Prudential Indicators, as set out in the Treasury Management Strategy, are used to manage interest rate risk by limiting the value of variable interest rate exposure to £84.5m in 2019/20. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance.

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

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

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

Price Risk

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

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

In addition, the Council has shareholdings to the value of £110m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value of shares.

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

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

Foreign Exchange Risk

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

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

3.35 Associated Company Interests & Holdings

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

Name and Nature of Business	Financial Results	Year ending £000	£000
Birmingham Airport Holdings Limited (Company Registration Number: 03312673)		**31st March 2019 Audited**	**31st March 2020 Audited**
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 :	Net Assets (liabilities)	123,727	119,161
	Profit (loss) before taxation	32,091	25,241
	Profit (loss) after taxation	25,703	18,487
5.8% of the 324m ordinary shares	Statement of changes in equity	(11,771)	(23,053)
£1.8 million preference shares 6% of the 1000 C Class shares of 0.01p			
Coombe Abbey Park Limited (Company Registration Number 02700383)		**31st December 2018 Audited**	**31st December 2019 Audited**
The principal activity of the company is the running of Coombe Abbey Hotel, Brinklow Road, Coventry.	Net Assets (liabilities)	5,692	4,389
	Profit (loss) before taxation	0	0
	Profit (loss) after taxation	192	(778)
The City Council acquired 100% of the shares in the company on 22nd December 2017 .	Statement of changes in equity	0	(525)
Coventry North Regeneration Limited (Company Registration Number: 04523598)		**31st March 2019 Audited**	**31st March 2020 Audited**
NCH holds 100% of the shares in Coventry North Regeneration Limited (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.	Net Assets (liabilities)	0	0
	Net Assets (liabilities)	0	0
	Profit (loss) after taxation	0	0
The company's principal activity was to build the Ricoh Arena. The Arena, combines a sports stadium, conference and exhibition space, hotel, casino and other leisure and community facilities.			
Copies of CNR's accounts can be acquired from: Company Secretary, Coventry North Regeneration Limited, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			

Name and Nature of Business	Financial Results	Year ending £000	£000
The Coventry and Solihull Waste Disposal Company Limited (Company Registration Number: 02690488)		**31st March 2019 Audited**	**31st March 2020 Audited**
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 (liabilities)	22,329	23,613
	Profit (loss) before taxation	11,980	14,257
	Profit (loss) after taxation	9,668	11,383
	Statement of changes in equity	(10,157)	(10,099)
The City Council owns: 66% of the ordinary share capital.			
Culture Coventry (Registration Number: 08359113)		**31st March 2019 Audited**	**31st March 2020 Audited**
The merger of Coventry Transport Museum and The Herbert Art Gallery Museum was completed in August 2013. Culture Coventry is the new Charitable Trust set up to run both museums and is also responsible for running the Lunt Roman Fort and the Priory Visitor Centre. The Council is the primary funder in the form of a contract agreement to provide museum services. The Council does not have a shareholding in the company or any representatives on the board.	Net Assets (liabilities)	2,949	1,728
	Net movement of funds	(393)	(1,221)
Friargate JV Project Limited (Company Registration Number 11730348)		**31st March 2019 Unaudited**	**31st March 2020 Audited**
The Company was set up in January 2019 to develop new buidings in the Friargate district of the City. This is a 50/50 joint venture with Friargate Holdings 2 Limited - private limited company	Net Assets (liabilities)	20,002	20,016
	Profit (loss) before taxation	2	17
	Profit (loss) after taxation	2	14
The City Council purchased a 50% share in the company for £10m			

Name and Nature of Business	Financial Results	Year ending £000	Year ending £000
North Coventry Holdings Limited (Company Registration Number: 04931967)		**31st March 2019 Audited**	**31st March 2020 Audited**
The Council holds 100% of the shares in North Coventry Holdings Limited (NCH) and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.	Net Assets (liabilities)	2,737	2,753
	Profit (loss) before taxation	14	19
	Profit (loss) after taxation	11	15
NCH's main activity is to hold 100% shares in Coventry North Regeneration Limited (CNR). NCH has not prepared group accounts as it qualifies as a small group under the Companies Act 2006 and the Council, as the ultimate parent company, prepares group accounts on an IFRS basis			
Copies of NCH's accounts can be acquired from: Company Secretary, North Coventry Holdings Limited, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			
University of Warwick Science Park Business Innovation Centre Limited (Company Registration Number: 03616665)		**31st Jul 2018 Audited**	**31st Jul 2019 Audited**
This company was established by the University of Warwick Science Park, CCC and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.	Net Assets (liabilities)	(514)	(439)
	Profit (loss) before taxation	229	75
	Profit (loss) after taxation	229	75
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.			
UK Battery Industrialisation Centre Ltd (Company Registration Number 11227726 and UK BIC Ltd (Company Registration Number 11218387)		**31st December 2018 Audited**	**31st December 2019 Audited**
The purpose of the companies is to set up and run the National Battery Development Facility.	Net Assets (liabilities)	0	0
	Profit (loss) before taxation	0	0
	Profit (loss) after taxation	0	0
The City Council is currently the sole shareholder with 1 share with a nominal value of £1 in each company.			
Tom White Waste Limited (Company Registration Number 1201361)		**31st March 2019 Audited**	**31st March 2020 Audited**
The principal activity of the company is waste management and recycling.	Net Assets (liabilities)	6,038	6,644
	Profit (loss) before taxation	1,202	754
	Profit (loss) after taxation	907	722
The City Council acquired 100% of the shares in the company on 5th March 2020	Statement of changes in equity	(95)	(116)

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

3.36 Events after the Balance Sheet Date

The audited Statement of Accounts was authorised for issue by the Director of Finance on 9 October 2023. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and the notes have been adjusted to reflect the impact of this information.

COVID-19 Pandemic
During the last quarter of 2019/20 the COVID-19 pandemic resulted in the imposition of lockdown measures in many countries, although for the UK the strictest measures did not come into effect until 23 March. The 2019/20 impact of lockdown on the Council's finances was relatively modest. The Comprehensive Income and Expenditure Statement includes £2.8 million of additional costs incurred in 2019/20 in relation to COVID-19 and the other main implication for the 2019/20 accounts relates to the valuation of the Council's financial instruments. These have been valued with the future impact of COVID-19 being a key consideration and the value recorded as at 31 March in these accounts reflects the conditions at that date. The Council's estimate of the general fund impact of COVID-19 for 2020/21 and 2021/22 was £91m.

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

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

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

Net Pension Liability
The Council's pension actuaries have estimated that its net pension liability has reduced very significantly during the 2022/23 financial year, mainly as a result of an increase in corporate bond yields resulting in the application of high discount rates to the calculation of pension obligations. The latest actuarial report estimates a net liability of just £25m as at 31/3/23. By comparison, the net pension liability as at 31 March 2020 was estimated to be £573m.

Operational and Investment Property Asset Valuations
As indicated in section 5.2 'Significant Assumptions made in estimating Assets and Liabilities', property asset valuations are heavily assumption sensitive and are influenced by economic and financial circumstances which can change significantly from year to year. The value of the Council's property assets for balance sheet dates subsequent to the 31 March 2020 have yet to be established, but given the current economic volatility there is likely to be significant movements since the balance sheet date. A change of 1% in the average valuation of property assets would have the effect of altering the carrying value of these assets by approximately £8m with a corresponding increase in the level of unusable reserves.

Birmingham Airport
Together, the 7 West Midland authorities own 49% of Birmingham Airport Holdings Limited (BAHL), and vote in one block at meetings. Coventry holds 5.8% of BAHL's ordinary shares with a reported fair value of £17.0 million as at 31 March 2021 (£17.9m as at 31 March 2020).

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

Going forward, although BAHL forecasts that it will retain a satisfactory cash balance, the impact on passenger volumes and revenues provide uncertainty on its ability to comply with the covenants relating to the financing arrangements. The impact of the Coronavirus pandemic on BAHL's ability to meet its covenant tests, and to take corrective measures, represented a material uncertainty for BAHL that cast doubt on its ability to continue as a going concern.

In response, in March 2021 the Council, acting alongside other shareholders, approved a loan facility to BAHL on commercial terms up to the value of £5.7m. Subsequent to this, the loan support has not been drawn to date and BAHL's trading performance suggests that a lower value of support may be required. The gradual easing of travel restrictions into the Autumn of 2021 provides further evidence that trading conditions will improve.

The continued recovery of the air travel sector, and the associated positive outlook for a full recovery in the profitability of airports over the medium term, has resulted in a significant increase in the value of the Council investment in the airport. Its value has nearly doubled since March 2020, increasing from £18m up to £34m as at March 2023, with the rise being dominated by the change in 2022/23.

Coventry Municipal Holdings
In September 2021, the Council approved a new overarching governance structure to apply across all of its wholly and partly owned companies. This included the establishment of Coventry Municipal Holdings Ltd, a new wholly owned subsidiary to act as a holding company for all of its wholly owned companies. The Council took on legal ownership of the new company in the 2021/22 financial year and its impact on the structure of the Council's accounts will be incorporated into the 2021/22 Statement of Accounts.

Sherbourne Recycling Limited
In April 2021, as one of eight Partner Councils, Coventry City Council purchased a 21.5% shareholding in Sherbourne Recycling Limited for £215k. It has also provided the company with a loan facility of up to £13.0m. To date, £11.5m of this loan has been drawn down to be used for the design and construction of a material recycling facility (MRF), which is due to become fully operational in the autumn of 2023.

The Council will receive revenue from the sale of materials recycled at the MRF, as well as a saving from reduced waste transport costs. Furthermore, as the landowner of the MRF site, the Council will receive ongoing rental income. An independent valuation has determined that the Council's investment is now worth £2.0m.

Coombe Abbey Park Limited
In March 2021 the Council agreed to refinance its existing loans to Coombe Abbey Park Limited, providing a new long term loan of up to £9.0m that extinguished existing loans to the company and leaving a net additional facility for working capital. Of this, £7.5m has been utilised to date, with £7.1m outstanding. The purpose of the loan was to help the business to manage their costs through the period of uncertainty in relation to COVID-19 restrictions.

The company performance has been mixed with sustained revenue growth since March 2020, but occupancy remains below pre-pandemic levels and it is facing higher staff costs due to shortages in the hospitality sector and inflationary cost pressures on food prices. This has impacted on the value of the Council's investment in the company which has fallen to £1.1m as at March 2023, significantly lower than the £7.4m value as at March 2020.

UKBIC
Between April 2020 and March 2022, the Council purchased further plant and machinery assets at a cost of £20m on behalf of its subsidiary company, the UK Battery Industrialisation Centre (UKBIC). These assets were transferred to UKBIC under a peppercorn lease. The Council provided a development grant of £6m during the same period to meet project costs incurred by UKBIC. The total plant and machinery assets and development grant provided to UKBIC by March 2020 was £36m and the total by March 2022 was £62m.

The funding was provided via a £132m grant agreement with Innovate UK (formerly the Technology Strategy Board) and an £18m loan from the West Midlands Combined Authority. The Council is the grant recipient and the borrower, having managed this capital funding on behalf of UKBIC since the company was in the formation stage. The Council has an Indemnity & Guarantee agreement with UKBIC, where the company guarantees the loan repayments.

During 2020/21, extensive commissioning work was carried out on UKBIC's plant and equipment and this was substantively complete by 31 March 2021. As a result the valuation basis of the building property changed from an asset under construction valued at cost, within the Council's single entity accounts, to an operational asset assessed at fair value. This resulted in an impairment of 38.4m, reducing the carrying value from the construction cost of £69.0m down to £30.6m.

In September 2021 the Council approved the provision of a cash flow facility by way of a secured loan to UKBIC Ltd of up to £0.5m. This loan was offered on the condition that UKBIC secured additional funding commitments from the Government. This was subsequently achieved in February 2022, increasing the total of grant funding provided to offset operational costs up to £27.3m, covering the period 2019-2023. The £0.5m loan was drawn down by UKBIC in April 2022. The company subsequently secured a further £15.3m of additional grant funding from the Government to cover its operational costs until March 2025.

City of Culture
In February 2023 the City of Culture Trust announced that it had gone into administration. The Council had agreed in December 2017 to become a guarantor for the UK City of Culture 2021 programme. This was subject to a memorandum of understanding with the Department of Culture Media

and Sport for delivery of the programme but this included no liability in relation to the Trust and its financial commitments. The City of Culture programme was completed in May 2022 prior to the Trust entering administration. The Council continues to be involved in delivery of City of Culture legacy activity in line with the Memorandum of Understanding. In October 2022 the Council provided a loan of £1m to the City of Culture Trust. The loan was designed to meet what was assessed at that time as a short-term cash-flow shortfall faced by the Trust. In addition to the £1m loan that remains unpaid, further amounts totalling £0.6m are owed by the Trust to the Council.

CSWDC

The value of the City Council’s investment in the Coventry and Solihull Waste Disposal Company (CSWDC) has risen to £72m as at March 2023, representing an increase of £15m since March 2020. This is mainly as a result of a switch to higher value input materials and additional revenue from generated electricity, due to energy price rises.

In May 2023, CSWDC’s main turbine suffered a catastrophic failure which is likely to mean that it is out of service for a substantial period of time. The lost generation for the remainder of 2023/24 is estimated at approximately £15.5m. While negative cash flows are likely to impact dividend levels, this is not a threat to the going concern of the company and discussions are underway with insurers. The turbine failure is expected to result in around £3m of uninsured losses, but it is not envisaged that there will be any significant impact on the valuation of the company, which is dependent on its long term earnings potential.

Equal Pay

The Council has received a number of Equal Pay Claims from employees which have been recorded as a Contingent Liability within the Council’s accounts. The first claims were received in February 2023 and could if successful represent a liability for the Council affecting 2019/20 and prior years. This matter incorporates conditions that may have existed at the Balance Sheet date and which may be financially material. However, as a contingent liability this remains as a non-adjusting event at this stage.

Refuse Drivers Strike

HGV drivers working within the Council's refuse collection service were on strike for the first 7 months of 2022. This industrial action gave rise to significant additional costs of providing both waste drop sites and the collection of kerbside waste through a third-party provider (Tom White Waste). This, together with lost contractual income within the commercial service and planning development income pressures, resulted in additional costs of c.£8m. Although the dispute has now been resolved, the net contractual income lost within the commercial service will result in a more lasting financial impact, as many clients have sought collection services from other providers.

City Centre South

In January 2022 the Council granted outline planning permission for the City Centre South scheme, which has the objective of delivering transformational improvements to the centre of the city, resourced by a £99m grant from the West Midlands Combined Authority and £5m of capital receipts. The scheme will include up to 1,500 new homes (including affordable housing of 20%), new retail, employment, health care and leisure space, all of which would result in a new sustainable city centre community.

City Centre Cultural Gateway

In March 2023 the Council approved the main construction works for the City Centre Cultural Gateway (CCG) as it looks to repurpose the former IKEA building in the city centre, which it acquired in 2021. The CCCG is envisaged as a collections centre for nationally significant cultural, arts and historical artefacts, working in collaboration with the partners: Arts Council England, British Council, Culture Coventry Trust and Coventry University. The project‘s refurbishment works are subject to a current procurement process which will determine the overall cost, the large majority of which will be funded from prudential borrowing, resourced from rental income.

Friargate Joint Venture Project Ltd (FJVP)

The Council’s investment in FJVP has reduced in value from £10.5m in March 2020 down to £2.8m in March 2023. This is mainly as a result of higher anticipated costs to develop the company’s land and lower expected rental income.

Tom White Waste Ltd (TWW)

The Council’s investment in TWW has reduced in value from £14.6m in March 2020 down to £10.4m in March 2023. This is mainly as a result of higher fuel, maintenance and staffing costs.

Coventry Station Master Plan

In March 2022, following the completion of the development work on the Coventry railway station and supporting infrastructure, the ownership of the station transferred over to Network Rail, in accordance with the agreed project plan. This resulted in the construction costs of £80m being derecognised from the Council’s balance sheet (£29m of which were incurred prior to 31 March 2020). These project costs were funded from £69m of capital grant and £11m of prudential borrowing. The new station car park was then leased back to the Council on a peppercorn rent, with the income from the car park being used to service the costs of the borrowing.

Two Friargate

In September 2020 the Council approved the investment in Two Friargate, a second commercial office to be built within the Friargate business district. The overall capital cost of the building was estimated to be £68m, funded from a combination of a £51m capital grant from the West Midlands Combined Authority and £17m of prudential borrowing. Construction work began in Autumn 2020 and the building is nearing completion, as of August 2023.

Reinforced autoclaved aerated concrete (RAAC)
RAAC is a lightweight form of precast concrete, that was used in public sector buildings across the UK in the second half of the twentieth century. It is less durable than traditional concrete and recent incidents in schools in other authorities across the UK have highlighted the potential risk from failing RAAC.

The Council is currently working to establish if RAAC is present in any of its buildings. Although no instances of the use of RAAC have yet been identified within Council buildings, were it to be discovered then the cost of the necessary remedial work is likely to be significant. Given this uncertainty the Council has recognised a contingent liability in these accounts.

2023/24 Forecasted Revenue Overspend
The Council's financial outturn position for 2022/23 was balanced only after the use of £6.7m of reserves. This contribution met an underlying overspend which was the result both of one-off issues and of ongoing inflationary pressures, which have affected the wider economy and the whole local government sector. The initial financial monitoring position for 2023/24 suggests that this situation is becoming more acute, with an estimated revenue overspend for the year of £12.1m, and the indicative 2024/25 Budget position is equally serious. These financial circumstances indicate that inflationary pressures, in particular within social care, are creating conditions in which the Council will not be able to provide the range of services in the future that it has delivered traditionally. The scale and nature of this pressure on the Council's budgetary position is unprecedented in recent times and is unlikely to be relieved unless forthcoming financial settlements provided by Government improve markedly from current levels.

3.37 Contingent Liabilities and Assets

Contingent Liabilities

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.

Equal Pay
The Council has received a number of Equal Pay Claims from employees which would, if successful, result in a financial liability to the Council. This issue is at an early stage and there has been no reliable assessment of the likely success of these claims or the financial cost if they are demonstrated to be valid. It is probable that this matter will be subject to complex and protracted legal proceedings and negotiations between the relevant parties. The Council's previous experience of dealing with claims of this nature is that there can be a very significant difference between the assessed maximum theoretical cost and the final settlement value. Given the significant uncertainty around whether a financial obligation exists or the measurement of the size of any obligation it is appropriate to record a contingent liability at this stage.

Reinforced autoclaved aerated concrete (RAAC)
RAAC is a lightweight form of precast concrete, that was used in public sector buildings across the UK in the second half of the twentieth century. It is mainly found in roofs, although occasionally in floors and walls. It is less durable than traditional concrete and there have been problems as a result, which could have significant safety consequences.

Following the collapse of a section of roof of a primary school in Kent, central government sent out a questionnaire, in March 2022, to responsible bodies for schools to determine the prevalence of RAAC across the school estate. Coventry City Council conducted surveys of its locally maintained schools to identify whether any of these buildings contained RAAC within their roof decking. The investigation was approved by the Department for Education to ensure the methodology of the study was robust. No RAAC was identified in the construction of the school building roof decks.

Further incidents at other schools across the UK during the summer of 2023 have increased the priority of this issue, and expanded the scope of the surveys requested by central government. The Council is currently working to establish if RAAC is present in any of its buildings. Although no instances of the use of RAAC have yet been identified within Council buildings, were it to be discovered then the cost of the necessary remedial work is likely to be significant. As such it is appropriate to recognise a contingent liability.

3.38 Collection Fund Statement and Notes

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

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

Income and Expenditure Account

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

Income from Business Rates

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

Calculation of the Council Tax Base

The level of Council Tax is set at the beginning of the year and is calculated so as to ensure that the Collection Fund can meet its obligations. Council Tax paid by taxpayers is based on the valuation of their property. Each property is placed into one of eight valuation bands (A to H).The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.3%. The total number of dwellings on the valuation list is 142,287 of which 7,373 are exempt. Details of the Tax Base calculation are shown in the table below:

Valuation Band	Number of Dwellings subject to tax	Band D Equivalent
Band A entitled to disabled relief	142	62.4
A	53,818	27,053.6
B	40,608	24,842.2
C	22,700	16,083.9
D	9,340	7,524.0
E	4,590	4,577.1
F	2,256	2,670.6
G	1,357	1,864.0
H	103	164.6
Total	**134,914**	**84,842.4**

Estimated eventual collection rate		98.3%
Total Council Tax Base Band D	2019/20	83,400.1
Total Council Tax Base Band D	2018/19	80,815.4

Provisions and Write Offs

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

* 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 £000	Council Tax £000
Gross Debtors brought forward	**4,518**	**14,156**
Gross Debtors carried forward	**4,382**	**15,956**

Precepts and Demands on the Collection Fund

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

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

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

3.39 Prior Period Restatement - Single Entity Accounts

Prior period restatements of the single entity accounts have been required, as outlined below:

- 1st Restatement – The segmental categories used for the Cost of Services have been altered to reflect the Council's management structure which was revised during 2019/20.
- 2nd Restatement – As part of the adoption of IFRS 9 Financial Instruments with effect from 1st April 2018 the Council elected to present changes in the fair value of pooled investment funds within Other Comprehensive Income. However, it has subsequently been determined that this designation was not permitted and that the changes must be reported as fair value through profit and loss.
- 3rd Restatement – The impact of Investment Property revaluations had been incorrectly included within the Cost of Services, rather than within Finance and Investment Income and Expenditure.
- 4th Restatement – The impact of asset derecognitions had been incorrectly included within the Cost of Services, rather than within Other Operating Expenditure.
- 5th Restatement – A review of asset valuations has identified that a number of adjustments were required to the 31st March 2018 brought forward balances and valuation movements during 2018/19. These included: an increase in net assets of £89m as at 31/3/19 in relation to the valuation of land designated for future housing use in the Council's Local Plan;
- 6th Restatement – The property assets of UK Battery Industrialisation Centre Ltd (UKBIC), as at 31/3/2019, had been incorrectly classified as Investment Properties rather than operational Property, Plant and Equipment (Other Land and buildings).
- 7th Restatement – Revenue Expenditure Funded from Capital Under Statue (REFCUS) relating to the development of the UK Battery Industrialisation Centre Ltd (UKBIC) site during 2018/19 had been incorrectly classified as investment in Property, Plant and Equipment.
- 8th Restatement – A review of the Property, Plant and Equipment gross cost/valuation and depreciation/impairment balances identified that historic downward valuations had been incorrectly classified as impairments. The net book value on the Balance Sheet was not changed by this restatement, however there was a significant impact on the gross balances within the PPE disclosure note.

The impact of these changes on the Council's main statements, and the PPE disclosure note (8th restatement), is set out in tables below. Please note, these tables are in abbreviated form, only providing the detail of figures from the original statements that have been changed by the restatements. Unchanged elements (either rows or columns) from the original statements have not been included, for reasons of brevity. As a result, subtotals within these abbreviated tables may not be the total of displayed figures.

1st Restatement – The following table provides the details of the impact of this restatement on the 2018/19 gross expenditure and gross income amounts in the Comprehensive Income and Expenditure Statement (section).

Comprehensive Income & Expenditure Statement 2018/19	2018/19 Structure	2019/20 Structure	Impact of Restatement	2018/19 Structure	2019/20 Structure	Impact of Restatement
Cost of Services	Gross Expenditure	Gross Expenditure	Gross Expenditure	Gross Income	Gross Income	Gross Income
Service Segment	£000	£000	£000	£000	£000	£000
Public Health	25,704	25,704	**0**	(23,642)	(23,642)	**0**
People Directorate Management	1,598	1,598	**0**	(126)	(126)	**0**
Education and Skills	226,899	229,658	**2,759**	(200,536)	(202,759)	**(2,223)**
Children and Young People's Services	81,485	81,485	**0**	(10,787)	(10,787)	**0**
Adult Social Care	123,777	124,016	**239**	(45,885)	(46,062)	**(177)**
Housing & Transformation	19,344	16,270	**(3,074)**	(3,741)	(2,580)	**1,161**
Human Resources	0	3,075	**3,075**	0	(1,161)	**(1,161)**
Place Directorate Management	5,338	5,338	**0**	(732)	(732)	**0**
Business, Investment & Culture	36,186	34,465	**(1,721)**	(6,842)	(4,216)	**2,626**
Transportation & Highways	32,723	32,723	**0**	(14,783)	(14,783)	**0**
Streetscene & Regulatory Services	48,708	48,592	**(116)**	(15,619)	(15,619)	**0**
Project Management and Property Services	7,730	6,568	**(1,162)**	(2,102)	(2,328)	**(226)**
Finance & Corporate Services	121,071	121,071	**0**	(114,451)	(114,451)	**0**
Contingency and Central Budgets	24,060	24,060	**0**	(18,333)	(18,333)	**0**
Net Cost of Services	**754,623**	**754,623**	**0**	**(457,579)**	**(457,579)**	**0**

2nd Restatement - The following tables provide details of the impact of this restatement on the Finance and Investment Income and Expenditure, and Other Comprehensive Income and Expenditure amounts in the Comprehensive Income and Expenditure Statement (sections 2.2 and 3.1) and the Movement in Reserves Statement (section 2.3), and Cash Flow Statement (section 2.5).

Comprehensive Income & Expenditure Statement 2018/19	2018/19 Net Expenditure		
Category of Income or Expenditure	Original	Impact of restatement	Restated
	£000	£000	£000
(Gain)/loss on revaluation of financial instruments	(1,218)	965	(253)
Finance and Investment Income and Expenditure	**9,621**	**965**	**10,586**
(Surplus)/Deficit on the Provision of Services	**14,527**	**965**	**15,492**
(Gain)/loss on revaluation of financial instruments	(4,419)	(965)	(5,384)
Sub-total of other comprehensive Income and Expenditure	**(62,835)**	**(965)**	**(63,800)**

Movement in Reserves Statement 2018/19	Financial Inst. Revaluation Reserve			Pooled Investment Funds Adjustment Account			Total Unusable Reserves		
	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2018	**(75,610)**	**1,016**	**(74,594)**	**0**	**(1,016)**	**(1,016)**	**(165,155)**	**0**	**(165,155)**
Total Comprehensive Income and Expenditure	(4,419)	(965)	(5,384)	0	0	0	(62,835)	(965)	(63,800)
Adjustments between Accounting Basis and Funding Basis under Regulations	537	0	537	0	965	965	23,483	965	24,448
Net (Increase)/ Decrease	**(3,882)**	**(965)**	**(4,847)**	**0**	**965**	**965**	**(39,352)**	**0**	**(39,352)**
31st March 2019	**(79,492)**	**51**	**(79,441)**	**0**	**(51)**	**(51)**	**(204,507)**	**0**	**(204,507)**

Cash Flow Statement 2018/19	Original	Impact of restatement	Restated
	£000s	£000s	£000s
Net (Surplus) or Deficit on the Provision of Services	14,527	965	15,492
Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(120,572)	(965)	(121,537)

3rd Restatement – The following tables provide details of the impact of this restatement on the main statements. The details are shown as further adjustments following those made as a result of the other changes detailed above.

Comprehensive Income & Expenditure Statement 2018/19	Gross Expenditure Original	Impact of restatement	Restated	Net Expenditure Original	Impact of restatment	Restated
Service Segment	£000	£000	£000	£000	£000	£000
Contingency and Central Budgets	24,060	8,298	32,358	5,727	8,298	14,025
Cost of Services	**754,623**	**8,298**	**762,921**	**297,044**	**8,298**	**305,342**
Changes in the fair value of investment properties				0	(8,298)	(8,298)
Finance and Investment Income and Expenditure				**10,586**	**(8,298)**	**2,288**

4th Restatement – The following tables provide details of the impact of this restatement on the main statements. The details are shown as further adjustments following those made as a result of the other restatements detailed above.

Comprehensive Income & Expenditure Statement 2018/19	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
Cost of Services	Gross Expenditure	Gross Expenditure	Gross Expenditure	Net Expenditure	Net Expenditure	Net Expenditure
Service Segment	£000	£000	£000	£000	£000	£000
Education and Skills	229,658	(4,106)	**225,552**	26,899	(4,106)	**22,793**
Housing & Transformation	16,270	(525)	**15,745**	13,690	(525)	**13,165**
Business, Investment & Culture	34,465	(1,005)	**33,460**	30,249	(1,005)	**29,244**
Transportation & Highways	32,723	(6,346)	**26,377**	17,940	(6,346)	**11,594**
Streetscene & Regulatory Services	48,592	(426)	**48,166**	32,973	(426)	**32,547**
Project Management and Property Services	6,568	(651)	**5,917**	4,240	(651)	**3,589**
Contingency and Central Budgets	32,358	(4,539)	**27,819**	14,025	(4,539)	**9,486**
Total	**762,921**	**(17,598)**	**745,323**	**305,342**	**(17,598)**	**287,744**
(Gain)/Loss on Disposal of Fixed Assets				17,985	17,598	35,583
Other Operating Expenditure				**32,786**	**17,598**	**50,384**

5th Restatement – The following tables provide details of the impact of this restatement on the main statements. The details are shown as further adjustments following those made as a result of the other restatements detailed above.

Balance Sheet	31st March 2018			31st March 2019		
	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
	£000	£000	£000	£000	£000	£000
Property, Plant and Equipment	852,981	3,977	856,958	861,338	16,679	878,017
Investment Property	174,310	86,153	260,463	215,173	100,486	315,659
Long Term Assets	**1,169,619**	**90,130**	**1,259,749**	**1,238,096**	**117,165**	**1,355,261**
Net Assets	**287,721**	**90,130**	**377,851**	**336,029**	**117,165**	**453,194**
Unusable Reserves	(165,155)	(90,130)	(255,285)	(204,507)	(117,165)	(321,672)
Total Reserves	**(287,721)**	**(90,130)**	**(377,851)**	**(336,029)**	**(117,165)**	**(453,194)**

Comprehensive Income & Expenditure Statement 2018/19	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
Cost of Services	Gross Expenditure	Gross Expenditure	Gross Expenditure	Net Expenditure	Net Expenditure	Net Expenditure
Service Segment	£000	£000	£000	£000	£000	£000
Education and Skills	225,552	(4,067)	221,485	22,793	(4,067)	18,726
Business, Investment & Culture	33,460	(1,289)	32,171	29,244	(1,289)	27,955
Streetscene & Regulatory Services	48,166	(504)	47,662	32,547	(504)	32,043
Project Management and Property Services	5,917	431	6,348	3,589	431	4,020
Cost of Services	**745,323**	**(5,429)**	**739,894**	**287,744**	**(5,429)**	**282,315**
(Gain)/Loss on Disposal of Fixed Assets				35,583	1,152	36,735
Other Operating Expenditure				**50,384**	**1,152**	**51,536**
Changes in the fair value of investment properties				(8,298)	(14,333)	(22,631)
Finance and Investment Income and Expenditure				**2,288**	**(14,333)**	**(12,045)**
(Surplus)/Deficit on the Provision of Services				**15,492**	**(18,610)**	**(3,118)**
(Gain)/loss on revaluation of non current assets				(6,259)	(8,425)	(14,684)
Sub-total of other comprehensive Income and Expenditure				**(63,800)**	**(8,425)**	**(72,225)**
Total Comprehensive Income and Expenditure (Surplus)/Deficit				**(48,308)**	**(27,035)**	**(75,343)**

Movement in Reserves Statement 2018/19	Capital Adjustment Account			Revaluation Reserve			Total Unusable Reserves		
	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2018	**(499,833)**	**(96,535)**	**(596,368)**	**(194,404)**	**6,405**	**(187,999)**	**(165,155)**	**(90,130)**	**(255,285)**
Total Comprehensive Income and Expenditure	0	0	0	(6,259)	(8,425)	(14,684)	(63,800)	(8,425)	(72,225)
Adjustments between Accounting Basis and Funding Basis under Regulations	(33,341)	(17,518)	(50,859)	19,216	(1,092)	18,124	24,448	(18,610)	5,838
Net (Increase)/ Decrease	**(33,341)**	**(17,518)**	**(50,859)**	**12,957**	**(9,517)**	**3,440**	**(39,352)**	**(27,035)**	**(66,387)**
31st March 2019	**(533,174)**	**(114,053)**	**(647,227)**	**(181,447)**	**(3,112)**	**(184,559)**	**(204,507)**	**(117,165)**	**(321,672)**

Movement in Reserves Statement 2018/19	Total Usable Reserves			Total Unusable Reserves			Total Reserves		
	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2018	**(122,566)**	**0**	**(122,566)**	**(165,155)**	**(90,130)**	**(255,285)**	**(287,721)**	**(90,130)**	**(377,851)**
Total Comprehensive Income and Expenditure	15,492	(18,610)	(3,118)	(63,800)	(8,425)	(72,225)	(48,308)	(27,035)	(75,343)
Adjustments between Accounting Basis and Funding Basis under Regulations	(24,448)	18,610	(5,838)	24,448	(18,610)	5,838	0	0	0
Net (Increase)/ Decrease	**(8,956)**	**0**	**(8,956)**	**(39,352)**	**(27,035)**	**(66,387)**	**(48,308)**	**(27,035)**	**(75,343)**
31st March 2019	**(131,522)**	**0**	**(131,522)**	**(204,507)**	**(117,165)**	**(321,672)**	**(336,029)**	**(117,165)**	**(453,194)**

Cash Flow Statement 2018/19	Original	Impact of restatement	Restated
	£000s	£000s	£000s
Net (Surplus) or Deficit on the Provision of Services	15,492	(18,610)	(3,118)
Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(121,537)	18,610	(102,927)

6^{th} **Restatement** – The following tables provide details of the impact of this restatement on the main statements. The details are shown as further adjustments following those made as a result of the other restatements detailed above.

Balance Sheet 31st March 2019	Original	Impact of restatement	Restated
	£000	£000	£000
Property, Plant and Equipment	878,017	28,536	906,553
Investment Property	315,659	(28,536)	287,123

7th Restatement – The following tables provide details of the impact of this restatement on the main statements. The details are shown as further adjustments following those made as a result of the other restatements detailed above.

Balance Sheet	31st March 2019		
	Original	Impact of restatement	Restated
	£000	£000	£000
Property, Plant and Equipment	906,553	(6,015)	900,538
Long Term Assets	**1,355,261**	(6,015)	**1,349,246**
Net Assets	**453,194**	(6,015)	**447,179**
Unusable Reserves	(321,672)	6,015	(315,657)
Total Reserves	**(453,194)**	6,015	**(447,179)**

Comprehensive Income & Expenditure Statement 2018/19	Gross Expenditure Original	Impact of restatement	Restated	Net Expenditure Original	Impact of restatment	Restated
Service Segment	£000	£000	£000	£000	£000	£000
Contingency and Central Budgets	27,819	6,015	33,834	9,486	6,015	15,501
Cost of Services	**739,894**	**6,015**	**745,909**	**282,315**	**6,015**	**288,330**
(Surplus)/Deficit on the Provision of Services				(3,118)	6,015	2,897
Total Comprehensive Income & Expenditure				**(75,343)**	**6,015**	**(69,328)**

Movement in Reserves 2018/19	Total Usable Reserves			Capital Adjustment Account			Total Unusable Reserves			Total Reserves	
	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated	Original	Impact of restatement	Restated	Original	Impact of restatement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2018	**(122,566)**	**0**	**(122,566)**	**(596,368)**	**0**	**(596,368)**	**(255,285)**	**0**	**(255,285)**	**(377,851)**	**0**
Total Comprehensive Income and Expenditure	(3,118)	6,015	2,897	0	0	0	(72,225)	0	(72,225)	(75,343)	6,015
Adjustments between Accounting Basis and Funding Basis under Regulations	(5,838)	(6,015)	(11,853)	(50,859)	6,015	(44,844)	5,838	6,015	11,853	0	0
Net (Increase)/Decrease	**(8,956)**	**0**	**(8,956)**	**(50,859)**	**6,015**	**(44,844)**	**(66,387)**	**6,015**	**(60,372)**	**(75,343)**	**6,015**
31st March 2019	**(131,522)**	**0**	**(131,522)**	**(647,227)**	**6,015**	**(641,212)**	**(321,672)**	**6,015**	**(315,657)**	**(453,194)**	**6,015**

Cash Flow Statement 2018/19	Original	Impact of restatement	Restated
	£000s	£000s	£000s
Net (Surplus) or Deficit on the Provision of Services	(3,118)	6,015	2,897
Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(35,554)	6,015	(29,539)
Investing Activities	31,338	(6,015)	25,323

8th Restatement – The following table provides details of the impact of this restatement on the Other Land and Building figures within the Property, Plant and Equipment disclosure note. The first column of figures provides the details per the disclosure note in the original 2018/19 accounts. The second column provides the combined impact of other restatements detailed above, to give the third column. The fourth column provides the details of this 8th restatement.

Other Land & Buildings 2018/19	Original	Impact of other restatements	Position prior to this restatement	Impact of restatement	Restated
	£000		£000	£000	£000
Cost or Valuation					
01 April 2018	**869,919**	**(352)**	**869,567**	**(386,685)**	**482,882**
Additions	7,537	0	7,537	0	7,537
Revaluation increase/(decreases) to Revaluation Reserve	4,500	8,367	12,867	0	12,867
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(10,680)	3,510	(7,170)	0	(7,170)
Disposals	(2,275)	0	(2,275)	0	(2,275)
Derecognition	(23,168)	(1,152)	(24,320)	(375)	(24,695)
Reclassifications	6,998	(8)	6,990	0	6,990
31 March 2019	**852,831**	**10,365**	**863,196**	**(387,060)**	**476,136**
Depreciation and Impairment					
01 April 2018	**399,302**	**(501)**	**398,801**	**(386,685)**	**12,116**
Depreciation Charge	16,666	(1,919)	14,747	0	14,747
Disposals	0	0	0	0	0
Derecognition	0	0	0	(375)	(375)
Depreciation written out to the Revaluation Reserve	(692)	(59)	(751)	0	(751)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,817)	4	(3,813)	0	(3,813)
Reclassifications	0	0	0	0	0
31 March 2019	**411,459**	**(2,475)**	**408,984**	**(387,060)**	**21,924**
Net Book Value					
31 March 2019	441,372	12,840	454,212	0	454,212
01 April 2018	470,617	149	470,766	0	470,766

4 Group Accounts

4.1 Overview of Group Accounts

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

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

Birmingham Airport Holdings Limited, Culture Coventry and University of Warwick Science Park Business Innovation Centre Limited have not been included within the Group as it was deemed under IAS 28 that the Council did not have the power to exercise significant influence over the business and financial affairs of these companies.

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 statutory accounts as at 31st March 2020 for CNR, NCH, FJVP, CSWDC and TWW have been used. Due to the differences in year end dates, management accounts up to 31st March 2020 have been used for CAPL and UKBIC.

Subsidiaries have been consolidated into the Group Accounts on a line by line basis incorporating their income and expenditure fully in the relevant service revenue accounts. The Group Accounts do not contain any minority interests related to subsidiaries owned by the Council. Joint ventures and associates have been consolidated into the group accounts under the equity method.

4.2 Group Comprehensive Income and Expenditure Account

2018/19 Gross Expenditure *restated £000	2018/19 Gross Income *restated £000	2018/19 Net Expenditure *restated £000	Service segment	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
25,704	(23,642)	2,062	Public Health	26,318	(24,857)	1,461
1,598	(126)	1,472	People Directorate Management	1,571	(127)	1,444
221,485	(202,759)	18,726	Education and Skills	202,753	(190,786)	11,967
81,485	(10,787)	70,698	Children and Young People's Services	86,701	(11,380)	75,321
124,016	(46,062)	77,954	Adult Social Care	128,704	(49,164)	79,540
15,745	(2,580)	13,165	Housing & Transformation	26,819	(7,814)	19,005
3,075	(1,161)	1,914	Human Resources	2,743	(977)	1,766
5,338	(732)	4,606	Place Directorate Management	2,605	(923)	1,682
32,171	(4,216)	27,955	Business, Investment & Culture	19,382	(6,588)	12,794
26,377	(14,783)	11,594	Transportation & Highways	39,667	(16,741)	22,926
56,982	(24,820)	32,162	Streetscene & Regulatory Services	59,804	(28,421)	31,383
6,348	(2,328)	4,020	Project Management and Property Services	6,490	(3,162)	3,328
121,093	(114,468)	6,625	Finance & Corporate Services	107,474	(98,752)	8,722
33,834	(18,333)	15,501	Contingency and Central Budgets	48,105	(38,980)	9,125
755,251	**(466,797)**	**288,454**	**Cost of Services**	**759,136**	**(478,672)**	**280,464**
		51,536	**Other Operating Expenditure**			**19,461**
		19,546	Interest Payable and Similar Charges			17,515
		(2,630)	External Investment Income			(3,397)
		13,681	Net interest on the net defined benefit liability			13,086
		(10,453)	Net (Surplus)/Deficit from Trading Operations			(10,149)
		(22,333)	Changes in the fair value of investment properties			(19,032)
		(1,651)	Dividends and Interest Receivable			(1,641)
		113	(Gain)/loss on impairment of assets			1,659
		(253)	(Gain)/loss on revaluation of financial instruments			3,153
		(3,980)	**Finance and Investment Income and Expenditure**			**1,194**
		(324,924)	**Taxations and Non-Specific Grant Income**			**(378,357)**
		11,086	**(Surplus)/Deficit on the Provision of Services**			**(77,238)**
		(7,988)	Share of the Surplus or Deficit on the Provision of Services by associates & joint ventures			(9,514)
		1,637	Tax Expenses			2,575
		4,735	**Group (Surplus)/Deficit**			**(84,177)**
		(15,004)	(Gain)/Loss on revaluation of non current assets			5,425
		(698)	(Gain)/Loss on revaluation of financial instruments			11,385
		304	Share of other CIE of associates & joint ventures			(593)
		(52,157)	Remeasurement of the net defined benefit liability			(36,112)
		(67,555)	**Sub-total of other comprehensive Income and Expenditure**			**(19,895)**
		(62,820)	**TOTAL CIES Suplus/Deficit**			**(104,072)**

* These amounts have been restated as outlined in sections 3.39 and 4.14.

4.3 Group Movement in Reserves Statement

2019/20	Authority Reserves						Authority's share of the reserves of subsidiaries, associates and joint ventures			Group		
	General Fund £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Usable Reserves £000	Unusable Reserves £000	Sub total £000	Usable Reserves £000	Unusable Reserves £000	Sub total £000	Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance Brought forward	**(108,161)**	**(1,894)**	**(21,467)**	**(131,522)**	(256,368)	**(387,890)**	**(7,031)**	**(35,457)**	**(42,488)**	**(138,553)**	**(291,825)**	**(430,378)**
Total Comprehensive Income and Expenditure	(43,184)	0	0	**(43,184)**	(18,348)	**(61,532)**	(16,404)	(26,136)	**(42,540)**	(59,588)	(44,484)	**(104,072)**
Adjustments between group accounts and authority accounts	(7,031)	0	0	**(7,031)**	0	**(7,031)**	7,031	0	**7,031**	0	0	**0**
Net (increase) or decrease before transfers	**(50,215)**	**0**	**0**	**(50,215)**	**(18,348)**	**(68,563)**	**(9,373)**	**(26,136)**	**(35,509)**	**(59,588)**	**(44,484)**	**(104,072)**
Adjustments between Accounting Basis and Funding Basis under Regulations	**47,149**	60	(9,632)	**37,577**	(37,577)	**0**	0	0	**0**	37,577	(37,577)	**0**
Net (Increase) / Decrease												
Balance Carried forward	**(111,227)**	**(1,834)**	**(31,099)**	**(144,160)**	**(312,293)**	**(456,453)**	**(16,404)**	**(61,593)**	**(77,997)**	**(160,564)**	**(373,886)**	**(534,450)**

Group Movement in Reserves – Comparatives (*restated)

2018/19	Authority Reserves						Authority's share of the reserves of subsidiaries, associates and joint ventures			Group		
	General Fund *restated £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Usable Reserves *restated £000	Unusable Reserves *restated £000	Sub total *restated £000	Usable Reserves *restated £000	Unusable Reserves *restated £000	Sub total *restated £000	Usable Reserves *restated £000	Unusable Reserves *restated £000	Total Reserves *restated £000
Balance Brought forward	**(91,409)**	**(7,179)**	**(23,978)**	**(122,566)**	(200,971)	**(323,537)**	**(8,312)**	**(35,709)**	**(44,021)**	**(130,878)**	**(236,680)**	**(367,558)**
Total Comprehensive Income and Expenditure	11,207	0	0	**11,207**	(67,250)	**(56,043)**	(7,029)	252	**(6,777)**	**4,178**	**(66,998)**	**(62,820)**
Adjustments between group accounts and authority accounts	(8,310)	0	**0**	**(8,310)**	**0**	**(8,310)**	8,310	0	**8,310**	**0**	**0**	**0**
Net (increase) or decrease before transfers	**2,897**	**0**	**0**	**2,897**	**(67,250)**	**(64,353)**	**1,281**	**252**	**1,533**	**4,178**	**(66,998)**	**(62,820)**
Adjustments between Accounting Basis and Funding Basis under Regulations	**(19,649)**	5,285	**2,511**	**(11,853)**	**11,853**	**0**	0	0	**0**	**(11,853)**	**11,853**	**0**
Net (Increase) / Decrease										**0**	**0**	
Balance Carried forward	(108,161)	(1,894)	(21,467)	(131,522)	(256,368)	(387,890)	(7,031)	(35,457)	(42,488)	(138,553)	(291,825)	(430,378)

* These amounts have been restated as detailed in sections 3.39 and 4.14.

Section 4.9 provides an analysis of the adjustments between group accounts and authority accounts.
Section 4.10 provides an analysis of the movement in the authority's share of the reserves of subsidiaries, associates and joint ventures.

4.4 Group Balance Sheet

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

31 March 2018 *restated '£000	31 March 2019 *restated '£000	Group Balance Sheet	31 March 2020 £000
886,329	930,542	Property, Plant and Equipment	1,067,965
25,893	25,893	Heritage Assets	25,900
253,428	279,790	Investment Property	294,464
3,648	3,648	Intangible Assets	11,641
29,169	29,252	Long Term Investments	17,867
30,890	40,488	Investment in Associates and Joint Ventures	41,757
16,413	20,274	Long Term Debtors	23,870
746	654	Deferred Tax Assets	0
1,246,516	**1,330,541**	**Long Term Assets**	**1,483,464**
45,119	37,285	Short Term Investments	37,245
273	410	Inventories	343
57,730	75,653	Short Term Debtors	89,529
20,013	30,184	Cash and Cash Equivalents	28,516
4,819	2,938	Assets held for Sale	1,340
0	0	Current Tax Asset	0
127,954	**146,470**	**Current Assets**	**156,973**
(39,892)	(65,572)	Short Term Borrowing	(67,625)
(70,561)	(75,704)	Short Term Creditors	(92,268)
(2,288)	(1,946)	Short Term Provisions	(1,674)
(4)	(3)	Current Tax Liability	(181)
(112,745)	**(143,225)**	**Current Liabilities**	**(161,748)**
(9,582)	(12,329)	Long Term Provisions	(19,757)
(333,056)	(317,355)	Long Term Borrowing	(316,530)
(542,245)	(553,905)	Net Pension Liability	(572,506)
(3,279)	(10,116)	Other Long term Liabilities	(11,339)
(1,312)	(1,447)	Donated Assets Account	(1,566)
(4,693)	(8,256)	Capital Grants Receipts in Advance	(21,808)
0	0	Deferred Tax Liability	(733)
(894,167)	**(903,408)**	**Long Term Liabilities**	**(944,239)**
367,558	**430,378**	**Net Assets**	**534,450**
(130,878)	(138,553)	Usable Reserves	(160,564)
(236,680)	(291,825)	Unusable Reserves	(373,886)
(367,558)	**(430,378)**	**Total Reserves**	**(534,450)**

* These amounts have been restated as detailed in sections 3.39 and 4.14.

4.5 Group Cash Flow Statement

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

2018/19 Single Entity *restated '£000's	2018/19 Group Adjustment *restated '£000's	2018/19 Total *restated '£000's	Cash Flow Statement	2019/20 Single Entity £000's	2019/20 Group Adjustment £000's	2019/20 Total £000's
2,897	8,189	11,086	Net (Surplus) or Deficit on the Provision of Services	(50,215)	(27,023)	(77,238)
(102,927)	(8,375)	(111,302)	Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(69,530)	(7,554)	(77,084)
70,491	0	70,491	Adjust items inc in Net Surplus/Deficit on Provision of Services that are Investing & Financing Activities	133,324	0	133,324
0	4	4	Income Tax paid	0	3	3
(29,539)	**(182)**	**(29,721)**	**Net Cash Flows from Operating Activities**	**13,579**	**(34,574)**	**(20,995)**
25,323	321	25,644	Investing Activities	(12,579)	34,765	22,186
(6,212)	118	(6,094)	Financing Activities	1,028	(551)	477
(10,428)	**257**	**(10,171)**	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**2,028**	**(360)**	**1,668**
(16,193)	(3,820)	(20,013)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(26,621)	(3,563)	(30,184)
(26,621)	(3,563)	(30,184)	Cash and Cash Equivalents at the End of the Reporting Period	(24,593)	(3,923)	(28,516)

* These amounts have been restated as detailed in sections 3.39 and 4.14.

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.

4.6 Group Balance Sheet Reconciliation

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

Group Balance Sheet 31 March 2020	Group adjustments to authority £000	CAPL £000	CNR £000	CSWDC £000	FJVP £000	NCH £000	TWW £000	UKBIC £000	Total Group Adjustments £000	Single Entity £000	Group Accounts £000
Property, Plant and Equipment	0	30,250	0	0	0	0	12,560	34,569	**77,379**	**990,586**	**1,067,965**
Heritage Assets	0	0	0	0	0	0	0	0	**0**	**25,900**	**25,900**
Surplus Assets	0	0	0	0	0	0	0	0	**0**	**302,312**	**302,312**
Investment Property	(7,848)	0	0	0	0	0	0	0	**(7,848)**	**0**	**(7,848)**
Intangible Assets	11,641	0	0	0	0	0	0	0	**11,641**	**0**	**11,641**
Long Term Investments	(92,225)	0	0	0	0	0	0	0	**(92,225)**	**110,092**	**17,867**
Investment in Associates and Joint Ventures	0	0	0	31,254	10,503	0	0	0	**41,757**	**0**	**41,757**
Long Term Debtors	(4,188)	0	0	0	0	0	0	0	**(4,188)**	**28,058**	**23,870**
Deferred Tax Assets	0	0	0	0	0	0	0	0	**0**	**0**	**0**
Long Term Assets	**(92,620)**	**30,250**	**0**	**31,254**	**10,503**	**0**	**12,560**	**34,569**	**26,516**	**1,456,948**	**1,483,464**
Short Term Investments	0	0	0	0	0	0	0	0	**0**	**37,245**	**37,245**
Inventories	0	40	0	0	0	0	0	0	**40**	**303**	**343**
Short Term Debtors	(607)	483	2	0	0	31	2,315	2,043	**4,267**	**85,262**	**89,529**
Cash and Cash Equivalents	0	423	5	0	0	2,741	617	137	**3,923**	**24,593**	**28,516**
Assets held for Sale	0	0	0	0	0	0	0	0	**0**	**1,340**	**1,340**
Current Tax Asset	0	0	0	0	0	0	0	0	**0**	**0**	**0**
Current Assets	**(607)**	**946**	**7**	**0**	**0**	**2,772**	**2,932**	**2,180**	**8,230**	**148,743**	**156,973**
Bank Overdraft	0	0	0	0	0	0	0	0	**0**	**0**	**0**
Short Term Borrowing	0	0	0	0	0	0	(199)	0	**(199)**	**(67,426)**	**(67,625)**
Short Term Creditors	28	(1,373)	(2)	0	0	(46)	(3,793)	(1,619)	**(6,805)**	**(85,463)**	**(92,268)**
Short Term Provisions	0	0	0	0	0	0	0	0	**0**	**(1,674)**	**(1,674)**
Liabilities in Disposal groups	0	0	0	0	0	0	0	0	**0**	**0**	**0**
Current Tax Liability	0	0	0	0	0	(4)	(177)	0	**(181)**	**0**	**(181)**
Current Liabilities	**28**	**(1,373)**	**(2)**	**0**	**0**	**(50)**	**(4,169)**	**(1,619)**	**(7,185)**	**(154,563)**	**(161,748)**
Long Term Creditors	0	0	0	0	0	0	0	0	**0**	**0**	**0**
Long Term Provisions	0	0	0	0	0	0	0	0	**0**	**(19,757)**	**(19,757)**
Long Term Borrowing	0	0	0	0	0	0	(3,108)	0	**(3,108)**	**(313,422)**	**(316,530)**
Net Pension Liability	0	0	0	0	0	0	0	0	**0**	**(572,506)**	**(572,506)**
Other Long term Liabilities	0	(159)	0	0	0	0	(838)	(561)	**(1,558)**	**(9,781)**	**(11,339)**
Donated Assets Account	0	0	0	0	0	0	0	0	**0**	**(1,566)**	**(1,566)**
Capital Grants Receipts in Advance	0	0	0	0	0	0	0	0	**0**	**(21,808)**	**(21,808)**
Deferred Tax Liability	0	0	0	0	0	0	(733)	0	**(733)**	**0**	**(733)**
Long Term Liabilities	**0**	**(159)**	**0**	**0**	**0**	**0**	**(4,679)**	**(561)**	**(5,399)**	**(938,840)**	**(944,239)**
Net Assets	**(93,199)**	**29,664**	**5**	**31,254**	**10,503**	**2,722**	**6,644**	**34,569**	**22,162**	**512,288**	**534,450**
Usable Reserves	0	1,426	0	(15,069)	(8)	(2,753)	0	0	**(16,404)**	**(144,160)**	**(160,564)**
Unusable Reserves	55,835	(20,789)	0	(6,235)	0	0	0	(34,569)	**(5,758)**	**(368,128)**	**(373,886)**
Total Reserves	**55,835**	**(19,363)**	**0**	**(21,304)**	**(8)**	**(2,753)**	**0**	**(34,569)**	**(22,162)**	**(512,288)**	**(534,450)**

Section 4.10 provides an analysis of the Property, Plant and Equipment.

Comparative year:

Group Balance Sheet 31st March 2019	Group adjustments to authority £000	CAPL £000	CNR £000	CSWDC £000	FJVP £000	NCH £000	Total Group Adjustments £000	Single Entity £000	Group Accounts £000
Property, Plant and Equipment	0	30,004	0	0	0	0	**30,004**	**900,538**	**930,542**
Heritage Assets	0	0	0	0	0	0	**0**	**25,893**	**25,893**
Surplus Assets	0	0	0	0	0	0	**0**	**0**	**0**
Investment Property	(7,333)	0	0	0	0	0	**(7,333)**	**287,123**	**279,790**
Intangible Assets	3,648	0	0	0	0	0	**3,648**	**0**	**3,648**
Long Term Investments	(81,557)	0	0	0	0	0	**(81,557)**	**110,809**	**29,252**
Investment in Associates and Joint Ventures	0	0	0	29,992	10,496	0	**40,488**	**0**	**40,488**
Long Term Debtors	(4,609)	0	0	0	0	0	**(4,609)**	**24,883**	**20,274**
Deferred Tax Assets	0	654	0	0	0	0	**654**	**0**	**654**
Long Term Assets	**(89,851)**	**30,658**	**0**	**29,992**	**10,496**	**0**	**(18,705)**	**1,349,246**	**1,330,541**
Short Term Investments	0	0	0	0	0	0	**0**	**37,285**	**37,285**
Inventories	0	47	0	0	0	0	**47**	**363**	**410**
Short Term Debtors	(1,170)	922	2	0	0	29	**(217)**	**75,870**	**75,653**
Cash and Cash Equivalents	0	825	5	0	0	2,733	**3,563**	**26,621**	**30,184**
Assets held for Sale	0	0	0	0	0	0	**0**	**2,938**	**2,938**
Current Tax assets	0	0	0	0	0	0	**0**	**0**	**0**
Current Assets	**(1,170)**	**1,794**	**7**	**0**	**0**	**2,762**	**3,393**	**143,077**	**146,470**
Bank Overdraft	0	0	0	0	0	0	**0**	**0**	**0**
Short Term Borrowing	0	0	0	0	0	0	**0**	**(65,572)**	**(65,572)**
Short Term Creditors	(8)	(1,284)	(2)	0	0	(22)	**(1,316)**	**(74,388)**	**(75,704)**
Short Term Provisions	0	0	0	0	0	0	**0**	**(1,946)**	**(1,946)**
Liabilities in Disposal groups	0	0	0	0	0	0	**0**	**0**	**0**
Current Tax Liability	0	0	0	0	0	(3)	**(3)**	**0**	**(3)**
Current Liabilities	**(8)**	**(1,284)**	**(2)**	**0**	**0**	**(25)**	**(1,319)**	**(141,906)**	**(143,225)**
Long Term Creditors	0	0	0	0	0	0	**0**	**0**	**0**
Long Term Provisions	0	0	0	0	0	0	**0**	**(12,329)**	**(12,329)**
Long Term Borrowing	0	(11)	0	0	0	0	**(11)**	**(317,344)**	**(317,355)**
Net Pension Liability	0	0	0	0	0	0	**0**	**(553,905)**	**(553,905)**
Other Long term Liabilities	0	(159)	0	0	0	0	**(159)**	**(9,957)**	**(10,116)**
Donated Assets Account	0	0	0	0	0	0	**0**	**(1,447)**	**(1,447)**
Capital Grants Receipts in Advance	0	0	0	0	0	0	**0**	**(8,256)**	**(8,256)**
Deferred Tax Liability	0	0	0	0	0	0	**0**	**0**	**0**
Long Term Liabilities	**0**	**(170)**	**0**	**0**	**0**	**0**	**(170)**	**(903,238)**	**(903,408)**
Net Assets	**(91,029)**	**30,998**	**5**	**29,992**	**10,496**	**2,737**	**(16,801)**	**447,179**	**430,378**
Usable Reserves	0	643	0	(4,936)	(1)	(2,737)	**(7,031)**	**(131,522)**	**(138,553)**
Unusable Reserves	59,289	(20,351)	0	(15,106)	0	0	**23,832**	**(315,657)**	**(291,825)**
Total Reserves	**59,289**	**(19,708)**	**0**	**(20,042)**	**(1)**	**(2,737)**	**16,801**	**(447,179)**	**(430,378)**

Section 4.10 provides an analysis of the Property, Plant and Equipment.

4.7 Analysis of the movement in the Authority’s share of the reserves of subsidiaries, associates and joint ventures

Authority’s share of the reserves of subsidiaries, associates and joint ventures	Group Entities CSWDC	CAPL	NCH	CNR	FJVP	TWW	UKBIC	Total share of reserves
	£000	£000	£000	£000	£000	£000	£000	£000
31 March 2019	**(20,042)**	**(19,708)**	**(2,737)**	**0**	**(1)**	**0**	**0**	**(42,488)**
Net increase/decrease in Usable Reserves	(10,133)	783	(16)	0	(7)	0	0	**(9,373)**
Net increase/decrease in Unusable Reserves	8,871	(438)	0	0	0	0	(34,569)	**(26,136)**
31 March 2020	**(21,304)**	**(19,363)**	**(2,753)**	**0**	**(8)**	**0**	**(34,569)**	**(77,997)**

Analysis of comparative year

Authority’s share of the reserves of subsidiaries, associates and joint ventures	Group Entities CSWDC	CAPL	NCH	CNR	FJVP	Total share of reserves
	£000	£000	£000	£000	£000	£000
31st March 2018	**(20,940)**	**(20,355)**	**(2,726)**	**0**	**0**	**(44,021)**
Net increase/decrease in Usable Reserves	326	967	(11)	0	(1)	**1,281**
Net increase/decrease in Unusable Reserves	573	(321)	0	0	0	**252**
31st March 2019	**(20,041)**	**(19,709)**	**(2,737)**	**0**	**(1)**	**(42,488)**

4.8 Group Surplus/Deficit Reconciliation

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

2018/19 *restated '£000	Reconciliation of Single Entity to Group (Surplus)/Deficit	2019/20 £000
2,897	(Surplus)/Deficit on the Authority's Single Entity Income and Expenditure account for the year.	(50,215)
7,540	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	6,920
10,437	Surplus/Deficit in the Group I&E Attributable to the Authority	**(43,295)**
	Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
745	Subsidiaries	(33,284)
(6,447)	Joint Ventures	(7,598)
4,735	**Group Accounts Surplus/Deficit for the Year**	**(84,177)**

* These amounts have been restated as detailed in sections 3.39 and 4.14

4.9 Reversal of adjustments made between group accounts and authority accounts

The tables below show the adjustments applied to the MiRs to restore the statutory reserve balances of the authority.

2019/20 Reversal of Adjustments made between group accounts and authority accounts	Group Entities							
	CAPL	CNR	CSWDC	FJVP	NCH	TWW	UKBIC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustment to reverse elimination of dividends receivable applied to the General Fund and restore statutory balance	0	0	(6,920)	0	0	0	0	(6,920)
Adjustments to reverse intra-group transactions applied to the General Fund and restore statutory balance	(659)	2	0	0	310	236	0	(111)
(Surplus)/Deficit in the Group Income & Expenditure attributable to the Authority	**(659)**	**2**	**(6,920)**	**0**	**310**	**236**	**0**	**(7,031)**

2018/19 Reversal of Adjustments made between group accounts and authority accounts	Group Entities					
	CAPL	CNR	CSWDC	FJVP	NCH	Total
	£000	£000	£000	£000	£000	£000
Adjustment to reverse elimination of dividends receivable applied to the General Fund and restore statutory balance	(500)	0	(7,040)	0	0	(7,540)
Adjustments to reverse intra-group transactions applied to the General Fund and restore statutory balance	(925)	2	0	0	153	(770)
(Surplus)/Deficit in the Group Income & Expenditure attributable to the Authority	**(1,425)**	**2**	**(7,040)**	**0**	**153**	**(8,310)**

4.10 Group Property, Plant and Equipment

The table below shows the movement in the Group's Property, Plant and Equipment (excluding Infrastructure Assets) during the year. Please see the last table within section 3.15 for the detail of the infrastructure assets movements.

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total (Excluding infrastructure assets) £000
Cost or Valuation						
01 April 2019	**505,093**	**44,570**	**15,982**	**7,102**	**103,053**	**675,800**
Additions	12,879	51,709	696	0	87,354	**152,638**
Revaluation increase/(decreases) to Revaluation Reserve	(5,694)	0	0	0	0	**(5,694)**
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(21,155)	0	0	252	0	**(20,903)**
Disposals	(22)	0	0	0	0	**(22)**
Derecognition	(7,000)	0	(1,503)	0	0	**(8,503)**
Reclassifications	46,347	0	0	2,050	(46,639)	**1,758**
31 March 2020	**530,448**	**96,279**	**15,175**	**9,404**	**143,768**	**795,074**
Depreciation and Impairment						
01 April 2019	**21,924**	**36,087**	**0**	**18**	**0**	**58,029**
Depreciation Charge	11,646	8,115	0	0	0	**19,761**
Disposals	0	0	0	0	0	**0**
Derecognition	(1,417)	0	0	0	0	**(1,417)**
Depreciation written out to the Revaluation Reserve	(72)	0	0	0	0	**(72)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(23,363)	0	0	0	0	**(23,363)**
Reclassifications	0	0	0	0	0	**0**
31 March 2020	**8,718**	**44,202**	**0**	**18**	**0**	**52,938**
Net Book Value						
31 March 2020	521,730	52,077	15,175	9,386	143,768	**742,136**
01 April 2019	483,169	8,483	15,982	7,084	103,053	**617,771**

The City Council's Property, Plant and Equipment asset net book values, including Infrastructure Assets, are provided in the following table:

	Total (Excluding infrastructure assets) £000	Infrastructure Assets £000	Total Property, Plant & Equipment £000
Net Book Value			
31 March 2020	**742,136**	325,829	**1,067,965**
01 April 2019	**617,771**	312,771	**930,542**

The table below shows the movement in the Group's Property, Plant and Equipment (excluding Infrastructure Assets) during the previous year for comparative purposes.

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total (Excluding infrastructure assets) £000
Cost or Valuation						
01 April 2018	**511,419**	**42,026**	**15,971**	**3,994**	**45,578**	**618,988**
Additions	7,537	2,544	436	0	66,655	**77,172**
Revaluation increase/(decreases) to Revaluation Reserve	13,287	0	0	0	0	**13,287**
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(7,170)	0	0	0	0	**(7,170)**
Disposals	(2,275)	0	0	0	0	**(2,275)**
Derecognition	(24,695)	0	(426)	859	0	**(24,262)**
Reclassifications	6,990	0	1	2,249	(9,180)	**60**
31 March 2019	**505,093**	**44,570**	**15,982**	**7,102**	**103,053**	**675,800**
Depreciation and Impairment						
01 April 2018	**12,116**	**33,501**	**0**	**18**	**0**	**45,635**
Depreciation Charge	14,747	2,586	0	0	0	**17,333**
Disposals	0	0	0	0	0	**0**
Derecognition	(375)	0	0	0	0	**(375)**
Depreciation written out to the Revaluation Reserve	(751)	0	0	0	0	**(751)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,813)	0	0	0	0	**(3,813)**
Reclassifications	0	0	0	0	0	**0**
31 March 2019	**21,924**	**36,087**	**0**	**18**	**0**	**58,029**
Net Book Value						
31 March 2019	483,169	8,483	15,982	7,084	103,053	**617,771**
01 April 2018	499,303	8,525	15,971	3,976	45,578	**573,353**

The City Council's Property, Plant and Equipment asset net book values for the previous year, including Infrastructure Assets, are provided in the following table:

	Total (Excluding infrastructure assets) £000	Infrastructure Assets £000	Total Property, Plant & Equipment £000
Net Book Value			
31 March 2019	**617,771**	312,771	**930,542**
01 April 2018	**573,353**	312,976	**886,329**

4.11 Consolidated Breakdown of Reserves

The table below provides a breakdown of the Group’s usuable and unusable reserves.

	Single Entity Total Reserves of the Authority	Group Accounting Adjustments	Adjusted Single Entity Reserves of the Authority	Reserves of Group Entities	Group Accounting Adjustments	Authority’s share of the reserves of subsidiaries, associates and joint ventures	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Usable Reserves							
General Fund Balance*	**(111,227)**	7,031	**(104,196)**	0	0	**0**	**(104,196)**
Capital Grants Unapplied	**(1,834)**	0	**(1,834)**	0	0	**0**	**(1,834)**
Capital Receipts Reserve	**(31,099)**	0	**(31,099)**	0	0	**0**	**(31,099)**
Income and Expenditure Reserve	**0**	0	**0**	54,447	(77,882)	**(23,435)**	**(23,435)**
Total Usable Reserves	**(144,160)**	**7,031**	**(137,129)**	**54,447**	**(77,882)**	**(23,435)**	**(160,564)**
Unusable Reserves							
Capital Adjustment Account	**(718,079)**	7,839	**(710,240)**	0	(34,569)	**(34,569)**	**(744,809)**
Share Capital	**0**	0	**0**	(5,054)	5,054	**0**	**0**
Share Premium	**0**	0	**0**	(62,862)	62,862	**0**	**0**
Revaluation Reserve	**(175,958)**	0	**(175,958)**	0	(27,024)	**(27,024)**	**(202,982)**
Deferred Capital Receipts Reserve	**0**	0	**0**	0	0	**0**	**0**
Financial Instruments Adjustment account	**10,531**	0	**10,531**	0	0	**0**	**10,531**
Financial Instruments Revaluation Reserve	**(64,087)**	47,996	**(16,091)**	0	0	**0**	**(16,091)**
Collection fund adjustment	**(308)**	0	**(308)**	0	0	**0**	**(308)**
Pensions Reserve (local government)	**572,506**	0	**572,506**	0	0	**0**	**572,506**
Accumulated Absence	**4,082**	0	**4,082**	0	0	**0**	**4,082**
Pooled Investment Funds Adj. Acc.	**3,185**	0	**3,185**	0	0	**0**	**3,185**
Total Unusable Reserves	**(368,128)**	**55,835**	**(312,293)**	**(67,916)**	**6,323**	**(61,593)**	**(373,886)**
Total Reserves	**(512,288)**	**62,866**	**(449,422)**	**(13,469)**	**(71,559)**	**(85,028)**	**(534,450)**

* The General Fund is adjusted in the Group Movement in Reserves Statement using the ‘Adjustments between group accounts and authority accounts’ line in order to reconcile to the statutory amount on the account. These adjustments are detailed in section 4.9.

Below is the previous year for comparison:

	Single Entity Total Reserves of the Authority *restated £000	Group Accounting Adjustments *restated £000	Adjusted Single Entity Reserves of the Authority *restated £000	Reserves of Group Entities *restated £000	Group Accounting Adjustments *restated £000	Authority's share of the reserves of subsidiaries, associates and joint ventures *restated £000	Total Reserves *restated £000
Usable Reserves							
General Fund Balance**	**(108,161)**	8,310	**(99,851)**	0	0	**0**	**(99,851)**
Capital Grants Unapplied	**(1,894)**	0	**(1,894)**	0	0	**0**	**(1,894)**
Capital Receipts Reserve	**(21,467)**	0	**(21,467)**	0	0	**0**	**(21,467)**
Income and Expenditure Reserve	**0**	0	**0**	60,323	(75,664)	**(15,341)**	**(15,341)**
Total Usable Reserves	**(131,522)**	**8,310**	**(123,212)**	**60,323**	**(75,664)**	**(15,341)**	**(138,553)**
Unusable Reserves							
Capital Adjustment Account	**(641,212)**	7,324	**(633,888)**	0	0	**0**	**(633,888)**
Share Capital	**0**	0	**0**	(5,054)	5,054	**0**	**0**
Share Premium	**0**	0	**0**	(62,862)	62,862	**0**	**0**
Revaluation Reserve	**(184,559)**	0	**(184,559)**	0	(25,507)	**(25,507)**	**(210,066)**
Deferred Capital Receipts Reserve	**(2,629)**	0	**(2,629)**	0	0	**0**	**(2,629)**
Financial Instruments Adjustment account	**10,916**	0	**10,916**	0	0	**0**	**10,916**
Financial Instruments Revaluation Reserve	**(79,441)**	51,965	**(27,476)**	0	0	**0**	**(27,476)**
Collection fund adjustment	**(7,177)**	0	**(7,177)**	0	0	**0**	**(7,177)**
Pensions Reserve (local government)	**585,005**	0	**585,005**	0	0	**0**	**585,005**
Accumulated Absence	**3,491**	0	**3,491**	0	0	**0**	**3,491**
Pooled Investment Funds Adj. Acc.	**(51)**	0	**(51)**	0	0	**0**	**(51)**
Capital Redemption reserve	**0**	0	**0**	0	(9,950)	**(9,950)**	**(9,950)**
Total Unusable Reserves	**(315,657)**	**59,289**	**(256,368)**	**(67,916)**	**32,459**	**(35,457)**	**(291,825)**
Total Reserves	**(447,179)**	**67,599**	**(379,580)**	**(7,593)**	**(43,205)**	**(50,798)**	**(430,378)**

* These amounts have been restated as detailed in sections 3.39 and 4.14.
** The General Fund is adjusted in the Group Movement in Reserves Statement using the 'Adjustments between group accounts and authority accounts' line in order to reconcile to the statutory amount on the account. These adjustments are detailed in section 4.9.

4.12 Group Tax Expense

2018/19 *restated £000	Group Tax Expense	2019/20 £000
	CURRENT TAX:	
1,600	Current Tax Expense / (Income)	1,807
(3)	Adjustment Recognised in the Period for Current Tax of Prior Periods	(9)
1,597	Total Current Tax	**1,798**
	DEFERRED TAX:	
(55)	Origination and Reversal of Temporary Differences	31
6	Changes in Tax Rates or the Imposition of New Taxes	87
89	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	659
40	Total Deferred Tax	**777**
1,637	**Total Tax Expense**	**2,575**
	Analysis of Tax Expense	
96	Subsidiaries	657
1,541	Joint Ventures/Associates	1,918
1,637	**Total Tax Expense**	**2,575**

* These amounts have been restated as detailed in section 4.14

4.13 Group Companies Disclosure

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

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

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

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

North Coventry Holdings Limited (NCH)

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

Coventry North Regeneration Limited (CNR)

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

Coombe Abbey Park Limited (CAPL)

Coventry City Council holds 100% of the shares in CAPL, and it 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 significant difference between the combined value of the shares in the company (£7.4m) and the investment property (£7.8m) in the Council's single entity accounts and the net assets of the company included in the group accounts (£29.7m) arises as a result of the different valuation methodologies employed, in accordance with the relevant standards. In the Council's single entity accounts, the shares are held at fair value and the hotel buildings are classified as an investment property, which are measured at fair value with reference to the long lease between the Council and the company. Whereas in the group accounts, CAPL's property assets, which make up the large majority of its net asset position, are valued as operational assets on a combination of market value in existing use basis and a depreciated replacement cost basis.

Friargate JV Project Limited (FJVP)

FJVP was incorporated on the 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 Limited have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board.

UK Battery Industrialisation Centre Ltd (UKBIC)

UKBIC was incorporated on the 27th February 2018. The purpose of the company is to run a battery development facility for the motor industry. Coventry City Council is currently the sole shareholder with 1 share which has a nominal value of £1.

Tom White Waste Limited (TWW)

Coventry City Council holds 100% of the shares (value £14.6m) in TWW. TWW is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.

TWW was acquired on 5th March 2020. The net cash outflow to acquire TWW was £14.0m, consisting of the purchase price of £14.6m less the £0.6m cash balance held by the company at the point of acquisition. The net assets of the company at acquisition were £6.6m and a goodwill balance of £8.0m was recognised. There was £74k charged to revenue to meet costs associated with the acquisition.

4.14 Prior Period Restatement - Group Accounts

Introduction

Prior period restatements of the group accounts have been required due to the receipt of updated management accounts from CAPL and UKBIC and the identification of accounting adjustments to align with the equity and line-by-line consolidation methods.

The group accounts have been restated to provide an individualised breakdown of group reserves. The entire reserve movement attributable to the group had originally been posted to unusable reserves. The Group MiRs has been restructured in line with the Code of Practice on Local Authority Accounting to provide a breakdown of the reserves of the authority, the reserves of group entities and total group reserves.

The tables within the remainder of this section provide details of the impact of the restatements on the main statements. This includes the impact of the restatements to the single entity accounts already described in Section 3.39. The notes below provide commentary to significant adjustments, referenced to the tables using a numbered index.

Comprehensive Income & Expenditure Statement

[1] This line now includes adjustments to eliminate dividend income receivable from group entities. The eliminating entry for CSWDC dividend income was previously included within ‘Share of other comprehensive income and expenditure of associates and joint ventures’ and the entry for CAPL was omitted.

[2] This line originally included the cost of acquiring companies, but this represents an investment rather than revenue expenditure. This line has been restated to only adjust for revaluations of long term investments in companies during the period.

Balance Sheet

[3] These lines have been restated to show the revalued amount of CAPL's operational assets on an IFRS basis. This line originally comprised of the carrying amount from the company's management accounts and an adjustment to the single entity to remove the value of the leasehold property. Coombe Abbey Hotel has since been reclassified as an investment property within the single entity accounts. This means that the adjustment to remove the value of the leasehold property has been removed from the 'Property, Plant and Equipment' line and now appears on the 'Investment Property' line in the group accounts.

[4] This line recognises the goodwill arising from the acquisition of CAPL on 22nd December 2017.

[5] The historic cost of £9.950m to acquire the equity interest in CSWDC has been moved from the 'Financial Instruments Revaluation Reserve' line to the 'Investments in Associates and Joint Ventures' line on the balance sheet. This is because it was an investment rather than a revaluation. The 'Investments in Associates & Joint Ventures' line has also been restated to include the excess depreciation chargeable on the revaluation of CSWDC's operational assets.

[6] This restatement is an intra-group adjustment to eliminate a debtor balance held by the Council, which relates to loans made to CAPL.

[7] The 'Authority's share of the reserves of subsidiaries, associates and joint ventures' is not a reserve, as shown originally, it is a descriptive column heading within the Group MiRS.

[8] This reserve includes the revaluation of CAPL operational assets which had originally been omitted and the revaluation of CSWDC operational assets which had been misclassified.

[9] This reserve recorded the nominal value of preference shares redeemed by CSWDC. Further disclosures are reported in CSWDC's statutory accounts as at 31st March 2020.

[10] The restated group Capital Adjustment Account includes the opposite entry to remove the value of leasehold properties owned by the Council and operated by CAPL. The group CAA was originally debited with the historic cost of the investment in CAPL, which is not consistent with the acquisition method under IFRS 3. The acquisition method requires entries to cancel the council's investment in the company against the company's pre-acquisition reserves and recognise the goodwill balance. The CAA was originally credited with the share capital and share premium related to NCH's subsidiary investments in Arena Coventry Limited (ACL) and CNR. However, these investments had already been fully impaired to reflect the underlying assets of ACL & CNR. Further disclosures are reported in NCH's statutory accounts as at 31st March 2008. The impairment charges were originally reported within the 'Authority's share of the reserves of subsidiaries, associates and joint ventures'. The restatement recognises the impairment charge in the CAA under proper practices. The principal activity of ACL was the management of Coventry Arena. ACL was formerly owned by the Council, via NCH, until the shares were sold in 2014/15. CNR remains a wholly owned subsidiary of the Council.

Cashflow Statement

[11] These lines originally included amounts attributable to associates and joint ventures. They have been restated to only include the '(Surplus)/Deficit on the Provision of Services' line.

[12] The restated cash balance, increasing by £377k as at 31st March 2018, is due to updated management accounts provided by CAPL. The restated balance as at 31st March 2019 is due to an overstatement of the NCH cash balance in the original group.

Group Comprehensive Income & Expenditure Statement 2018/19

Service segment	Original Group £000s	Single Entity (SE) adjustments £000s	Original plus SE adjustments £000s	Impact of restatement £000s	Restated £000s
Streetscene & Regulatory Services - Gross Expenditure	56,832	(1,046)	55,786	1,196	56,982
Streetscene & Regulatory Services - Gross Income	(25,483)	0	(25,483)	663	(24,820)
Streetscene & Regulatory Services - Net Expenditure	31,349	(1,046)	30,303	1,859	32,162
Finance & Corporate Services - Gross Expenditure	121,254	0	121,254	(161)	121,093
Finance & Corporate Services - Gross Income	(114,451)	0	(114,451)	(17)	(114,468)
Finance & Corporate Services - Net Expenditure	6,803	0	6,803	(178)	6,625
Cost of Services - Gross Expenditure	762,930	(8,714)	754,216	1,035	755,251
Cost of Services - Gross Income	(467,443)	0	(467,443)	646	(466,797)
Cost of Services - Net Expenditure	**295,487**	**(8,714)**	**286,773**	**1,681**	**288,454**
Interest Payable and Similar Charges	20,219	0	20,219	(673)	19,546
External Investment Income	(2,857)	0	(2,857)	227	(2,630)
Net interest on the net defined benefit liability	13,611	0	13,611	70	13,681
Net (Surplus)/Deficit from Trading Operations	(10,453)	0	(10,453)	0	(10,453)
Changes in the fair value of investment properties	0	(22,631)	(22,631)	298	(22,333)
Dividends and Interest Receivable[1]	(9,191)	0	(9,191)	7,540	(1,651)
(Gain)/loss on impairment of assets	122	0	122	(9)	113
(Gain)/loss on revaluation of financial instruments	(1,218)	965	(253)	0	(253)
Finance and Investment Income and Expenditure	**10,233**	**(21,666)**	**(11,433)**	**7,453**	**(3,980)**
Taxations and Non-Specific Grant Income	(324,924)	0	(324,924)	0	(324,924)
(Surplus)/Deficit on the Provision of Services	**13,582**	**(11,630)**	**1,952**	**9,134**	**11,086**
Share of the Surplus or Deficit on the Provision of Services by associates & joint ventures	(7,976)	0	(7,976)	(12)	(7,988)
Tax Expenses	1,544	0	1,544	93	1,637
Group (Surplus)/Deficit	**7,150**	**(11,630)**	**(4,480)**	**9,215**	**4,735**
(Gain)/Loss on revaluation of non current assets	(6,259)	(8,425)	(14,684)	(320)	(15,004)
(Gain)/Loss on revaluation of financial instruments[2]	10,759	(965)	9,794	(10,492)	(698)
Share of other CIE of associates & joint ventures	(2,705)	0	(2,705)	3,009	304
Remeasurement of the net defined benefit liability	(52,157)	0	(52,157)	0	(52,157)
Other comprehensive Income and Expenditure	**(50,362)**	**(9,390)**	**(59,752)**	**(7,803)**	**(67,555)**
TOTAL CIES Suplus/Deficit	**(43,212)**	**(21,020)**	**(64,232)**	**1,412**	**(62,820)**

For indexed notes – see commentary at the start of this disclosure note.

Group Balance Sheet	31 March 2018				
	Original Group £000s	Single Entity (SE) adjustments £000s	Original plus SE adjustments £000s	Impact of restatement £000s	Restated £000s
Property, Plant and Equipment[3]	854,146	3,977	858,123	28,206	886,329
Heritage Assets	25,893	0	25,893	0	25,893
Investment Property[3]	174,310	86,153	260,463	(7,035)	253,428
Intangible Assets[4]	0	0	0	3,648	3,648
Long Term Investments	29,169	0	29,169	0	29,169
Investment in Associates and Joint Ventures[5]	23,114	0	23,114	7,776	30,890
Long Term Debtors[6]	20,890	0	20,890	(4,477)	16,413
Deferred Tax Assets	0	0	0	746	746
Long Term Assets	**1,127,522**	**90,130**	**1,217,652**	**28,864**	**1,246,516**
Short Term Investments	45,119	0	45,119	0	45,119
Inventories	264	0	264	9	273
Short Term Debtors	58,933	0	58,933	(1,203)	57,730
Cash and Cash Equivalents	19,636	0	19,636	377	20,013
Assets held for Sale	4,819	0	4,819	0	4,819
Current Assets	**128,771**	**0**	**128,771**	**(817)**	**127,954**
Short Term Borrowing	(39,892)	0	(39,892)	0	(39,892)
Short Term Creditors	(70,878)	0	(70,878)	317	(70,561)
Short Term Provisions	(2,288)	0	(2,288)	0	(2,288)
Current Tax Liability	0	0	0	(4)	(4)
Current Liabilities	**(113,058)**	**0**	**(113,058)**	**313**	**(112,745)**
Long Term Provisions	(9,582)	0	(9,582)	0	(9,582)
Long Term Borrowing	(333,115)	0	(333,115)	59	(333,056)
Net Pension Liability	(542,245)	0	(542,245)	0	(542,245)
Other Long term Liabilities	(1,312)	0	(1,312)	(1,967)	(3,279)
Donated Assets Account	(4,693)	0	(4,693)	3,381	(1,312)
Capital Grants Receipts in Advance	(3,120)	0	(3,120)	(1,573)	(4,693)
Long Term Liabilities	**(894,067)**	**0**	**(894,067)**	**(100)**	**(894,167)**
Net Assets	**249,168**	**90,130**	**339,298**	**28,260**	**367,558**
General Fund Balance	(91,409)	0	(91,409)	0	(91,409)
Capital Grants Unapplied	(7,179)	0	(7,179)	0	(7,179)
Capital Receipts Reserve	(23,978)	0	(23,978)	0	(23,978)
Income and Expenditure Reserve	0	0	0	(8,312)	(8,312)
Usable Reserves	**(122,566)**	**0**	**(122,566)**	**(8,312)**	**(130,878)**
Capital Adjustment Account[10]	(523,875)	(96,535)	(620,410)	31,077	(589,333)
Revaluation Reserve[8]	(194,404)	6,405	(187,999)	(25,759)	(213,758)
Deferred Capital Receipts Reserve	(5,487)	0	(5,487)	0	(5,487)
Financial Instruments Adjustment account	11,300	0	11,300	0	11,300
Financial Instruments Revaluation Reserve[5]	(18,381)	1,016	(17,365)	(9,950)	(27,315)
Collection fund adjustment	(9,785)	0	(9,785)	0	(9,785)
Pensions Reserve (local government)	604,445	0	604,445	0	604,445
Accumulated Absence	4,219	0	4,219	0	4,219
Pooled Investment Funds Adj. Acc.	0	(1,016)	(1,016)	0	(1,016)
Capital Redemption Reserve[9]	0	0	0	(9,950)	(9,950)
Authority's share of the reserves of subsidiaries, associates and joint ventures[7]	5,366	0	5,366	(5,366)	0
Unusable Reserves	**(126,602)**	**(90,130)**	**(216,732)**	**(19,948)**	**(236,680)**
Total Reserves	**(249,168)**	**(90,130)**	**(339,298)**	**(28,260)**	**(367,558)**

For indexed notes – see commentary at the start of this disclosure note.

Group Balance Sheet	31 March 2019				
	Original Group £000s	Single Entity (SE) adjustments £000s	Original plus SE adjustments £000s	Impact of restatement £000s	Restated £000s
Property, Plant and Equipment[3]	862,654	39,200	901,854	28,688	930,542
Heritage Assets	25,893	0	25,893	0	25,893
Investment Property[3]	215,173	71,950	287,123	(7,333)	279,790
Intangible Assets	0	0	0	3,648	3,648
Long Term Investments	29,252	0	29,252	0	29,252
Investment in Associates and Joint Ventures[4]	32,789	0	32,789	7,699	40,488
Long Term Debtors[5]	24,883	0	24,883	(4,609)	20,274
Deferred Tax Assets	0	0	0	654	654
Long Term Assets	**1,190,644**	**111,150**	**1,301,794**	**28,747**	**1,330,541**
Short Term Investments	37,285	0	37,285	0	37,285
Inventories	410	0	410	0	410
Short Term Debtors	77,546	0	77,546	(1,893)	75,653
Cash and Cash Equivalents	30,185	0	30,185	(1)	30,184
Assets held for Sale	2,938	0	2,938	0	2,938
Current Assets	**148,364**	**0**	**148,364**	**(1,894)**	**146,470**
Short Term Borrowing	(65,572)	0	(65,572)	0	(65,572)
Short Term Creditors	(75,702)	0	(75,702)	(2)	(75,704)
Short Term Provisions	(1,946)	0	(1,946)	0	(1,946)
Current Tax Liability	0	0	0	(3)	(3)
Current Liabilities	**(143,220)**	**0**	**(143,220)**	**(5)**	**(143,225)**
Long Term Creditors		0	0	0	0
Long Term Provisions	(12,329)	0	(12,329)	0	(12,329)
Long Term Borrowing	(317,514)	0	(317,514)	159	(317,355)
Net Pension Liability	(553,905)	0	(553,905)	0	(553,905)
Other Long term Liabilities	(9,957)	0	(9,957)	(159)	(10,116)
Donated Assets Account	(1,447)	0	(1,447)	0	(1,447)
Capital Grants Receipts in Advance	(8,256)	0	(8,256)	0	(8,256)
Long Term Liabilities	**(903,408)**	**0**	**(903,408)**	**0**	**(903,408)**
Net Assets	**292,380**	**111,150**	**403,530**	**26,848**	**430,378**
General Fund Balance	(108,161)	0	(108,161)	0	(108,161)
Capital Grants Unapplied	(1,894)	0	(1,894)	0	(1,894)
Capital Receipts Reserve	(21,467)	0	(21,467)	0	(21,467)
Income and Expenditure Reserve	0	0	0	(7,031)	(7,031)
Usable Reserves	**(131,522)**	**0**	**(131,522)**	**(7,031)**	**(138,553)**
Capital Adjustment Account[9]	(557,216)	(108,038)	(665,254)	31,366	(633,888)
Revaluation Reserve[7]	(181,447)	(3,112)	(184,559)	(25,507)	(210,066)
Deferred Capital Receipts Reserve	(2,629)	0	(2,629)	0	(2,629)
Financial Instruments Adjustment account	10,916	0	10,916	0	10,916
Financial Instruments Revaluation Reserve[4]	(7,085)	51	(7,034)	(20,442)	(27,476)
Collection fund adjustment	(7,177)	0	(7,177)	0	(7,177)
Pensions Reserve (local government)	585,005	0	585,005	0	585,005
Accumulated Absence	3,491	0	3,491	0	3,491
Pooled Investment Funds Adj. Acc.	0	(51)	(51)	0	(51)
Capital Redemption Reserve[8]	0	0	0	(9,950)	(9,950)
Authority's share of the reserves of subsidiaries, associates and joint ventures[6]	(4,716)	0	(4,716)	4,716	0
Total Unusable Reserves	**(160,858)**	**(111,150)**	**(272,008)**	**(19,817)**	**(291,825)**
Total Reserves	**(292,380)**	**(111,150)**	**(403,530)**	**(26,848)**	**(430,378)**

For indexed notes – see commentary at the start of this disclosure note.

Group Movement in Reserves 2018/19

		Balance at 31st March 2018	Total Comprehensive Income and Expenditure	Adjustments between Group accounts and authority accounts	Net (increase)/ decrease before transfers	Adjustments between Accounting Basis & Funding Basis under regulations	(Increase)/ decrease in Year	Balance at 31st March 2019
		£000	£000	£000	£000	£000	£000	£000
Usable Reserves	**Original**	**(122,566)**	**14,527**	**0**	**14,527**	**(23,483)**	**(8,956)**	**(131,522)**
	Single Entity (SE) adjustments	**0**	**(11,630)**	0	(11,630)	11,630	0	**0**
	Original plus SE adjustments	**(122,566)**	2,897	0	2,897	(11,853)	(8,956)	**(131,522)**
	Impact of restatement	**(8,312)**	1,281	0	1,281	0	1,281	**(7,031)**
	Restated	**(130,878)**	**4,178**	**0**	**4,178**	**(11,853)**	**(7,675)**	**(138,553)**
Unusable Reserves	**Original**	**(126,602)**	**(57,739)**	**0**	**(57,739)**	**23,483**	**(34,256)**	**(160,858)**
	Single Entity (SE) adjustments	**(90,130)**	(9,390)	0	(9,390)	(11,630)	(21,020)	**(111,150)**
	Original plus SE adjustments	**(216,732)**	(67,129)	0	(67,129)	11,853	(55,276)	**(272,008)**
	Impact of restatement	**(19,948)**	131	0	131	0	131	**(19,817)**
	Restated	**(236,680)**	**(66,998)**	**0**	**(66,998)**	**11,853**	**(55,145)**	**(291,825)**
Total Reserves	**Original**	**(249,168)**	**(43,212)**	**0**	**(43,212)**	**0**	**(43,212)**	**(292,380)**
	Single Entity (SE) adjustments	**(90,130)**	(21,020)	0	(21,020)	0	(21,020)	**(111,150)**
	Original plus SE adjustments	**(339,298)**	(64,232)	0	(64,232)	0	(64,232)	**(403,530)**
	Impact of restatement	**(28,260)**	1,412	0	1,412	0	1,412	**(26,848)**
	Restated	**(367,558)**	**(62,820)**	**0**	**(62,820)**	**0**	**(62,820)**	**(430,378)**

Group Cash Flow Statement 2018/19

	Original Group	Single Entity (SE) adjustments	Original plus SE adjustments	Impact of restatement	Restated
	£000s	£000s	£000s	£000s	£000s
Net (Surplus) or Deficit on the Provision of Services[11]	7,150	(11,630)	(4,480)	15,566	11,086
Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements[11]	(113,195)	17,645	(95,550)	(15,752)	(111,302)
Adjust items inc in Net Surplus/Deficit on Provision of Services that are Investing &Financing Activities	70,491	0	70,491	0	70,491
Income Tax paid	0	0	0	4	4
Net Cash Flows from Operating Activities	**(35,554)**	**6,015**	**(29,539)**	**(182)**	**(29,721)**
Investing Activities	31,217	(6,015)	25,202	442	25,644
Financing Activities	(6,212)	0	(6,212)	118	(6,094)
Net (Increase) or Decrease in Cash and Cash Equivalents	**(10,549)**	**0**	**(10,549)**	**378**	**(10,171)**
Cash and Cash Equivalents at the Beginning of the Reporting Period[12]	(19,636)	0	(19,636)	(377)	(20,013)
Cash and Cash Equivalents at the End of the Reporting Period	(30,185)	0	(30,185)	1	(30,184)

For indexed notes – see commentary at the start of this disclosure note.

5 Statement of Accounting Policies

5.1 General

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

5.2 Significant Assumptions made in estimating Assets and Liabilities

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

Pensions Liability - This liability has increased to £573m at the end of the 2019/20 financial year. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. During 2019/20 the updating of data and assumptions by the Council's actuaries has led to a net liability increase of £28m.

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

Property Asset Valuations – Valuations of Other Land and Buildings are undertaken on the basis of a five-year rolling programme with investment properties being revalued on a more regular basis. This is supplemented by annual reviews to reflect significant changes in market values. The valuations are heavily assumption sensitive and are influenced by economic and financial circumstances which can change significantly from year to year.
Valuation uncertainty has increased this year due to the COVID-19 pandemic and this has been recognised by the Royal Institute for Chartered Surveyors (RICS) which has issued “Valuation Practice Alert - COVID-19” and has set up the Material Valuation Uncertainty Forum. Any property valuations must be viewed in the context of this set of circumstances.
A change of 1% in the average valuation of property assets would have the effect of altering the carrying value of these assets by approximately £8m with a corresponding increase in the level of unusable reserves. Should the valuation continue to reduce through 2020/21, the balance of Long Term Investments would be impacted meaning there may be a material reduction in the value on the Balance Sheet as at 31 March 2021.

The Council owns land that has been designated, within local planning authorities’ Local Plans, for future use as housing. Some of this land has not yet been subject to detailed surveys and, as such, it is valued on the assumption that no significant detrimental conditions exist that would impact its value. If such conditions were subsequently discovered, and the value of the land was reduced by, for example 20%, this would reduce the value of the land by £19m.

Fair Value of Assets and Liabilities - The Council has investments in a number of companies which are set out in the Long-Term Investments note. Where valuations have been undertaken based on established information sources overall valuations have reduced in the Balance Sheet as at 31st March, in part in line with the global conditions as a result of COVID-19. Some valuations have not been updated at this stage due to the relevant businesses being at an early stage of their development and the current lack of clarity over the extent to which prevailing economic conditions due to the pandemic will impact upon the valuation of these investments. A change of 1% in the average valuation of assets would have the effect of altering the carrying value of these assets by approximately £1m with a corresponding increase in the level of unusable reserves.

5.3 Critical Judgements in Applying Accounting Policies

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

Treatment of Schools in the Council's Accounts

The material assets and revenue transactions of community, foundation and voluntary controlled schools are reflected in these accounts. The revenue transactions of voluntary aided schools have also been included, however, the land and buildings used by these schools are not included on the balance sheet. This treatment is based on the fact that these land and buildings are not under the Council's ownership, the Council has no legal agreement with the relevant Dioceses in respect of them, and there are no obligations to/from the Dioceses in respect of them. The Dioceses also have the right to terminate the Council’s occupation of the relevant land and buildings. Neither the revenue transactions nor the assets of academy schools are reflected within the accounts.

The Better Care Fund

Coventry City Council and Coventry and Rugby Clinical Commissioning Group (CCG) drew up an agreement to operate a Better Care Fund (BCF) pooled budget from 1st April 2015, with the purpose of further integrating the health and social care services within Coventry. Note 3.11 details the respective contributions to the pooled budget during 2019/20 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were envisaged at the time, including management and control of expenditure decisions. However, the details of the expenditure identified in note 3.11 have been determined by applying principles of ‘substance over form’ in which the level of expenditure allocated to each partner reflects the actual degree of control and influence over that spend during the year (the 'substance') rather than allocating it on the basis of the control and influence outlined in the BCF agreement (the 'form').

5.4 Accounting standards issued, but not yet adopted

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

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

The Council will review these during 2020/21 and implement any necessary changes. The impact of these accounting changes is not yet known.
The implementation for local authorities of IFRS 16 Leases has been deferred to 1 April 2024 by CIPFA/LASAAC, although early adoption from 2022 onwards is allowed. The impact of this implementation is not yet known.

5.5 Changes in Accounting Policies

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

5.6 Accounting Policies – Categories

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

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

5.7 Accounting Policies

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for at the date the Council provides the relevant goods or satisfies the relevant service obligations.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventory on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as assets under construction on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions.

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

Provisions

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

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

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

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

Reserves

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Disposals - When an asset is sold the value of the asset in the balance sheet is revalued to the sale value and, as a result, there is no associated gain or loss. The balance of sale receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement).

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

With the exception of Infrastructure Assets, when an asset is replaced as a result of a capital addition the removal of the replaced asset is accounted for as derecognition, and the loss on disposal that results from this derecognition is charged to Other Operating Expenditure in the Consolidated Income and Expenditure Statement. Any depreciation associated with the derecognised asset is written out.

With regard to Infrastructure Assets, the Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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

Depreciation - Depreciation is provided for on all assets with a determinable finite life (except for land, community assets, heritage assets and non-operational properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is calculated on the following basis:

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

Intangible Assets

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

Revenue Expenditure Funded from Capital Under Statute

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

Government Grants and Contributions

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

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

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

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

Value Added Tax (VAT)

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

Investments

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

Financial Instruments

Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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

Employee Benefits - Payable during Employment

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

Employee Benefits - Post-Employment Benefits – Pensions

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

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

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

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

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

Discretionary Employee Benefits

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

Overheads and Support Services

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

Private Finance Initiatives (PFI)

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

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

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

Group Accounts

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

Cash and Cash Equivalents

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

Contingent Liabilities

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

Contingent Assets

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

Council Tax and Non-Domestic Rates

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

Joint Operations

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

Schools

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

Events after the Balance Sheet date

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

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

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

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

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

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

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

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

6 Glossary of Terms

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

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

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

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

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

Capital Contract
This is a contract the Council has with a company to carry out major building or construction work that will take a significant amount of time.

Capital Adjustment Account
The account which reflects the extent to which the City Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts
Income received from selling fixed assets.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy. This is an institute that represents accounting in the public sector.

Contingent Liabilities
These are amounts that the Council may be, but is not definitely, liable for.

Council Tax
A tax paid by residents of the city that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors
These are people or organisations which the Council owes money to for work, goods or services which have not been paid for by the end of the financial year.

Current Assets
These are assets that are held for a short period of time (less than 12 months), for example cash in the bank, stocks and debtors.

Debtors
Economic benefits, either money, goods or services, owed to the City Council but not received at the end of the year.

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

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

Earmarked Reserves
Money set aside for a specific purpose.

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

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

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

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

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

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

IFRS
International Financial Reporting Standards.

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

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

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

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

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

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources
Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

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

Market Value of Assets
This is the price that an asset can currently be bought or sold at.

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

Movement in Reserves Statement (MIRS)
A core statement showing the movement in the year on different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'.

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

Net Book Value (NBV)
The value of an asset after depreciation has been deducted.

Operating Leases
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease does not own the asset, then this is known as an operating lease. In this case the person is paying to borrow an asset (see also Finance Leases).

Precept
A payment to the Council's General Fund, or another Local Authority, from the Council's Collection Fund.

Prior Year Adjustments
These are changes made to the previous year's accounts to show things that were not known until after the prior year accounts were produced.

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

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

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

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

Specific Revenue Grants
Grants received from Central Government in respect of specific services.

Work in Progress
If the Council is in the process of constructing an asset at the time when the accounts are prepared the value of this work is shown in the accounts as 'Assets Under Construction'.

7 Audit Certificate

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

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The Audit Findings for Coventry City Council

Year ended 31 March 2020

9 October 2023

Contents

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Coventry City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local Council accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Current status of audit

Our audit work has been completed on site/remotely over an extended period. We began our audit in July 2020 and completed our work in August 2023. The audit has been difficult for both ourselves and the Council. We reported our findings to the Council in November 2020 and November 2021. We provided a verbal update to the Council Audit Committee in January 2023.

We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The resolution of these matters has taken a considerable amount of time and a significant level of additional resource from both ourselves and the Council. Enhanced quality control procedures will be needed by the Council in areas such as asset valuation and accounting and in group reporting if we are to avoid similar delays in the future. We note that there were no material errors in the Council's useable reserves but we consider that these were understated. Group useable reserves have been increased following the audit.

Despite these issues we are pleased to report that the audit is now complete subject to:

- finalising review of subsequent events and related disclosures
- receipt of management representation letter; and
- review of the final set of financial statements.

Audit opinion

Our anticipated audit report opinion will be unqualified but it will include a reference to the following matters:

- PPE valuation material uncertainties – the valuer indicated that due to Covid-19 that there were uncertainties in the accuracy of their valuation of land, buildings and investment property
- Pensions PPE valuation – as above the Pension funds valuer indicated that due to Covid-19 that there were uncertainties in the accuracy of their valuation of investment property .

Our commentary is not a qualification. It reflects the difficulty of valuing assets during the COVID 19 pandemic. This was common to all councils.

Our findings are summarised on pages 3 to 10. We have identified adjustments to the financial statements in both in year and prior year balances, the adjustments are detailed in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.

Key findings from the audit

We have identified a number of issues during the audit. This has resulted in significant restatements being made to the 2019/20 financial statements and prior period adjustments. In particular, we note that:

Council

2019/20 deficit on provision of services of £9.3m changed to a surplus of £44.0m; 2018/19 deficit on provision of services of £14.5m changed to a surplus of £3.4m

2019/20 and 2018/19 useable reserves – unadjusted errors of c£5.5m (understatement)

2019/20 unusable reserves increased from £202.6m to £368.1m; 2018/19 unusable reserves increased from £204.5m to £315.7m

2019/20 net assets increased from £346.7m to £512.3m; 2018/19 net assets increased from £336.0m to £447.2m.

Continued

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Coventry City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements: • give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local Council accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	**Key findings from the audit** We also agreed the following changes to the group accounts: **Group** 2019/20 Group deficit changed from a £8.5m deficit to £71.0m surplus; 2018/19 Group deficit changed from a £7.2m deficit to a £1.5m surplus 2019/20 Useable Reserves increased from £144.2m to £160.6m; 2018/19 Useable reserves increased from £131.5m to £138.6m 2019/20 Unusable reserves increased from £157.9m to £373.9m; 2018/19 Unusable reserves increased from £160.9m to £291.8m 2019/20 Net assets increased from £302.0m to £534.5m; 2018/19 net assets increased from £292.4m to £430.4m. It is important to note that while these adjustments are material that the Council's useable reserve position has remained unchanged (but would improve by £5.5m if unadjusted errors are processed), and its Group useable reserves position has improved. The changes to the accounts are due to a number of factors but primarily these are asset valuation and group company accounting and valuation. We have summarised these below. **Valuation** Our audit work identified the following errors in land and property valuation: • We initially identified some errors in the valuation of assets in both the current and prior year accounts (2018/19 – "PY"). Errors included: incorrect inclusion of stamp duty (impact: decrease in PPE £2.4m); incorrect valuation inputs for schools (impact: increase in PPE £11.1m and PY: £13.5m), incorrect treatment of acquisition costs in investment property valuations (impact: increase in investment property PY £9.2m); not derecognising a waste disposal asset in the correct year (impact: decrease in PPE PY £1.2m); various other individually trivial amendments (impact: decrease in PPE PY £1.4m). The Council made both current year and prior period adjustments in relation to the above which resulted in: the 2018/19 accounts being restated to reflect an increase in investment property £9.2m and a net increase in PPE 11.0m; and the 2019/20 accounts being adjusted for a net increase in PPE of £8.7m and a decrease in Investments in joint ventures (JV's) of £2.0m. We also identified an error in the group PPE; the Council had not recognised the downward valuation of the Coventry and Solihull Waste Disposal Company (C&SWDC's) waste plant in the group accounts (impact: decrease in Investments in JVs £2.0m in 2019/20 and £2.7m at 18/19 closing/ £2.2m opening) • Land valuation - Management identified a small number of land assets which had been carried on balance sheet as surplus assets at low or nil value which in fact had significant fair values as they have been earmarked for housing development per the Coventry and Warwick Local Plans since 2017. Material corrections were required to the Council's single-entity and group balance sheets. In summary, the changes have led to an increase in the investment property balance brought forward as at 1/4/2018 of £83.604m, and in-year upward fair value adjustments of £5.086 for 2018/19 and £5.183m for 2019/20. As a result of these changes the Council now recognises £95.6m of investment properties previously held at a combined value of £1.9m. • Fairfax Street Leisure Centre - Fairfax Leisure Centre was a leisure centre situated in central Coventry, open for public use until closure in February 2020 when services were replaced by a new asset: The Wave. Until 2020/21, the asset was held within Other Land & Buildings, valued using Depreciated Replacement Cost methodology with a net book value of c.£18m at 31 March 2020. Following the closure of the centre to members of the public, the asset was re-categorised as a Surplus Asset in 2020/21 by the Council and was placed on the market for lease or sale. Following challenge by the audit team, it was identified that the Council had not appropriately accounted for the impact of the decision to close and the actual subsequent closure in the 2019/20 and prior year financial statements. The centre had only been partially in use during this period but this change had not been reflected. The main impact of this was a significantly shorter remaining useful life of the asset at 31 March 2020. The asset was revalued by the Council's external valuer using an accurate reflection of the remaining useful life and the partial closure of the asset resulting in a reduction in value of £16.9m at 1 April 2018, £16.2m at 31 March 2019 & £17.6m at 31 March 2020. Continued

1. Headlines

Financial Statements

Valuation continued

- Assets Valued under an “Insurance Rebuild” DRC Basis - During audit work on the valuation of Fairfax Leisure Centre, it was identified that the leisure centre had been previously valued using an insurance rebuild approach at 1 January 2018. An insurance rebuild valuation includes all costs to rebuild the existing facility, including a return for risk as well as full demolition. This valuation methodology is not consistent with RICS guidance pertaining to Depreciated Replacement Cost valuations. The Council identified a further 10 assets which had also been valued under this methodology with a combined total NBV of £57m at 31 March 2020. These assets have subsequently been revalued in line with RICS guidance resulting in an upwards revaluation adjustments of: a prior period adjustment to the opening balance at 1 April 2018 of £10.6m, a prior period adjustment to the closing balance at 31 March 2019 of £11.6m, and an adjustment to the closing balance at 31 March 2020 of £12.1m.
- Changes in Valuation Methodology - The Council engaged an external valuer, Wilks, Head & Eve, to perform PPE valuations in the year ended 31 March 2021, succeeding from the internal valuers at the Council in previous financial years. The external valuers highlighted five assets where they opted to value using a DRC approach deeming the assets as specialist, i.e. where there may not be an accurate market value. Upon review of previous valuations of these assets, it was identified that in prior years that the assets had been valued using rateable values of the property as a proxy in lieu of market rents. The engagement team deemed that this was not an appropriate approach to valuation of assets. The assets were subsequently revalued by Wilks, Head & Eve resulting in upwards revaluation adjustments of: a prior period adjustment to the opening balance at 1 April 2018 of £6.5m, a prior period adjustment to the closing balance at 31 March 2019 of £6.5m, and an adjustment to the closing balance at 31 March 2020 of £6.3m
- Errors in Non-Operational Asset Valuations - There were errors noted on 5 non-operational assets following a review of valuation movements from 2019/20 compared with 2020/21. These errors related to: inaccurate lease data used within the valuation, incomplete site size / not all units included in the valuation, incorrect reversionary rents used by the valuers. The errors led to: a prior period adjustment to the opening balance at 1 April 2018 of £3.8m; a prior period adjustment to the closing balance at 31 March 2019 of £6.4m, and an adjustment to the closing balance at 31 March 2020 of £8.3m.
- Historic cost depreciation - it was noted during the audit that accumulated depreciation was significantly higher than expectations, given the regularity of revaluation on PPE. Upon further investigation by the Council, a historic error dating back to the implementation of the Business World system (Agresso) in 2011/12 was identified where downward revaluation on PPE assets had been improperly accounted for. The accounts at the time treated the movements as impairments by decreasing the net book value of the assets through accelerated depreciation, instead of correctly reducing the gross book value of the assets. However, within the fixed asset register (FAR) these were correctly treated as a revaluation and the gross book value of assets and depreciation were reduced. The resulting impact of this was a difference between the FAR and the Council’s accounts. The difference in 2019/20 is a c.£380m equal and opposite overstatement in both gross book value and accumulated depreciation. We have discussed this with the Council and it is not possible to determine what the appropriate treatment was in 2011/12 (as records are not available). We have therefore agreed that it is appropriate to restate the financial statements to reflect the fixed asset register. This results in a c£380m adjustment to both gross asset values and gross depreciation. A PPA has also been actioned for this matter.
- Gains and losses on asset derecognitions – we identified that gains and losses on derecognition of assets was being charged to the net cost of services which is contrary to the CIPFA Code of Practice which instead requires the charge to be accounted for as ‘other operating expenditure’ on the CIES. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. In summary, the changes required were a movement of £13.602m from net cost of services to other operating expenditure in 19/20, and of £17.598m in 18/19.
- Derecognition of assets - When an item of property plant & equipment is derecognised, the gross cost and gross accumulated depreciation balances associated with that asset should be reversed. Previously the Council had made the net book value adjustment to gross cost only, meaning the gross cost and gross accumulated depreciation balances for other land and buildings and infrastructure assets brought and carried forward were overstated by a material amount. The error does not impact the net book value of affected assets, and therefore there is no correction to the balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. In summary the cumulative adjustments led to a reduction in the gross cost and depreciation c/f at 31/3/20 of: £19.743m for infrastructure assets; and £9.209m for other land and buildings.

The areas detailed above have now been amended for by the Council.

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1. Headlines

Financial Statements

Group

The key issues impacting on the financial statements are:

UKBIC – accounting for transactions in the Council's accounts

We identified a number of errors with regard to the accounting for UK BIC. The key changes to the Council's accounting treatment agreed with management are:

Council only - Building

- We concluded that the building, being subject to a 20-year peppercorn lease to UKBIC, should be retained on the Council's balance sheet (as the building will have an asset life beyond 20 years), and that the building is not an investment property (given the peppercorn rent charged). This change led to an increase in 'operational assets under construction' of £28.5m (b/f balance from 2018/19) and £31.8m (19/20 in-year additions). This is matched by a reversal of the 'Investment property assets under construction' of £7.8m in 2018/19 and £18.2m in 2019/20. There is also a £42.2m movement in the CIES to reflect the reversal of the downward investment property fair value movement previously accounted for.

Council only - Plant and equipment

- Plant & Equipment: The plant and equipment assets were being carried on the Council's balance sheet in 2018/19 as an asset under construction £6.015m. This was incorrect since those assets have individual useful economic lives of less than 20 years and are covered by a 20-year lease to UKBIC at a peppercorn rent. As such they should not be recognised on the Council's balance sheet as they are deemed to be a finance lease. An in-year correction had already been put through in 2019/20 as reflected in the draft accounts, and the 2019/20 accounting for further plant and equipment purchases was appropriate. Despite this not being a material issue on its own, when combined with other errors in relation to UKBIC accounting, management have elected to make a further prior period adjustment to remove the asset under construction balance in 2018/19. The corresponding adjustment is to the 2018/19 CIES with no impact on General Fund. Management therefore removed the initial 2019/20 CIES correction.

UKBIC – Group accounting – discussions over control of the entity

UKBIC Limited is a wholly owned subsidiary of the Council. We considered whether the Council had control of the company and concluded that the Council had control of the company. We discussed this with the Council and initially agreed that the Council had control of the company. Subsequently (Autumn 2022) the Council revisited this decision and confirmed that it did not consider that it had control over UKBIC. We considered the Council's arguments including holding an audit dispute panel. We reported to the Council that we still considered that the Council had control. In particular we noted that the grant funding body had stated that it did not consider that it had control of the Company and that the Company was entering into transactions outside of grant funding regime and therefore was acting as an independent entity to the grant funding body. The Council confirmed to us that it was now satisfied that it had control of the company.

We note that the company is entering into significant transactions. We have reported separately that the Council should ensure it has appropriate governance in place over the company.

1. Headlines

Group

UKBIC – Group accounting – accounting entries

In the 2018/19 audited accounts, the Council did not consolidate the accounts of UKBIC Limited into the group accounts, on the basis the company was not a significant component to the group, and there were no material financial statement line items. The Audit Team agreed the conclusion after corroborating UKBIC financials. This conclusion not to consolidate in 2018/19 stands.

The Council followed a similar approach for 2019/20. Following discussion the group position has been amended and now reflects the following:

- Building - The building is now accounted for on the Council's single entity balance sheet as an operational asset under construction (£60.3m). This is then consolidated into the group accounts at the same amount (historical cost) and classification. This is appropriate for the group position.
- Plant & Equipment - The plant and equipment assets were not material in 2018/19 (£6.0m) but were material in 2019/20 (cumulative £26.0m). The plant & equipment has been leased to UKBIC Limited on a lease term which exceeds the useful life of the assets. As such, under finance lease accounting, the assets are on the company's balance sheet and have been consolidated into the group accounts.
- Development costs - These were in effect monies granted to the company, which the company then spent on the capital project and so crystallise as fixed assets on the company balance sheet under IAS 16. The value was £0.6m in 2018/19 and £9.9m in 2019/20. The adjustment required was £6.7m being the £10.5m described less the plant and equipment balance already consolidated.
- REFCUS - The Net Cost of Service (REFCUS) spend £35.9m related to the plant & equipment and development costs is an intragroup transaction which is subject to elimination on consolidation. The capitalised company spend is then brought on to group balance sheet from the company balance sheet at the appropriate fixed asset classification and accounted for subsequently according to the Council's accounting policy for that asset category. The Council have determined the appropriate classification for both spend types is 'plant and equipment'. We consider this treatment to be appropriate. The amount carried on the group's balance sheet for plant and equipment is £34.6m at 31 March 2020.

Group

The key additional issues impacting the group financial statements are:

- Coombe Abbey Group valuation - The Council previously consolidated the Coombe Abbey hotel asset into its group balance sheet as an investment property. On review we identified that, for the group accounts, the hotel does not meet the criteria set out in IAS 40 to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. Material adjustments were required to the classification and valuation of the assets as operational properties on the group balance sheet. In summary the accounts were adjusted as follows: other land and buildings increased by £28.2m at 1.4.18; £28.7m at 31.3.19 and £29.3m at 31.3.20; investment property was derecognised by £7.035m at 1.4.18, £7.333m at 31.3.19 and £7.8m at 31.3.20. We note that this is a significant increase in the valuation and that the Council, and its valuer consider that this is the most appropriate valuation. Given that the asset valuation significantly exceeds the valuation of the company (see below) we have requested that this matter is disclosed in the financial statements and that a letter of representation is provided on this matter.
- Coombe Abbey Investment valuation (Council accounts)- We note that the Council's subsidiary, Coombe Abbey, was operating at significant losses of £354,000 up to the year ending 31 March 2020. The impact of Covid-19 has had a further significant impact on the trading of the subsidiary. We note that the valuation has reduced from £7.3m in the 2019/20 accounts to £2.8m in the 2020/21 accounts.
- Coombe Abbey Goodwill- When revisiting previous accounting treatment, management noted that there was a goodwill element that had not been recognized (£3.6m) which has now been adjusted for. The engagement team have reviewed the calculation of goodwill & also challenged management regarding lack of subsequent impairment of balance. The engagement team are in agreement that no impairment of goodwill is required at this stage.

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1. Headlines

Financial Statements

Group continued

The key additional issues impacting the group financial statements are:

- Coombe Abbey intragroup eliminations- When revisiting previous accounting treatment, management noted that some of the intragroup eliminations required adjusting between the Council and company. Consolidation adjustments were made to long term debtors £4.2m (18/19 closing: £4.6m, opening: £4.5m), intragroup costs £1.1m (18/19 £1.9m), and the loss on revaluation of the investment in the company £4.0m.
- Tom White Waste Goodwill- In March 2020 the Council purchased Tom White Waste Limited for £14.6m. The Council did not instruct a valuation as at the balance sheet date for its investment in Tom White Waste and therefore the asset was initially held at its purchase valuation. On acquisition of the Tom White Waste Limited, the Council should have recognised an intangible asset on the group balance sheet, representing the excess of the purchase price over the net assets within the acquired company on the transaction date. The balance of goodwill should then be assessed for impairment at each balance sheet date going forwards. In summary, the adjustment required was to recognise £7.806m of intangible assets on group balance sheet as at 31 March 2020, with a corresponding credit to group unusable reserves.
- Tom White Waste- acquisition costs of £10.7m were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted.
- Birmingham Airport investment valuation (Council accounts)- We note that the Council has an investment in Birmingham Airport. The trading conditions for the Airport were uncertain during the COVID 19 pandemic and we note that the valuation of the Council’s investment reduced from £29.3m in 2018/19 to £17.9m in 2019/20. The Council alongside the other 6 West Midlands authorities stated in 2020 its intention to engage in discussion with the Airport with regards to providing tangible support to the Airport should this be required. No investment was subsequently made but the Council did put in place a cashflow loan arrangement to ensure that financial covenants were not breached. We understand that ultimately these arrangements were not required. The Council has made additional disclosure on these matters in note 3.36 to the accounts. We note that the investment has now recovered its previous 2018/19 value with the latest valuation as at 31 March 2023 reporting £33m. .
- The Coventry and Solihull Waste Disposal Company – incorrect calculation of the investment in joint ventures- the initial consideration paid for the acquisition was not reflected in the value of the investment on group balance sheet. Adjustments were made to increase the balance by £9.6m in 19/20 and £9.95m in both the 2018/19 opening and closing positions.
- UKBIC- elimination of intragroup expenditure previously consolidated. The expenditure incurred by the company was originally consolidated as group expenditure. This related to capital spend which is now carried on the group balance sheet. An adjustment of £6.8m was required to the group CIES to remove the cost.
- UKBIC- intangible assets - aligning the company’s accounting policy with the group accounting policy. The Council adopts the policy to write down the costs of intangible software assets in year of purchase rather than carry them on balance sheet. The group balance sheet should be prepared on the same basis. An adjustment to write out the intangible assets of £1.7m was required.
- Friargate JVPL- acquisition costs of £10.5m in 2018/19 were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted.
- Intragroup dividends from CSWDC and CAPL were not eliminated on consolidation in 2018/19, an adjustment of £7.5m was required to group CIES.
- Share of other comprehensive income of joint ventures- given the numerous amendments to group entries, the share was recalculated and a decrease of £8.2m was adjusted for on group CIES (£3.0m in 2018/19).
- Group Reserves- We identified that the Council had not split the reserves from its group companies between useable and unusable. Rather it had classed all of the reserves as unusable. The Council has now reviewed its group reserves and reallocated them between useable and unusable. The balance of usable reserves was £16.4m at 31 March 2020; £7.0m at 31 March 2019 and £5.6m at 1 April 2018. These revised balances taken account of other movements in the council and group accounts.

1. Headlines

Financial Statements

Infrastructure

The Code requires infrastructure assets to be valued at depreciated historical cost. It also requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component is derecognised to avoid double counting. Most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will therefore have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced. However, there is often a lack of evidence to support this assumption and some subsequent expenditure is often in addition to the previous asset rather than being a direct replacement.

The Department for Levelling Up, Housing and Communities (DLUCH) therefore prepared a temporary statutory override with regards to infrastructure assets, whilst a permanent solution is developed by CIPFA. This statutory override was effective from late December 2022 and may be applied to the 2019/20 accounts. In parallel to this, CIPFA has revised the Code so that it reflects this temporary statutory override. After this was complete, we developed an audit work programme to make an assessment of whether there could be a material risk of misstatement for the Council. With respect to the financial statements, there are two risks which have addressed:

1. The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.

2. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of infrastructure assets is overstated. It will be overstated if management do not derecognise components of infrastructure when they are replaced.

Our work in this area is complete and we are satisfied that the disclosure of infrastructure assets is in accordance with the revised Code and statutory instrument.

Other matters

In 2018/19 the Council applied the fair value through other comprehensive income (FVOCI) designation to investments in collective investment vehicles such as the CCLA Property Fund. We do not consider that investments in collective investment vehicles qualify for the election under IFRS 9 to be designated as (FVOCI). The Council have revised their accounting treatment with any movement on the valuation of the funds now shown as Fair Value Through Profit and Loss (FVTPL). There is no impact on the overall position of the General Fund for 2018/19 or 2019/20.

The Business Rates provision has increased in 2019/20. To date the Council has only had a low level of appeals against the 2017 valuation listing. There has been a £7.8m net reduction in liability between initial billing and the position as at 31/3/20 for years relevant to the 2017 valuation listing. In forming its estimate the Council has used its claims history dating back to 2007-08. In forming its estimate the Council has used its history of liability movements during the previous revaluation cycle (2010 to 2017). We note that the average appeals rate from 2007-08 was 6%. We note that the average liability movement between 2010 to 2017 was 4.8%. This compares to an average appeals rate of 4% between 2013-14 to 2016-17. We estimate that if the Council used the lower rate that the provision would be c.£7.5m and that the provision is overstated by c£2.9m. The Council have confirmed that as at April 2023 a total of £9.4m of the provision has been utilised. The Council should continue to monitor the provision and release any unneeded balance.

We reviewed the bad debt provision with regard to other debtors. This comprised £11.2m for local taxation and £14.0m for all other bodies. The Council provided an update on the latest position in April 2023 and noted that £1.4m had been released from the local taxation position and that the Housing Benefit provision is slightly overstated c£1.2m. No significant changes have been made to the other provisions.

The Council applies a £5,000 threshold for its consideration of accruals. We identified 3 expenditure items below the threshold of £5,000 that had been posted to periods 1,4 & 7 of 2019/20 when they related to 2018/19 expenditure. We are satisfied that the Council have applied its de minimis policy, however, on the basis of the sample tested we identified an extrapolated error of c.£5m re expenditure not being charged to the correct period. While this is not material the Council should note the potential impact of its accruals de minimis policy.

1 Headlines

Financial Statements

Control matters

The financial framework for reporting local government accounts is complex requiring the Council to account under both IFRS and on a resource accounting basis. Since 2020 there has also been a significant change in auditing standards. In particular, ISA 540 Auditing was introduced requiring additional emphasis on significant estimates including valuations and pensions. The audit of the 2019-20 financial statements has been undertaken to a greater depth than in prior years.

The Council's accounts are more complex than most councils due to its significant group structure. This increased complexity has been challenging for the Council and for ourselves as auditors. In particularly, the accounting for UKBIC has been complex and the subject of a significant level of debate.

2020 was a year when the country was particularly impacted by COVID 19. This impacted on the ability of councils to produce financial statements and on valuers to undertake their work. At most councils this impacted on the quality and depth of valuation. Discussions with officers have indicated that this impacted significantly on the Council's processes.

We also note that our audit has taken place over a considerable period. During this period national issues have arisen such as how to value infrastructure assets.

The above issues have impacted on the quality of accounts presented for audit, the time taken to resolve accounting issues, and the length of the audit. Within this context we note the following areas for improvement:

- Group - the issues with regard to group accounts and resultant delays in the audit sign-off partially came about because the Council did not have adequate capacity within its finance team to fully understand the accounting implications of its relationship with the UKBIC subsidiary and its other subsidiaries. We recommended in 2021 that management should strengthen the capacity within its finance team and implement standardised practices and procedures to appropriately account for the impact of the evolving activity within the group. Including, but not limited to: issuing group instructions for year-end reporting; recording group transactions and balances on ledger; maintaining a fixed asset register for group PPE; adopting a suitable valuation schedule and engaging experts to provide valuations for group property and for the valuation of the long term investments in companies. We also recommended that management harmonise its year-end reporting dates and accounting frameworks of its subsidiaries and joint ventures and establish an agreed-upon reporting structure and timetable with those bodies to ensure timely receipt of required information. We note that the Council have now appointed a full-time group accountant.

- Property - we do not consider that the Council's arrangements for the valuation of and accounting for its property have fully complied with RICs guidance or the CIPFA Code of Practice on Local Authority Accounting. We have made recommendations with regard to the improvements needed. Management have implemented some of our recommendations already and are in the process of undertaking a wider review of valuations.

- Journals - Our assessment of the Council's journal control environment identified that journals posted do not have to be authorised and the Council rely on access control and budgetary control to prevent and identify any unusual journals. We see this as a weakness in the control environment. The testing of journals has not identified any instances of management override of control.

- Business World – Superuser Access - During the IT audit performed within the year ended 31 March 2022, it was identified that three users had privileged, administrative access to the accounting software - Unit4 Business World. Through further investigation by the engagement team and with discussions with the Systems Team at the Council, it was identified that these users were able to circumvent controls within the Business World system. An area of particular concern was that these users were able to bypass controls around the payment of suppliers. It was concluded that there was opportunity for extractive fraud at the Council by members of the Systems Team. It should be noted that there was no indication of fraud, but rather the potential for this.

An amendment log is held in the system which record any changes to the Business World system (and which would record any inappropriate change). We reviewed this log for the year ended 31 March 2020 and subsequent years. There was no indication of fraudulent behaviour within these logs. It is recommended that the Council identify any additional safeguards in the accounting system or reduce the levels of access of these individuals to an acceptable level.

Conclusion

The audit has been a lengthy one and has identified a number of issues for the Council to resolve in future accounts. Subject to the completion of our final closing procedures we anticipate issuing an unqualified opinion in October 2023. As set out earlier our opinion will include a commentary with regard to valuation uncertainty. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

We note that this has been an equally difficult process for management and would like to replace on record our thanks to the finance team for their work throughout the audit.

1. Headlines – Other matters

This table summarises the key findings and other matters arising from the statutory audit of Coventry City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk-based review of the Council's value for money arrangements. We have concluded that Coventry City Council, with the exception of its arrangements for financial reporting, has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We will issue a qualified value for money conclusion with regard to the Council's financial reporting arrangements. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing a qualified value for money conclusion. Our findings are summarised on pages 43 to 48.
Going Concern	The Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020) sets out guidance relating to the assessment of local authorities' status as going concern. CIPFA Code of Practice 2019/20 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future".	We have reconsidered the work we documented in our Audit Findings Report on management's going concern assumption and updated our consideration in light of the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that for the Council and its subsidiaries that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We considered the use of our statutory powers due to the delay in the 2019/20 financial statements. Officers have set out a clear plan to ensure that the outstanding accounts for future years are completed in as timely a manner as possible. As such we have determined that it is not necessary to utilise our statutory powers. We will monitor the implementation of the plan and will consider at future audits whether we need to utilise our statutory powers. We are not required to issue a whole of government accounts (WGA) return as the NAO has closed the Government's accounts for 2019/20.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during this extended audit.

2. Financial statements

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Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures were required by for
  - Coventry and Solihull Waste Disposal Company – audited by Ernst and Young LLP
  - Tom White Waste Ltd - audited by Azets UK
  - Coombe Abbey Ltd – audit by RSM UK Audit LLP
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 29 April 2020, to reflect our response to the Covid-19 pandemic. We have also altered our plan in response to the issues identified on asset valuation, group reporting, and IT control. In particular, we identified that UKBIC was material to the Council's single entity and group accounts. We have undertaken a significant level of work in this area.

We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The resolution of these matters has taken a considerable amount of time and a significant level of additional resource from both ourselves and the Council. Enhanced quality control procedures will be needed by the Council in areas such as asset valuation and accounting, and group reporting if we are to avoid similar delays in the future.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Committee meeting on 9 October 2023. These outstanding items are:

- finalising review of subsequent events and related disclosures
- receipt of management representation letter; and
- review of the final set of financial statements.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have reconsidered our materiality assessment in the period since our Audit Findings Report was published. We have concluded that materiality levels remain appropriate as reported in our Audit Findings Report on 30 November 2020. We concluded this as:

- The use of this level of materiality has been sufficient to identify errors in both the Council's single entity and group accounts
- Where we have identified errors we have considered the potential impact on similar balances and carried out additional testing as needed.

We detail in the table to the right our determination of materiality for Coventry City Council

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	12,600,000	12,400,000	Materiality is determined to be in the region of 1.5% of gross expenditure.
Performance materiality	9,450,000	9,300,000	We have assessed that performance materiality at 75% of materiality is appropriate.
Trivial matters	600,000	600,000	We determined the trivial threshold for reporting matters to the Audit and Procurement Committee to be 5% of materiality.
Materiality for Senior Officer Remuneration	Not applicable	100,000	We believe these disclosures are of specific interest to users of the accounts and therefore applied a lower specific materiality.

3. Financial statements - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 (Group and Council)	**Work undertaken** We have: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 26 June 2020 • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the groups' property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic • evaluated whether sufficient audit evidence could be obtained through remote technology • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence • engaged the use of auditor experts for asset valuation **Audit findings** Due to the extended period over which the audit has been undertaken we no longer consider this to be a significant risk with the exception that: • PPE valuation material uncertainties – the valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of land, buildings and investment property • Pensions PPE valuation – as above the Pension funds valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of investment property . Our opinion will include a commentary with regard to this uncertainty.

3. Financial statement - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management override of controls (Group and Council)	**Work undertaken** We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions • Reviewed key estimates on areas such as property and land, and pensions • Considered the superuser access to IT controls. **Audit findings** Journals - Our assessment of the Council's journal control environment has found that journals posted do not have to be authorised and the Council rely on access control and budgetary control to prevent and identify any unusual journals. We see this as a weakness in the control environment and this was factored into our substantive testing of journals. The testing of journals has not identified any instances of management override of control. Accounting policies and estimates - We have reviewed the application of a number of accounting policies and estimates as part of our audit procedures and have not identified any instances of management override of control. • On accounting policies we note that the Council applies a £5,000 threshold for its consideration of accruals. We identified 3 expenditure items below the threshold of £5,000 that had been posted to periods 1,4 & 7 of 2019/20 when they related to 2018/19 expenditure. We are satisfied that the Council have applied it de minimis policy, however, on the basis of the sample tested we identified an extrapolated error of c.£5m re potential expenditure omitted from the accounts. While this is not material the Council should note the potential impact of its accruals de minimis policy. • On accounting estimates we identified material errors with regard to the valuation of the Council's asset base. We have raised a number of recommendations with regard to the improvement required. Business World – Superuser Access - During the IT audit performed within the year ended 31 March 2022, it was identified that three users had privileged, administrative access to the accounting software - Unit4 Business World. Through further investigation by the engagement team and with discussions with the Systems Team at the Council, it was identified that these users were able to circumvent controls within the Business World system. An area of particular concern was that these users were able to bypass controls around the payment of suppliers. It was concluded that there was opportunity for extractive fraud at the Council by members of the Systems Team. It should be noted that there was no indication of fraud, but rather the potential for this. An amendment log is held in the system which record any changes to the Business World system (and which would record any inappropriate change). We reviewed this log for the year ended 31 March 2020 and subsequent years. There was no indication of fraudulent behaviour noted within these logs. It is recommended that the Council identify and implement ways to mitigate the risk of fraudulent behaviour by adding additional safeguards in the accounting system, or reducing the levels of access of these individuals to an acceptable level.

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3. Financial statements - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of Other land and buildings	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert used by the Council • corresponded with the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer Montagu Evans to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • tested revaluations made during the year to see if they had been input correctly into the Council and group asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our audit testing has identified that there were a number of assets in 2018/19 and in 2019/20 that were not valued or accounted for correctly and as a result the Council have relooked at these valuations and made prior period and in year adjustment. See pages 27 to 32 and appendix B for more details. As reported on page 3 we will include a commentary in our audit opinion as a result of the material uncertainty reported in the asset valuation report as at 31 March 2020.
Valuation of Investment Properties	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • corresponded with the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • tested revaluations made during the year to see if they had been input correctly into the Council and group asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our audit testing has identified that there were a number of assets in 2018/19 and in 2019/20 were not valued correctly and as a result the Council have relooked at these valuations and made prior period adjustment. See page 33 and appendix B for more details. See page 33, as in prior years, we have reported the Council's approach to the valuation of investment properties, which is not fully compliant with IAS 40 and the CIPFA code.

3. Financial statements - Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. See page 36 for significant findings on key estimates and judgements. As reported on page 3 we will include a commentary in our audit opinion as a result of the material uncertainty reported in the West Midlands Pension Fund financial statements for the year ending 31 March 2020.
Improper revenue recognition (Group and Council)	We rebutted the risk of improper revenue recognition for all revenue streams for the Council and the Group in the audit plan and our assessment has not changed during the course of the audit.

4. Financial statements - Significant findings arising from the group audit

Risks identified in our Audit Plan	Auditor commentary
Group – Key audit findings	Our work on the Group financial statements identified a number of accounting issues for which material adjustments were required to the Group and Council's financial statements. These have resulted in a number of changes including: 2019/20 Group deficit changed from a £8.5m deficit to £71.8m surplus; 2018/19 Group deficit changed from a £7.2m deficit to a £1.5m surplus 2019/20 Useable Reserves increased from £144.2m to £160.6m; 2018/19 Useable reserves increased from £131.5m to £138.6m 2019/20 Unusable reserves increased from £157.9m to £373.9m; 2018/19 Unusable reserves increased from £160.9m to £291.8m 2019/20 net assets increased from £302.0m to £534.5m; 2018/19 net assets increased from £292.4m to £430.5m.. At a group level the primary movements relate to changes in accounting for UK BIC and changes in the valuation of Coombe Abbey. The group figures are also impacted by the changes in land and property valuation for the Council. There were further errors identified in the group accounting in relation to the split of usable and unusable reserves; goodwill calculations on the acquisitions of Coombe Abbey and Tom White Waste; intragroup eliminations; costs of investments incorrectly netting down the gain/loss on revaluation of financial instruments; and the valuation of the investment in Joint Ventures. More detail on our audit of the group financial statements are set out on the following pages.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	**UKBIC – accounting for transactions in the Council's accounts** We have considered management's adjusted accounting treatment and examined supporting evidence. We agree that the adjusted accounting treatment is in accordance with relevant accounting standards and statute in all material respects. The key changes to the Council's accounting treatment are: Council only - Building - We concluded that the building, being subject to a 20-year peppercorn lease to UKBIC, should be retained on the Council's balance sheet under IAS 17 operating lease accounting, since the UEL of the building is reasonably expected to be far greater than the 20-year lease term. The building should not however be classified as an "investment property asset under construction", given it does not meet the conditions for investment property recognition under IAS40 and Code (4.4.1.1 and 4.4.1.2). The asset is not held solely for capital appreciation nor rental income. - This change led to an increase in 'operational assets under construction' of £28.5m (in 2018/19) and £60.3m (including 19/20 in-year additions). This is matched by a reversal of the 'Investment property assets under construction' of £28.5m in 2018/19 and £18.2m in 2019/20. The difference between the £60.3m asset in the final accounts and the £18.2m asset in the draft accounts is due to a downward fair value movement (£42.1m) which the Council had originally charged to the CIES. This has now been reversed because operational assets under construction are measured at depreciated historical cost and not at fair value. Council only - Plant and equipment - Plant & Equipment: The plant and equipment assets were being carried on the Council's balance sheet in 2018/19 as an asset under construction £6.015m. This was incorrect since those assets have individual useful economic lives of less than 20 years and are covered by a 20-year lease to UKBIC at a peppercorn rent. As such they should not be recognised on the Council's balance sheet. - An in-year correction had already been put through in 2019/20 as reflected in the draft accounts, and the 2019/20 accounting for further plant and equipment purchases was appropriate. Despite this not being a material issue on its own, when combined with other errors in relation to UKBIC accounting, management have elected to make a prior period adjustment to remove the asset under construction balance in 2018/19. The corresponding adjustment is to the 2018/19 CIES with no impact on General Fund (via REFCUS). Management therefore removed the initial 2019/20 CIES correction. Council only – Grant Income - We are satisfied that the Council is correctly accounting for the grant monies as principal rather than agent. The audit team have concluded the grant income is already appropriately applied in the 2018/19 audited accounts and recognised in the CIES as taxation and non-specific grant income- value £28.839m.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	**UKBIC – Group accounting – discussions over control of the entity** Group Assessment: UKBIC Limited is a wholly owned subsidiary of the Council. We considered whether the Council has control of the company, given the directive, funding and oversight of Central Government, and given there are restrictions in place on the Council's powers to take dividends, and to sell or close the business. The audit team challenged the Council on these points, and the Council initially provided the following arguments as to why it is considered that the Council has control: • UKBIC is subject to Standard Articles of Association. • 2 of the board members including the chair are appointees of the City Council and the Council is the 100% shareholder. • This all ensures that the Council has control and is the parent entity. • The Grant Aid agreement has been drawn up in a way that makes sure that the grant is applied. • The restrictions on dividends exist to ensure compliance with state aid. • These conditions and restrictions do not imply Government control. We accepted the conclusion that the Council has control of UKBIC Limited given the company structure in place and 100% Council shareholding. Subsequently (Autumn 2022) the Council revisited this decision and confirmed that it did not consider that it had control over UKBIC. It highlighted a number of factors including: • Innovate UK's charge over the assets • Innovate UK's control of asset disposal • Requirement to set up an operator • Requirement that this operator must be a non-profit research organisation • Requirement to inform, cooperate and comply with requests from Innovate UK, including updating key milestones • The associated grant agreement includes the following aspects: A requirement to obtain approval from Innovate UK for UKBIC Ltd's business plan, Innovate UK will provide the KPIs for UKBIC Ltd's operations, and in-depth ongoing monitoring by Innovate UK with options for escalating the extent of monitoring, if required • The lack of other income sources for the company. We considered the Council's arguments including holding an audit dispute panel. We reported to the Council that we still considered that the Council had control and reconfirmed the matters set out above. In particular we noted that the grant funding body had stated that it did not consider that it had control of the Company and that the Company was entering into transactions outside of grant funding regime and therefore was acting as an independent entity to the grant funding body. The Council concurred with our conclusion and made the decision to consolidate the company. We note that the Company is entering into significant transactions. We have reported separately that the Council should ensure it has appropriate governance in place over the company.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	**UKBIC – Group accounting – accounting entries** In the 2018/19 audited accounts, the Council did not consolidate the accounts of UKBIC Limited into the group accounts, on the basis the company is not a significant component to the group, and there were no material financial statement line items. The Audit Team agreed the conclusion after corroborating UKBIC financials. This conclusion not to consolidate stands, as even with £6.0m plant and equipment not brought on to group balance sheet, there are no material financial statement line items. The Council followed a similar approach for 2019/20. Following discussion, the group position has been amended and now reflects the following: Building The building is now accounted for on the Council's single entity balance sheet as an operational asset under construction (£60.3m, 2018/19: £22.5m). This is then consolidated into the group accounts at the same amount (historical cost) and classification. This is appropriate for the group position. Plant & Equipment The plant and equipment assets were not material in 2018/19 (£6.0m plant and equipment) but were material in 2019/20 (cumulative £26.0m). Since the plant & equipment has been leased to UKBIC Limited on a lease term which exceeds the useful life of the assets, under IFRS (specifically IAS 17 finance lease accounting), the assets are on the company's balance sheet for the purposes of consolidation. The NCoS (REFCUS) spend £35.9m is an intragroup transaction which is subject to elimination on consolidation. This is because the Council are granting the monies (recognised as a cost) to the company (recognised as income). The plant & equipment is then brought on to group balance sheet from the company balance sheet at depreciated historical cost. Depreciation is chargeable on the assets acquired in the prior year as per the Council's accounting policy. Development costs These were in effect monies granted to the company, which the company then spent on the capital project and so crystallise as fixed assets on the company balance sheet under IAS 16. The related NCoS (REFCUS) spend is an intragroup transaction which is subject to elimination on consolidation. The capitalised company spend is then brought on to group balance sheet from the company balance sheet at the appropriate fixed asset classification and accounted for subsequently according to the Council's accounting policy for that asset category. The Council have determined the appropriate classification for the spend is 'plant and equipment'. Depreciation is chargeable on the assets acquired in the prior year as per the Council's accounting policy but this is trivial so remains unadjusted. Audit Conclusion on group accounting The Council's proposed accounting treatment is in line with the Audit Team's conclusions, with the exception that: - the Council proposes no depreciation to be charged on the 2018/19 acquired plant and equipment (gross cost £6.0m). Estimate £300k so trivial. - The Council is required to undertake a line-by-line consolidation of its material subsidiaries. This has now been carried out for UKBIC for 2019/20 with adjustments set out in Appendix B.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
UKBIC Limited accounting treatment and prior period adjustment (Council and Group Accounts)	Material corrections were required to the Council's single-entity accounts to recognise the current value of the battery plant as an operational asset-under-construction on balance sheet and to account for the monies granted to the company for capital development through the Comprehensive Income and Expenditure Statement with associated adjustments to reserves to reflect the capital funding. Material corrections were required to the Group accounts to recognise the value of equipment and capitalised development costs held by the group on the group balance sheet, and to consolidate (with appropriate adjustments) the impact of the single-entity changes above . Corrections were required to the corresponding accounts in the prior period. As the prior period changes required were material, these were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	<u>Control deficiency</u> The issues with regard to group accounts and resultant delays in the audit sign-off partially came about because the Council did not have adequate capacity within its finance team to fully understand the accounting implications of its relationship with the UKBIC subsidiary and its other subsidiaries. We recommended in 2021 that management should strengthen the capacity within its finance team and implement standardised practices and procedures to appropriately account for the impact of the evolving activity within the group. Including, but not limited to: issuing group instructions for year-end reporting; recording group transactions and balances on ledger; maintaining a fixed asset register for group PPE; adopting a suitable valuation schedule and engaging experts to provide valuations for group property and for the valuation of the long term investments in companies. We also recommended that management harmonise its year-end reporting dates and accounting frameworks of its subsidiaries and joint ventures and establish an agreed-upon reporting structure and timetable with those bodies to ensure timely receipt of required information. We note that the Council have now appointed a full-time group accountant.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Valuation of property assets held on the Coombe Abbey Park hotel site and prior period adjustment (Group Accounts only)	The Council were previously consolidating the hotel asset into its group balance sheet as an investment property. For the group, the hotel does not meet the criteria set out in IAS 40 to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. A material adjustment was required to the classification and valuation of the assets as operational properties on the group balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We have: • evaluated management's processes and assumptions for the calculation of the revised estimate, the instructions issued to the valuation expert and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert used by the Council • corresponded with the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made to see if they had been input correctly into the asset register • tested the Council's rationale for electing to value the properties at Depreciated Replacement Cost (DRC) on balance sheet • evaluated the prior period adjustment disclosure to ensure it meets the requirements of IAS 8 **Audit findings** The Council had previously consolidated Coombe property into the group accounts incorrectly. The Council own the hotel and grounds, and these are leased to the company on an operating lease basis. For the single entity, the accounting includes retaining the hotel and grounds on the Council's balance sheet as an investment property and lease income is shown from the company. For the group the intragroup lease income and expenditure is removed. The property is consolidated as an investment property. This is incorrect, since to the group the property is operational. In addition, the company has constructed additional assets and these are held on the company's balance sheet at cost under FRS 102. Upon consolidation the Council have previously derecognised the improvement spend, assuming the spend would be considered within the hotel & grounds valuation. The Council however have now found that some of the spend is on outbuildings not part of the Council's assets. These assets, along with the hotel and grounds, require consolidating into the group accounts at valuation in accordance with the Code as operational assets. In summary the accounts were adjusted as follows: other land and buildings increased by £28.2m at 1.4.18; £28.7m at 31.3.19 and £29.3m at 31.3.20; investment property was derecognised by £7.035m at 1.4.18, £7.333m at 31.3.19 and £7.8m at 31.3.20. We agree that the adjusted accounting treatment is in accordance with relevant accounting standards in all material respects. We noted that the initial valuations obtained to support the group accounts adjustment were undertaken on a depreciated replacement cost (DRC) basis which assumes no comparable market data exists on which to base the valuations, there was also an error in the internal floor areas in one of the buildings leading to £3.5m overstated valuation. We challenged the Council's expert on this and also discussed this with our expert who raised concerns about the valuation method. We therefore discussed this further with the Council and its valuer who revised part of the valuation for comparable market data. We have considered the Council's judgement on the remaining DRC asset valuations and concluded that it is not unreasonable given the lack of similar properties and the limited comparable information available. The £3.5m error was also corrected in the revised valuation upon which the audit adjustments are based. We note that the Council are unlikely to recover this value if Coombe Abbey was to be sold and that the investment valuation of the company is c£7.3m and has reduced to c£1m in 2023.. We requested enhanced disclosure of the valuation of Coombe Abbey in the group accounts and why this differs to the single entity statements which the Council have now included. We have requested a letter of representation on this matter.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Valuation of property assets held on the Coombe Abbey Park hotel site and prior period adjustment (Group Accounts only)	The Council were previously consolidating the hotel asset into its group balance sheet as an investment property. For the group, the hotel does not meet the criteria set out in IAS 40 to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. A material adjustment was required to the classification and valuation of the assets as operational properties on the group balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We bring to your attention the following matter: - We noted that the subsidiary was operating at significant losses of £354,000 up to the year ending 31 March 2020. The impact of Covid-19 has had a significant impact on the trading of the subsidiary. <u>Significant control deficiency</u> In response to these findings and those PPE findings reported in out Audit Findings Report, we recommend that management conducts a thorough review of the valuations provided by their valuations expert to ensure that the source data used by the valuer is factually accurate and assumptions are appropriate. We also refer you to the related group control recommendations in Appendix A, which are also relevant to this issue.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Accounting for goodwill on the acquisition of Tom White Waste Limited (Group Accounts only)	On acquisition of the Tom White Waste Limited subsidiary in March 2020, the Council should have recognised an intangible asset on the group balance sheet, representing the excess of the purchase price over the net assets within the acquired company on the transaction date. The balance of goodwill should then be assessed for impairment at each balance sheet date going forwards. The detailed accounting adjustments are set out in Appendix B. The total adjustment is not material.	We have tested the basis of the goodwill adjustment with reference to the report of management's independent valuation specialist. We have tested the adjustment is made appropriately. In summary, the adjustment required was to recognise £7.806m of intangible assets on group balance sheet as at 31 March 2020, with a corresponding credit to group unusable reserves. We have no further matters to report in relation to this adjustment.
Consolidation – Tom White Waste (Group Accounts only)	We noted that no income or expenditure had been consolidated in relation to Tom White Waste. The Council responded: "Acquisition was on 5th March 2020 so conscious decision not to include 25/26 days of trading as it would not add any value to the accounts. Same approach has been taken with related party transactions" From review of the Council's working papers, pro rated I&E values are: Sales & other income: £14.6m x (26/365) = £1m Cost of Sales + Expenses: £13.7m x (26/325) = £0.98m	As such we agree there is no material impact of non consolidation, but we have recorded this as unadjusted error.
CSWDC- Code valuation of plant (Group Accounts only)	We noted that a Code revaluation had been obtained as at 1st April 2019, but this has not been accounted for by the Council, who are recognising the value based on a 2014 Code valuation. We informed the Council of the updated valuation, and they made the following amendments, which we have reviewed and agree with: Cr Investment in Associates and Joint Ventures £1.956m (18/19: £2.746m) Dr Unusable reserves £1.956m (18/19: £2.746m)	The Council has adjusted for these errors in the group accounts.
Accounting for goodwill on the acquisition of Coombe Abbey Park Limited (Group Accounts only)	When revisiting previous accounting treatment, management noted that there was a goodwill element that had not been recognized (3.6m) which has now been adjusted for. The engagement team have reviewed the calculation of goodwill & also challenged management regarding lack of subsequent impairment of balance. The engagement team are in agreement that no impairment of goodwill is required at this stage.	The goodwill is now appropriately reflected on group balance sheet.

4. Financial statements - Significant findings arising from the group audit

Issue	Commentary	Auditor view
Intragroup eliminations incorrect (Group Accounts only)	CAPL- when revisiting previous accounting treatment, management noted that some of the intragroup eliminations required adjusting between the Council and company. Consolidation adjustments were made to long term debtors £4.2m (18/19 closing: £4.6m, opening: £4.5m), intragroup costs £1.1m (18/19 £1.9m), the loss on revaluation of the investment in the company £4.0m, and short-term debtors in 2018/19: £1.3m. UKBIC- elimination of intragroup expenditure previously consolidated. The expenditure incurred by the company was originally consolidated as group expenditure. This related to capital spend which is now carried on the group balance sheet. An adjustment of £6.8m was required to the group CIES to remove the cost. Intragroup dividends from CSWDC and CAPL were not eliminated on consolidation in 2018/19, an adjustment of £7.5m was required to group CIES.	Management have made the appropriate adjustments
Gains/Losses on revaluation of financial instruments incorrectly presented (Group Accounts only)	Tom White Waste- acquisition costs of £10.7m were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted Friargate JVPL- acquisition costs of £10.5m in 2018/19 were incorrectly netting down the gain/loss on revaluations of investments. Management have adjusted.	Management have made the appropriate adjustments
UKBIC- Alignment of group accounting policies	The Council adopts the policy to write down the costs of intangible software assets in year of purchase rather than carry them on balance sheet. The group balance sheet should be prepared on the same basis. An adjustment to write out the intangible assets of £1.7m was required.	Management have made the appropriate adjustments
Share of other comprehensive income of joint ventures- (Group Accounts only)	Given the numerous amendments to group entries, the share was recalculated and a decrease of £8.2m was adjusted for on group CIES (£3.0m in 2018/19).	Management have made the appropriate adjustments
Group reserves – useable and non useable reserves (Group Accounts only)	Group Reserves- We identified that the Council had not split the reserves from its group companies between useable and unusable. Rather it had classed all of the reserves as unusable. The Council has now reviewed its group reserves and reallocated them between useable and unusable. The balance of usable reserves was £16.4m at 31 March 2020; £7.0m at 31 March 2019 and £5.6m at 1 April 2018. These revised balances taken account of other movements in the council and group accounts.	The group reserves are now appropriately presented.

Additional disclosure changes have been made to the group accounts including the MiRS, Cashflow and group disclosure notes as scheduled in the Appendix B to this report.

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Property, Plant and Equipment **Land and Buildings – Other - £486.1m** **VPE £10.3m** **Community assets £15.2m** **Surplus assets £9.4m** **Assets Under Construction £143.8m**	Other land and buildings comprises £486m of other land and buildings. This comprises of buildings such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its internal valuation team to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 61% of total assets were revalued during 2019/20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.2.	**Introduction** The net book value of property, plant and equipment (including infrastructure) has increased from £905.2m to £990.6m (from the draft accounts). The value as at 31 March 2019 has increased from £861.3m to £900.5m due to Prior Period Adjustments. A third balance sheet has been included in the financial statements to reflect these changes as at 1 April 2018. This is caused by a number of factors including errors in the valuation of land and property and corrections in the accounting for UKBIC. These are discussed below. We note that Infrastructure assets are now shown separately in Note 3.15. These assets are shown net and no longer include gross values and depreciation. This is in accordance with national guidance (see page 35). Gross values and depreciation have also been adjusted by £380m to ensure that note 3.15 reconciles to the Council's records. This is explained on page 30. **Findings** Revaluation of Land and Buildings is undertaken within a 5-year rolling programme and is undertaken by qualified Council staff in accordance with the "Royal Institute of Chartered Surveyors Appraisal and Valuation Manual". The valuer will also undertake a review 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. We have carried out a reasonable check of all other land and building asset valuations carried to Gerald Eve market indexation rates for the year and we are satisfied that the carrying amounts shown in the balance sheet are not materially misstated. We have challenged the asset valuations as part of our audit testing strategy. **Commentary re valuation uncertainty** During our initial testing we identified that: • PPE valuation material uncertainties – the valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of land, buildings and investment property • Pensions PPE valuation – as above the Pension funds valuer has indicated that due to Covid-19 that there are uncertainties in the accuracy of their valuation of investment property . Our anticipated audit report opinion will be unqualified. However, we propose that our audit report will include a commentary highlighting the material uncertainties in asset valuations stated in your accounts due to the Covid 19 pandemic. This will draw attention to this issue and is not a qualification of our audit opinion.	● Significant errors have been identified in current and prior year valuations

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy / Auditor commentary	Assessment
Property, Plant and Equipment **Land and Buildings – Other - £486m** **VPE £10.3m** **Community assets £15.2m** **Surplus assets £9.4m** **Assets Under Construction £143m**	**Initial testing** Our initial audit work noted a number of adjustments required for both 2019/20 valuations and 2018/19 valuations (which has resulted in a prior period adjustment). The key areas where we found errors include • Valuation of a number of school assets where there have been a number of input errors in the valuation model. This increased the value of assets by £11.1m and increased Other Comprehensive Income by £5.6m and reduced revaluation losses by £5.5m (2018/19: £13.5m increase in assets and CIES) • Land valuations which included double counting of stamp duty in their valuation. The errors reduced the value of assets by £2.4m and reduced other comprehensive income by £1.1m and increased revaluation losses by £1.3m • Community Assets- Our testing of community assets identified that University Square (£1.2m) is not owned by the Council but is recorded on its balance sheet. • An asset leased on a finance lease had not been derecognised from the asset register in the correct year (impact: decrease in PPE 2018/19 £1.2m); • various other individually trivial amendments (impact: decrease in PPE PY £1.4m). The Council made both current year and prior period adjustments in relation to the above which resulted in: the 18/19 accounts being restated to reflect an increase in investment property £9.2m and a net increase in PPE 11.0m; and the 19/20 accounts being adjusted for a net increase in PPE of £7.5m. The community asset error £1.2m was adjusted in year 2019/20 rather than 2018/19. Given it is the only error affecting that asset class and is not material it is appropriate for the Council not to make a prior period adjustment. It is recorded as an unadjusted misstatement for 2018/19 in appendix B. **Additional testing** Following our initial audit we revised our audit strategy and carried out additional testing with regard to the valuation of property and land and with regard to the Council's approach. Our findings are set out over the following pages. We identified a number of material issues. These are set out over the following pages.	● Significant errors have been identified in current and prior year valuations

5. Significant findings – key estimates and judgements

Property, plant, and equipment

Issue	Commentary	Auditor view
Valuation of land assets earmarked for housing development and prior period adjustment (Group Accounts)	Coombe Abbey Group valuation - The Council were previously consolidating the Coombe Abbey hotel asset into its group balance sheet as an investment property.	For the group, the hotel does not meet the criteria set out in the Code to be held and valued as an investment property, since it is not held for the sole purpose of either generating rental income or capital appreciation. In addition, the Council identified further lease improvement assets held by the company, but not reflected on group balance sheet. A material adjustment was required to the classification and valuation of the assets as operational properties on the group balance sheet. In summary the accounts were adjusted as follows: other land and buildings increased by £28.2m at 1.4.18; £28.7m at 31.3.19 and £29.3m at 31.3.20; investment property was derecognised by £7.035m at 1.4.18, £7.333m at 31.3.19 and £7.8m at 31.3.20.
Accounting for gains and losses on asset derecognitions and prior period adjustment (Council and Group Accounts)	Gains and losses on asset derecognitions had been charged to the net cost of services which is contrary to the CIPFA Code of Practice which instead requires the charge to be accounted for as 'other operating expenditure' on the CIES. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We have tested the adjustment corrects the previous error and evaluated the prior period adjustment disclosure to ensure it meets the requirements of IAS 8 In summary, the changes required were a movement of £13.602m from net cost of services to other operating expenditure in 19/20, and of £17.598m in 18/19. We have no further matters to report in relation to this adjustment.
Accounting for property, plant and equipment derecognitions and prior period adjustment (Council and Group Accounts)	When an item of property plant & equipment is derecognised, the gross cost and gross accumulated depreciation balances associated with that asset should be reversed. Previously the Council had made the adjustment to gross cost only, meaning the gross cost and gross accumulated depreciation balances for other land and buildings and infrastructure assets brought and carried forward were overstated by a material amount. The error does not impact the net book value of affected assets, and therefore there is no correction to the balance sheet. As the issue affected prior periods by a material amount, corrections were posted through a prior period adjustment. The detailed accounting adjustments are set out in Appendix B.	We have tested the adjustment corrects the previous error and evaluated the prior period adjustment disclosure to ensure it meets the requirements of IAS 8 In summary the cumulative adjustments led to a reduction in the gross cost and depreciation c/f at 31/3/20 of: £19.7m for infrastructure assets; and £9.2m for other land and buildings. Note that following the temporary relief afforded by an update to the Codes relating to infrastructure (set out later on page 35), gross amounts are no longer required to be reported for infrastructure assets, consequently the impact of the infrastructure adjustment set out above is not presented in the final accounts. We have no further matters to report in relation to this adjustment.

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5. Significant findings – key estimates and judgements

Property, plant, and equipment

Issue	Commentary	Auditor view
Accounting for historic cost depreciation	It was noted during the audit that accumulated depreciation was significantly higher than expectations, given the regularity of revaluation on PPE. Upon further investigation by the Council, a historic error dating back to the implementation of the Business World system (Agresso) in 2011/12 was identified where downward revaluation on PPE assets had been improperly accounted for. The accounting at the time treated the movements as impairments by decreasing the net book value of the assets through accelerated depreciation, opposed to reducing the gross book value of the assets. However, with the fixed asset register these were treated as a revaluation and the gross book value of assets and depreciation were reduced. The resulting impact of this was a difference between the FAR and the Council's accounts. The difference in 2019/20 is a c.£380m equal and opposite overstatement in both gross book value and accumulated depreciation. This error had been rolled forwards from the 2011/12 financial period so a PPA for a similar value was also required to correct the error.	We have discussed this with the Council, and it is not possible to determine what the appropriate treatment was in 2011/12 (as records are not available. We have therefore agreed that it is appropriate to restate the financial statements to reflect the fixed asset register. This results in a c£380m adjustment to both gross asset values and gross depreciation. A PPA has also been actioned for this matter.
Valuation of assets being disposed of	Fairfax Leisure Centre was a Leisure Centre situated in central Coventry, open for public use until closure in February 2020 where services were replaced by a new asset: The Wave. Until 2020/21, the asset was held within Other Land & Buildings, valued using Depreciated Replacement Cost methodology with a net book value of c.£18m at 31 March 2020. Following the closure of the centre to members of the public, the asset was re-categorised as a Surplus Asset in 2020/21 by the Council and was placed on the market for lease or sale.	Following challenge by the engagement team, it was identified that the Council had not appropriately accounted for the impact of the decision to close and the actual subsequent closure in the financial statements. The main impact of this was a significantly shorter remaining useful life of the asset at 31 March 2020. The asset was revalued by the Council's external valuer using an accurate reflection of the remaining useful life resulting in a reduction in value of £16.9m at 1 April 2018 £16.2m at 31 March 2019 & £17.6m at 31 March 2020.
Assets Valued under an "Insurance Rebuild" DRC Basis	During audit work performed around the valuation of Fairfax Leisure Centre, it was identified that the leisure centre had been previously valued using an insurance rebuild approach at 1 January 2018. An insurance rebuild valuation includes all costs to rebuild the existing facility, including a return for risk as well as full demolition which is not consistent with RICS guidance pertaining to Depreciated Replacement Cost valuations. The council identified a further 10 assets which had also been valued under this methodology with a combined total NBV of £57m at 31 March 2020.	These assets have subsequently been revalued in line with RICS guidance resulting in an upwards revaluation adjustments of: Prior period adjustment to the opening balance at 1 April 2018 of £10.6m, Prior period adjustment to the closing balance at 31 March 2019 of £11.6m, and an adjustment to the closing balance at 31 March 2020 of £12.1m.

5. Significant findings – key estimates and judgements

Property, plant, and equipment

Issue	Commentary	Auditor view
Changes in Valuation Methodology	The Council engaged an external valuer, Wilks, Head & Eve, to perform PPE valuations in the year ended 31 March 2021, succeeding from the internal valuers at the Council in previous financial years. The external valuers highlighted five assets where they opted to value using a DRC approach deeming the assets as specialist, i.e. where there may not be an accurate market value. Upon review of previous valuations of these assets, it was identified that the assets had been valued using rateable values of the property as a proxy in lieu of market rents.	The engagement team deemed that this was not an appropriate approach to valuation of assets. The assets were subsequently revalued by Wilks, Head & Eve resulting in upwards revaluation adjustments of: Prior period adjustment to the opening balance at 1 April 2018 of £6.5m, prior period adjustment to the opening balance at 31 March 2019 of £6.5m, and adjustment to the closing balance at 31 March 2020 of £6.3m.
Errors in Other Asset Valuations	There were errors noted on 5 non-operational property assets following a review of valuation movements from 2019/20 compared with 2020/21. These errors related to: Inaccurate lease data used within the valuation, Incomplete site size / not all units included in the valuation, Incorrect reversionary rents used by the valuers.	The total impact of these errors was £2.6m in 2018/19 plus an upwards movement of c.£1.9m in 2019/20.
Arena Hotel Land	Land adjacent to the Coventry Arena had not been valued in 2019/20 due to the asset merging in the QUBE property system. As such, the asset was significantly undervalued in the financial statements. The Council revalued the asset using the correct inputs at 2019/20.	The total impact of these errors at 31 March 2018 and 31 March 2019 £3.8m.

5. Significant findings – key estimates and judgements

Property, plant, and equipment

Summary

We have set out below the key changes arising from the commentary in the previous pages. The following amendments have been made:

- Property, Plant and Equipment – 31 March 2020 increased from £905.2m to £990.6m. (+£85.4m) This comprised of:
  - Other land and buildings –increased from £476.6m to £486.1m (+£9.5m)
  - Community assets- decreased from £16.3m to £15.1m (-£1.2m)
  - Surplus assets increased from £5.6m to £9.4m (+£3.8m)
  - Assets under construction –increased from £83.5m to £143.8m (+£60.3m – UKBIC adjustment per page 21)
  - Infrastructure assets –increased from £312.9m to £325.8m. (+£12.9m - detailed on page 35)

- Property, Plant and Equipment – 31 March 2019 increased from £861.3m to £900.5m. (+£39.2m) This comprised of:
  - Other land and buildings –increased from £441.6m to £454.2m (+£12.6m)
  - Surplus assets increased from £3.3m to £7.1m (+£3.8m)
  - Assets under construction –increased from £80.5m to £103.0m (+£22.5m – UKBIC adjustment per page 21)

The areas detailed above have now been amended for by the Council. However, we do not consider that the Council's arrangements for the valuation of and the accounting for its property were fit for purpose. We have made recommendations with regard to the improvements needed.

5. Significant findings – key estimates and judgements

<table>
<tr><th>Accounting area</th><th>Summary of management's policy</th><th>Auditor commentary</th><th>Assessment</th></tr>
<tr><td>Investment Properties- £292m

Investment assets - £11m AUC</td><td>The Council holds a range of investment properties which comprise of commercial, office units, agriculture, residential and other assets.

The assets are included in the balance sheet are at fair value, of which the 50 with the highest values are valued annually and the remainder at least every 3 years.

For Investment Property, valuations decrease are recognised in Surplus or Deficit on the Provision of Services.</td><td>The Investment Property valuation increased by the following amounts from the draft to final accounts:
- Net Book value 31 March 2019 – increased from £176.3m in draft accounts to £276.7m
- Net book value 31 March 2020 – increase from £192.7m in draft accounts to £291.1m
- AUC 31 March 2019 – decrease from £38.9m in draft accounts to £10.4m
- AUC 31 March 2020 – decrease from £29.4m in draft accounts to £11.2m.

The increase in the NBV of investment properties is primarily due to:
- Management identified a number of material valuation issues with the valuation of land. The changes have led to an increase in the investment property balance brought forward as at 1/4/2019 of £92.8m, and an in-year upward fair value adjustment of £5.8m, meaning the Council now recognises £98.6m of investment properties previously held at nil or low value.
- Our audit testing identified for 2018/19 valuations the valuers had deducted acquisition costs from the valuation which is contrary to RICS and CIPFA Code requirements. Both current and prior year accounts have been adjusted for this matter – see Appendix B for full details. As a result, the Council has made current and prior period adjustments which will result in the increase of Investment Properties by £9.2m.

The reduction in the AUC balance held in investment properties is due to:
- The movement in assets under construction reflects a reclassification of £28.5m from investment property AUC to PPE AUC in 2018/19 and the same reclassification in 2019/20 of balance £18.2m and a reversal of a fair value loss of £42.2m – total £60.3m reclassified to operational AUC as per previous page . This reflects a reclassification of UKBIC properties from investment property to operational properties. This adjustment was made as at 31 March 2019 and 31 March 2020

Valuation

The Council have revalued over 80% of the their total asset base. We consider that all Investment Properties should be revalued annually.

The remaining assets that have not been revalued by the Council have been subject to a review to ensure that here have been no material changes to their value in accordance with IAS 40 and the CIPFA Code. We identified that due to changes in lease values that investment property was undervalued by £4.5m (£2.6m in 2018/19). We are satisfied that the valuation of these assets means that the remaining assets which have not been revalued will not result in a material misstatement. However, we remain of the view that the Council should value all of its investment portfolio annually.

Commentary on valuation uncertainty

As noted on page 3 there is a material uncertainty in the valuers report as a result of RICS guidance which has raised a valuation alert in relation to Coivd-19 which the Council have disclosed in the material uncertainties note in their financial statement. As a result we will include a commentary on this matter in our audit opinion.

<u>Control deficiency</u>

In prior audit findings reports we recommended that management should regularly reconcile the asset register with estate records held by the property team. We extend this recommendation to include a regular review of all relevant Local Plans identified as having an impact on local areas in which the Council owns land, and ensure this is considered in the valuation of affected land assets.</td><td>●
As not all properties are revalued annually, and errors have been identified in prior year valuations</td></tr>
</table>

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for Business Rate Appeals - £14.7m	The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2019/20 and earlier financial years although the amount and timing of future payments are uncertain. The provision has increased by £6.2m from the prior year.	The Business Rates provision has increased in 2019/20. In our report to member in December 2020 we reported that: 'To date the Council has only had a low level of appeals against the 2017 valuation listing. There has been a £7.8m net reduction in liability between initial billing and the position as at 31/3/20 for years relevant to the 2017 valuation listing. In forming its estimate the Council has used its claims history dating back to 2007-08. In forming its estimate the Council has used its history of liability movements during the previous revaluation cycle (2010 to 2017). We note that the average appeals rate from 2007-08 was 6%. We note that the average liability movement between 2010 to 2017 was 4.8%. This compares to an average appeals rate of 4% between 2013-14 to 2016-17. We estimate that if the Council used the lower rate that the provision would be c.£7.5m and £2.9m less. While this is not material it is significant and the Council should keep this provision under review. We have asked the Council to expand their disclosure of provisions to add further details on their provision process and to explain their judgements why these are provisions and not contingent liabilities. We note that the Council does not use an external expert to verify its estimate. The Council may wish to consider the use of an expert to support its estimate. However, we note that the Council's estimate is prudent.' We have made additional enquiries of management in April 2023 and management confirmed that: ' The analysis of the Business Rates appeals provision was last updated at the end of November 2022, in order to inform 2023/24 budget setting. At that point in time there had been a total of £9.4m of Business Rates liability reductions, relating to bill years up to and including 2019/20, chargeable against the £14.7m provision, representing 63% of the total. It can take several years for Business Rates liability reductions to crystalise, and the remainder of the provision is being maintained to cover future anticipated reductions. Based on the pattern of historical liability reductions it is anticipated that all of the original £14.7m provision will be utilised.' The Council have confirmed that as at April 2023 a total of £9.4m of the provision has been utilised. We have reviewed the provision and estimate that it is overstated by c£2.9m. We have included this as an unadjusted error.	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

5. Significant findings – key estimates and judgements

Infrastructure Assets

Risks identified in our Audit Plan	Commentary
Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note Risk relates to the Council only Infrastructure assets includes roads, highways and streetlighting. As at 31 March 2020, the net book value of infrastructure assets was £325m which is a significant multiple of materiality. This is an increase from the £312.9m presented in the draft accounts. In accordance with the LG Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: 1.The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. 2.The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced. For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.	We have: •Reconciled the Fixed Asset Register to the Financial statements •Using our own point estimate, considered the reasonableness of depreciation charge to Infrastructure assets •Obtained assurance that the Useful Economic Lives (UEL) applied to Infrastructure assets is reasonable •Documented our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated The Council has previously derecognised Infrastructure assets on replacement according to their best estimate. This estimate however is based on incomplete historical records and is therefore unreliable. This is a national issue and, as set out on page 4, the Department for Levelling Up, Housing & Communities (DLUHC) has drawn up a Statutory Instrument which came into force on 25 December 2022. It therefore is hoped that this Statutory Instrument, together with updates to the CIPFA Code, will resolve the majority of the ongoing audit challenges related to infrastructure asset balances. **Audit findings** The Council increased the value of infrastructure by £12.9m from the draft accounts (from £312.9m to £325.8m). This was due to application of the statutory overrides in respect of derecognitions. The Council had previously made best attempt at estimating how much of the spend on infrastructure was replacement spend as opposed to new additions. We found the estimate was unreliable due to the inadequacy of historical records. The Council therefore reversed the estimated in-year derecognitions in line with the override. The Council are applying the statutory overrides re not applying PPAs to b/fwd balances and in assuming replaced components have a £0 value. We have reconciled the financial statements to underlying financial records. Underlying records of expenditure have been audited in prior years and are sufficiently categorised to apply differential rates of depreciation. However, there is little detail to support the expenditure or to link the expenditure to particular assets. The Council have applied the statutory instrument in determining that no prior period adjustment is needed to the b/fwd balances. We have reviewed depreciation and UELs. The Council have depreciated its assets on a 40 year straight line basis. This gives depreciation of £9.3m. We note this includes land depreciation £2.9m. Re the 40 year asset basis we have considered the impact if asset lives closer to the Cipfa range were applied. Current depreciation on comparable assets excluding land is c£5.5m. If the lower end of the Cipfa range was applied across all categories the depreciation would be £8.7m. If the higher end of the range was applied the depreciation would be £6.2m. The Council is slightly outside of our acceptable range c£0.7m. We have reported this as an unadjusted error. Re land depreciation (In year) - the £2.9m charge in the current year is incorrect and we have reported this as an unadjusted error. Re land depreciation (prior year) - we note that the Council have charged £60m of depreciation in the prior years. We have reviewed the records with regard to land in infrastructure and they are incomplete. We also note that the SI does not require the council to undertake a PPA. We have discussed this with the Council and they have declined to put through a PPA. We have also discussed whether there is sufficient evidence to correct the error in 2019/20 but there are no land records available. As such we have conclude that it is inappropriate to restate the land figure as the Council cannot provide detail records that would support a restated asset. We also note that the Council have opted not to put through a PPA as allowed by the Statutory Instrument. We have therefore not recorded this as an error. The Council have opted to follow the revised disclosure requirements allowed by the revised code of practice and is showing infrastructure assets as net book value, ie it has removed all gross book value and gross depreciation values. It has also added a disclosure setting out its application of the revised code. We are satisfied that the infrastructure balance and disclosures are in accordance with that statutory instrument and revised Cipfa Code.

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £573m	The Council's net pension liability at 31 March 2020 is £573m (PY £554m) comprising the West Midlands Pension Fund, and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham. to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The Council's actuary disclosed a material uncertainty in the valuation of the Council's pension fund liability at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5.2 The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy ,discount rates ,salary growth and investment return .Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £59m net actuarial loss during 2019/20.	See below	●

- Barnett Waddingham, an external actuary firm, provide actuarial advice to the Council via the West Midlands Pension Fund. As such, this involves providing the Council with an actuarial valuation of the pension expense calculations. The scope of the work is to undertake pension expense calculations, as instructed by the Administering Council, for the Council, for the purposes of complying with IAS 19 (Employee Benefits) for the accounting period.
- PwC are employed by the NAO on behalf of external audit suppliers to local government to provide support to auditors when assessing the competence and objectivity of actuaries producing IAS 19 figures in respect of the Local Government Pension Scheme (LGPS). Barnett Waddington have carried out a roll forward approach from previous actuarial valuation to allocate assets and liabilities between employers at a triennial valuation.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.35	2.35	●
Pension increase rate	1.90	1.85 to 1.95	●
Salary growth	2.90	2.85 to 2.95	●
Life expectancy – Males currently aged 45 / 65	23.8	22.8 to 24.7	●
Life expectancy – Females currently aged 45 / 65	26.0	25.2 to 26.2	●

- The auditor of West Midlands Pension Fund has reported an emphasis of matter in their audit opinion as result of material uncertainty over valuations reported by the pension fund on level 3 investments. Given Coventry City Council's share in the asset base of the pension fund we have agreed with the Council that they will include a material uncertainty in regards to this in their financial statements and we will include a commentary on this matter in our audit opinion.

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

5. Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Long term investments	The Council have disclosed a number of financial instruments including collective investment funds, long term debtors, and shareholdings in unlisted companies Birmingham Airport Holdings Ltd Coventry Solihull Waste Disposal Company Coombe Abbey Park Ltd, Friargate Joint Venture Project Limited North Coventry Holdings Limited Coventry North Regeneration University of Warwick Science Park Innovation Centre Ltd UK Battery Industrialisation Centre Limited Tom White Waste Ltd These financial instruments are not traded on an open exchange/market and the valuation of the investment is subjective.	• Financial Instruments except for those at amortised costs, are carried on the Balance Sheet at fair value. For most of these assets this is based on the market price. • Our audit testing has confirmed that the classification of investments at either level 2 or 3 are in line with our expectations and the Council have correctly applied the fair value hierarchy assumptions when making these decisions. • The Council have appropriately relied on the valuations carried out by their treasury advisors, Arlingclose, and other experts when disclosing these amounts in the financial statements. • As in prior years we have engaged our specialist internal valuation team to look at the valuation of Coventry Solihull Waste Disposal Company and Birmingham Airport Holdings Ltd and Coombe Abbey Park Ltd. They have provided the audit team with assurances that the valuation of these investments are not materially misstated in the Council's financial statements. • Our detailed findings are set out on page 38.	
Financial liabilities held at amortised cost	Other local Authorities Fair Value of debt as at 31 March 2020	• We noted an error in the disclosure of the fair value of borrowings held with other local authorities which has resulted an increase in the fair value by £22m (from £50.979m to £70.077m. The Council have adjusted the financial instruments note to reflect the correct value.	

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5. Significant findings – Investments

Accounting area	Auditor commentary	Assessment
Investment valuation – Birmingham Airport	- We note that the Council has an investment in Birmingham Airport. The trading conditions for the Airport are uncertain and we note that the valuation of the Council's investment reduced from £29.3m in 2018/19 to £17.9m in 2019/20. We note that the investment has now recovered its previous 2018/19 value with the latest valuation as at 31 March 2023 reporting £33m. . The Council alongside the other 6 West Midlands authorities stated in 2020 its intention to engage in discussion with the Airport with regards to providing tangible support to the Airport should this be required. No investment was subsequently made. Also, while the Council put in place a cashflow loan arrangement (to ensure that financial covenants were not breached) these were ultimately not required. The Council have made additional disclosure on these matters in note 3.36 to the accounts.	
Investment valuation- Tom White Waste	Tom White Waste- IFRS valuation of land & buildings. The Council did not instruct a valuation as at the balance sheet date. We requested a valuation but this was declined. The Council have held the investment in their accounts as £14.6m in line with the purchase cost of the shareholding. The carrying value of the assets in the accounts is £6.3m for the company. This is as per the company's balance sheet. We obtained the BDO valuation report which states "2.38 We have assumed that the market value of the freehold land and buildings is not substantially different from the carrying value recorded in the accounts of TWW." We consider that this does not provide assurance over the fair value of the land and buildings as the TWW accounts carry the balance at depreciated historical cost. We therefore consulted with our own valuation expert who concluded that the valuation was unlikely to be materially misstated. We consider that the Council should revalue these assets on an annual basis.	
Investment valuation- UKBIC	The Council has valued the UK BIC as £nil in its long term investments. We have sought our own valuation advice for the company and this has confirmed that the valuation is appropriate.	
Investment valuation- Friargate JVPL	Friargate Joint Venture Partnership Limited - The Council have a 50 per cent share in this partnership but did not request a valuation of the company as at the balance sheet date. We requested a valuation was completed but this was declined. The value of the company is mainly its land value. This is £20.3m accounted for at depreciated historical cost on the company's balance sheet. The Saville's valuation report was obtained and included a freehold value of the land of £20m in December 2017. We applied the Residential Development Land Index which shows a 0.4% reduction over the period. This equates to £20m x 0.4% = £80k a trivial movement. As land is the only significant element of the company valuation we are satisfied that we have assurance that the valuation has not moved materially and therefore the carrying value of the long term investment is also appropriate. We consider that the Council should revalue these assets on an annual basis	
Investment valuation- Coombe Abbey Park	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. We have noted that the subsidiary was operating at significant losses of £354,000 up to the year ending 31 March 2020. The impact of Covid-19 has had a significant impact on the trading of the subsidiary. The fair value of the investment was calculated to be £11.4m in 2018/19. An updated valuation exercise in 2020 has reduced the valuation to £7.4m. The Council have used BDO to carry out the valuation.	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

5. Significant findings – Other matters

Accounting area	Auditor commentary	Assessment
Expenditure	The Council applies a £5,000 threshold for its consideration of accruals. We identified 3 expenditure items below the threshold of £5,000 that had been posted to periods 1,4 & 7 of 2019/20 when they related to 2018/19 expenditure. We are satisfied that the Council have applied it de minimis policy, however, on the basis of the sample tested we identified an extrapolated error of c.£5m, ie this is the value of expenditure excluded from the Council's 2019/20 expenditure. While this is not material the Council should note the potential impact of its accruals de minimis policy.	
Credit loss allowances	We reviewed the credit loss allowance with regard to other debtors. This comprised £11.2m for local taxation and £14.0m for all other bodies. The Council provided an update on the latest position in April 2023 and noted that £1.4m had been released from the local taxation position and that the Housing Benefit provision is slightly overstated c£1.2m. No significant changes have been made to the other provisions.	
Disposals	The Council derecognised a waste reduction asset (£1.152m) in year. This asset should have been derecognised several years ago due to being let on a finance lease but was only derecognised in 2019/20. We reviewed leases for other similar items and identified there were no other leases which should have been derecognised in the year. 2018/19 was adjusted for this issue as part of the wider PPE prior period adjustment as referenced on page 28 and in appendix B.	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

6. Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process Management have carried out a written assessment which confirms: • The Council have taken into account the impact of Covid-19 and other events in their assessment of Going Concern are satisfied that there is no material uncertainty to cast significant doubt on the Council’s ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date. • There assessment carried out in regards to estimations of budgets and the adequacy of reserves and therefore monitor any risks over going concern. • Review of going concern considerations of the subsidiaries of the Council	**Auditor commentary** CIPFA Code of Practice 2019/20 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future". The presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as: - announcement to wind up the Council - failure to set a balanced budget - external assessment concludes unsustainable - financial plans show unable to meet obligations for foreseeable future - significant doubts over forward financial planning arrangements. The impact of the Covid-19 pandemic for the year ending 31 March 2020 had a modest impact on the Council’s operations both in terms of expenditure and income and its overall finances. However, as noted by the Council the impact of Covid-19 had a significant impact on the Council’s finances in 2020/21 and 2021/22. The Council received significant levels of grant funding in both of these years. We note that for 2020/21 the Council achieved a balanced revenue position after £9.2m was set aside in, Capital Programme expenditure of £194.2m, and an increase in the level of available Council revenue reserves from £90m to £123m. Similarly for 2021/22 the Council achieved a balanced revenue position, incurred capital expenditure of £189.5m, and increased available revenue reserves from £123m to £140m. For 2022/23 the revenue forecast is for net expenditure to be £8.5m over budget. This is containable in available reserves. For 2023/24 the Council set a Gross budgeted spend of £812m (£63m or 8% higher than 2022/23). The Council are satisfied that there are sufficient general fund reserves in place to meet any necessary contributions to delivery services in 2023-24.
Work performed Detail audit work performed on management’s assessment	**Auditor commentary** Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption. We have reviewed the estimates and assumptions made in the medium term financial plan and have deemed these to be reasonable and in line with the environment the Council work in. The Council have built in the impact of Covid- 19 into their planning which anticipates overspends on their budgets. However, given the reserves the Council has in place they will be able to draw down from reserves if required to mitigate any funding gaps in the short term. We have reviewed the work completed on Going Concern of the component auditors for Coventry and Solihull Waste Disposal Company and Tom White Waste and have not noted any material uncertainty. We have reviewed the work completed on Going Concern of the component auditor of Coombe Abbey Limited and have noted that there are concerns over the entity operating as a going concern. However, we are satisfied for the Group this does not result into a material uncertainty.
Concluding comments	**Auditor commentary** We are satisfied that there is no material uncertainty in the operations of the Council and its group which would effect their ability to operate as a going concern.

7. Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Audit and Procurement Committee and have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Group and Council. We have requested the following representations from the Council: • 'The prior period adjustments disclosed in Note 3.39 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention. We are satisfied that the opening balance position of restatement of 1 April 2018 is free from material misstatement. • We have completed a review of the accounting treatment of UKBIC and its consolidation in the group accounts and are satisfied that the position is shown is free from material misstatement. • We are satisfied that land and property has been appropriately classified and has been valued on an appropriate basis in compliance with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice on local authority accounting 2019-20. • We are satisfied that the valuation of Coombe Abbey in the group accounts complies with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice on local authority accounting 2019-20. • We have not completed the revaluation of all all investment properties as required by IAS 40, however, we are satisfied that our approach to valuation means that those assets not valued in year are free from material misstatement.'
Confirmation requests from third parties	• We requested from management permission to send confirmation request to banks and other bodies to confirm cash, borrowings and investment holdings. This permission was granted and the requests were sent and we have received all confirmations required.
Disclosures	• Our review found no material omissions in the financial statements, although we have worked with the Council to enhance some disclosures including the need for Prior Period Adjustments.
Audit evidence and explanations/significant difficulties	• All information and explanations requested from management were provided. • The draft financial statements were timely but the financial statements contained material errors. We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The resolution of these matters has taken a considerable amount of time and a significant level of additional resource from both ourselves and the Council. Enhanced quality control procedures will be needed by the Council in areas such as asset valuation and accounting, and group reporting will be needed if we are to avoid similar delays in the future.

8. Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception: If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties The Council has updated its AGS to reflect the delay in the 2019/20 accounts. We considered the use of our statutory powers due to the delay in the 2019/20 financial statements. Officers have set out a clear plan to ensure that the outstanding accounts for future years are completed in as timely a manner as possible. As such we have determined that it is not necessary to utilise our statutory powers. We will monitor the implementation of the plan and will consider at future audits whether we need to utilise our statutory powers. As such, we have nothing to report on these matters.
Specified procedures for Whole of Government Accounts (WGA)	Due to the extended time needed to complete the audit we are no longer required to undertake WGA procedures.
Certification of the closure of the audit	Our audit is complete and our intention is to issue the audit certificate alongside the audit opinion.

9. Value for Money

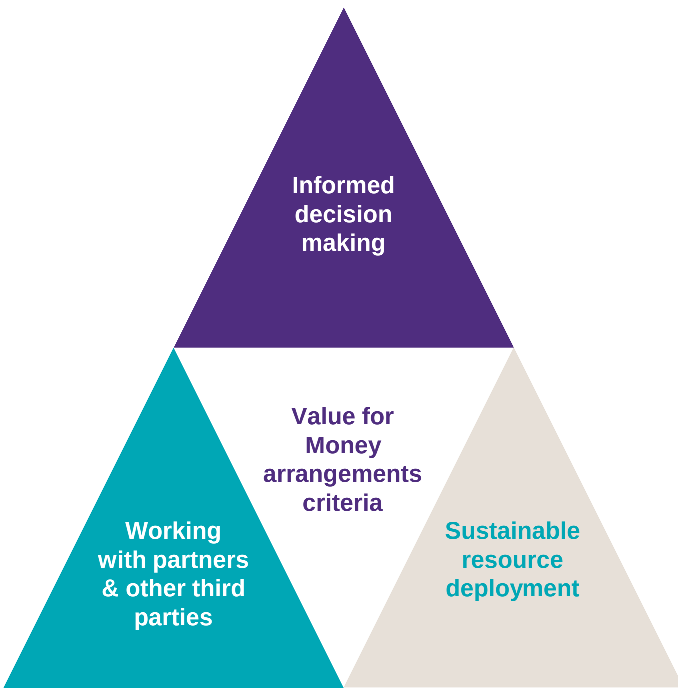
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 27 January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have identified a significant risk with regard to the preparation and quality of the Council’s financial statements. Our findings are documented in the following sections of this report.

We have not identified any new VfM risks in relation to Covid-19 given these areas were covered in our risks relation to the Medium Term Financial Sustainability and the Delivery of the Capital programme. We also considered the timing of Covid-19 and concluded that this did not have a material impact on the Council’s delivery of 2019/20.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council’s capital outturn in 2019/20 against its budget
- the Council’s arrangements to monitor capital expenditure, including slippage of capital expenditure and the impact of underspends
- the Council’s capital programme for 2020/21 and its outturn as at quarter 1 and 2
- the Council’s funding profile for its capital programme
- the Council’s financial outturn for 2019/20 against its budget
- the Council’s current financial position as reported in the 2020/21 quarter 1 and 2 monitoring reports
- the Council’s financial modelling for the medium term and scenario planning.

In addition, we have consider the difficulties with and the extended time taken to complete the Council’s financial statement audit.

9 Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk - Delivering the Capital Programme

Audit Findings

The Council had an ambitious capital strategy with planned expenditure from 2019/20 to 2024/25 of approximately £940m. Given the scale of capital expenditure we have reviewed the arrangements the Council has in place to monitor the capital programme. The main controls in place include budgetary control measures and attendance of capital accountants at project delivery meetings to assess and give their view on the financial impact and progress of projects. The budget position is reported on a quarterly basis to members, which explains any slippage and budget variances.

The final capital budget for 2019/20 was £235.1m. The Council have expended £215.9m and therefore rescheduled £19.2m into 2020/21. The main capital projects which have had slippage are;

UK Central & Connectivity – The Council have confirmed expenditure of £4m compared to a budget of £23m. This is predominately in relation to the A46 Link Road Stoneleigh Junction. The Department for Transport have approved the full business case with anticipated work to be completed by spring 2020.

Highways, Transport and Vehicles – The Council have a number of schemes with the most notable being Clean Bus Technology and Air Quality. There is no anticipated further slippage on Clean Bus Technology but delays likely on Air Quality due to government expenditure being reprofiled.

Whitley South Infrastructure – The Council have confirmed that the current expenditure position is £57.9m against a budget of £63.9m, with works to be completed in March 2021.

We have reviewed the Council's capital monitoring post year end and are satisfied that there has been progress on spend against these projects in both quarter 1 and quarter 2 of 2020/21. We are not aware of any cancelled projects as a result of Covid-19, but understand there has had to be rescheduling and rephasing of projects in 2020/21.

For 2020/21 a Capital Programme of £232.7m was approved in February 2020. The Council spent £195m with the remainder rescheduled into the next financial year. The primary cause of delay was COVID 19. This is not dissimilar to other councils.

The capital programme is funded by a range of resources including Grants and Contributions £191m, Prudential Borrowing £42m, Capital receipts £11m and Revenue Contributions of £5m from the Council's funds. The contributions of funding from both Capital Receipts and Revenue Contributions are relatively modest compared to the overall sources of finances required by the Council to fund the capital programme. Given the profile of resources available to the Council the impact of the slippage in the capital programme does not have any significant revenue implications for the Council.

Conclusion

The Council delivered against much of its capital programme for the year ending 31 March 2020 with an underspend of £19m which was deferred into to the 2020/21 capital programme. We are satisfied that the Council has put in place sufficient monitoring arrangements to ensure that capital programme is appropriately recorded and monitored against, and that any significant slippages, overspends or underspends are reported to members. The resourcing profile of the capital programme, which is primarily funded through Grant Contributions and Prudential Borrowing means that any slippage in capital expenditure has little impact on the Council's revenue. From the work carried out we are satisfied that there are no material weaknesses in the Council's arrangements for delivering and monitoring its capital programme.

9. Value for Money

Significant risk - Medium Term Financial Sustainability

Financial Performance 2019-20

The Council set a revenue budget for the year ending 31 March 2020 of £231.5m and was able to achieve a revenue outturn of £231.4m. The Council's revenue reserve balance is £90m as at 31 March 2020, an increase of £8m compared to last year. The position includes reserve contributions of £13.05m of which £7.55 relates to Covid-19 grant funding and £5.5m reflects underspent budget across the Council's bottom line.

Financial Performance 2020-21 and following years

The impact of the Covid-19 pandemic for the year ending 31 March 2020 had a modest impact on the Council's operations both in terms of expenditure and income and its overall finances. However, as noted by the Council the impact of Covid-19 had a significant impact on the Council's finances in 2020/21 and 2021/22. The Council received significant levels of grant funding in both of these years.

We note that for 2020/21 the Council achieved a balanced revenue position and that its useable reserves were c£224m (including £48m in COVID 18 Business Rate Relief reserves). It incurred capital expenditure of £194m. Similarly for 2021/22 the Council achieved a balanced revenue position, incurred capital expenditure of £189.5m, and increased available revenue reserves from £123m to £140m.

Budgets for 2022-23 and 2023-24 were agreed at the Cabinet meetings on 22 February 2022 and 21 February 2023 respectively. The 2022-23 budget was balanced without any planned use of reserves, no planned reductions to services and no specific savings plans. When setting the 2022-23 budget in February 2022, the Council envisaged a year-end deficit of £16.9m for 2023-24. The Council has now been able to agree a balanced budget for 2023-24 without planned use of reserves and without any service reductions or specific savings plans. This is as a result of a more favourable Local Government Financial Settlement than originally forecast.

As at 31 March 2022, the Council had £140m of revenue reserves, £18.6m in Covid Business Rates Relief, £37m in capital receipts, and £31m in school reserves. Total reserves amounted to £226m, a £2m increase in reserves from 2020-21. This included an extra-ordinary balance of £18.6m at the end of 2021-22 in relation to Government Covid Business Rates reliefs announced in 2020-21. This balance, includes an addition to Adult Social Care Reserves of £15m. The Council continues to have a healthy level of reserves.

Medium Term Financial Planning

The Council clearly sets out corporate strategic priorities, which are referenced within the Council's financial planning processes. The 'One Coventry Plan' sets the Council's vision, its ambitions for the city council and its priorities for addressing the challenges and opportunities it faces. The Council's stated priorities are to be: Globally connected; Locally committed and Delivering its priorities with fewer resources. These priorities are clearly reflected against the respective spend areas in the Council's Medium-Term Financial Strategy (MTFS). The MTFS is aligned with the Council's workforce strategy which aims to ensure the Council has the necessary talent to deliver its vision and the Council's Capital Program with the aim of making Coventry an attractive place to live and work. .

There is no evidence that the Council is depending on reduction in services currently being provided to secure financial sustainability. Unlike many similar councils, Coventry does not currently have a significant savings programme and has been able to mitigate the level of savings required from transformation to balance its budget. Identified savings were £0.9m from various commercialisation projects and £0.3m from the restructure of the Council's senior management team. The Council is also not reliant on non-recurrent savings or on reserves. Overall reserves grew slightly (from £224m at 31 March 2021 to £226m at 31 March 2022). Some of these reserves are utilised in 2022-23 and 2023-24, however, this is mainly residual costs related to Covid-19 and it is anticipated that the Council will continue to have a good level of reserves going forward.

Continued overleaf

9 Value for Money

Significant risk - Medium Term Financial Sustainability

Medium Term Financial Planning continued

We noted in our 2020-21 Auditor's Annual Report that the Council does not currently prepare a cash flow forecast but relies on an existing long standing staff member with extensive knowledge of the Council's business to estimate the Council's cash flow forecasting without documenting it. The Council still does not have a written cashflow statement. In mitigation the Council does set out a detailed income and expenditure forecast, it also has a low level of borrowing however we do not deem this to be sufficient to effectively manage cashflow including avoiding unnecessary cashflow costs. A recorded cashflow statement that is reviewed throughout the year will help to mitigate this risk. Without this in place there is a risk that this could become a significant weakness over time as the Council's financial position changes. We have therefore made a further improvement recommendation in this respect. Management provided the following response: "The Council's view is that it has a proven track record of good cashflow management and that its approach is fit for purpose. However, Council officers are happy to look at any practical improvements that could be made and will seek out good practice at other councils."

The MTFS is updated as part of the budget process, the latest MTFS was approved by the Council in December 2022 for the period 2023-24 to 2025/26. As part of this review, sensitivity analysis and scenario modelling was undertaken on all aspects of the MTFS, including income assumptions and expenditure assumptions. The Council initially put forward a series of proposals which forecast a deficit of £30m and £42m for 2024/25 and 2025/26.

The MTFS was updated in February 2023 with the forecast deficits reduced to £20m and £31m respectively. This represents the Council's indicative starting position arrived at as a result of the Government's one-year spending round and is updated each year as soon as the Council receives confirmation for other known and new non-recurring government grants. This is the Council's worst-case scenario. Due to significant transformation in recent years, the Council is now in a relatively stable position (impact of Covid-19 aside) and optimises income through several routes such as fees and charges to close this forecast deficit to balance the budget. It has a good track record in achieving this and anticipates being able to continue to achieve this outcome.

The Council adopts an extremely prudent approach to its MTFS and provides updates through annual budget reports submitted to Cabinet. Assumptions for council tax and business rates in the MTFS are reasonable and are included in the budget after consultation with key stakeholders including residents and local businesses. The Council also undertakes sensitivity analysis for budgetary assumptions by building in various scenarios for pay awards, contract variations and energy inflation into the budgeting process.

The Council could benefit from also sharing other scenarios (i.e. best case or medium case) as part of the budget process. There is implicit reference to this analysis in the Section 151 Officers risk statement however a clearer statement might benefit members when making budget decisions. We have made an improvement recommendation in this respect.

Conclusion

The Council's financial outturn for 31 March 2020 was in line with expectations and there was little impact of Covid-19. It has continued to meet budget in subsequent year and ended 2022/23 with a substantial level of reserves. It set a balanced budget for 2023/24.

The MTFP beyond this shows some financial pressure. Despite this we are satisfied that the Council remains in a stable financial position.

The work we have completed on the review of the Council's finances have not identified any material weaknesses in their ability to manage finances across the short and medium term.

9. Value for Money

Significant risk – Financial statements - Findings

Financial statements 2019-20

Context

The financial framework for reporting local government accounts is complex requiring the Council to account under both IFRS and on a resource accounting basis. Since 2020 there has also been a significant change in auditing standards. In particular, ISA 540 Auditing was introduced requiring additional emphasis on significant estimates including valuations and pensions. The audit of the 2019-20 financial statements has been undertaken to a greater depth than in prior years.

The Council's accounts are more complex than most councils due to its significant group structure. This increased complexity has been challenging for the Council and for ourselves as auditors. In particularly, the accounting for UKBIC has been complex and the subject of a significant level of debate.

2020 was a year when the country was particularly impacted by COVID 19. This impacted on the ability of the councils to produce financial statements and on valuers to undertake their work. At most councils this impacted on the quality and depth of valuation. Discussions with officers have indicated that this impacted significantly on the Council's processes.

We also note that our audit has taken place over a considerable period. During this period national issues have arisen such as how to value infrastructure assets.

The above issues have impacted on the quality of accounts presented for audit, the time taken to resolve accounting issues, and the length of the audit.

Audit findings and conclusion

We began our audit in July 2020 and completed our work in May 2023. The audit has been difficult for both ourselves and the Council. We reported out findings to the Council in November 2020 and September 2021. We provided a verbal update to the Council Audit Committee in January 2023.

We note that the financial statements presented for audit included material misstatements in both the Council's accounts and in the Group accounts. The accounts were adjusted as follows:

Council

2019/20 Deficit on provision of surplus £9.3m changed to a surplus of £44.0m; 2018/19 Deficit on provision of services of £14.5m changed to a surplus of £3.4m
2019/20 and 2018/19 Useable reserves – no significant change. Unadjusted errors in provision of c£5.5m (increase in reserves)
2019/20 unusable reserves increased from £202.6m to £368.1m; 2018/19 unusable reserves increased from £204.5m to £315.7m
2019/20 net assets increased from £346.7m to £512.3m; 2018/19 net assets increased from £336.0m to £447.2m.

Group

2019/20 Group deficit changed from a £8.5m deficit to £71.0m surplus; 2018/19 Group deficit changed from a £7.2m deficit to a £1.5m surplus
2019/20 Useable Reserves increased from £144.2m to £161.2m; 2018/19 Useable reserves increased from £131.5m to £138.7m
2019/20 unusable reserves increased from £157.9m to £373.9m; 2018/19 unusable reserves increased from £160.9m to £291.8m
2019/20 net assets increased from £302.0m to £535.1m; 2018/19 net assets increased from £292.4m to £430.5m.

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9 Value for Money

Significant risk – Financial statements - Findings

Financial statements 2019-20 continued

Audit findings and conclusion
The changes to the accounts are due to a number of factors but primarily these are asset valuation and group company accounting and valuation. These are detailed elsewhere in this report and are not repeated here. We have concluded that:

- the Council's arrangements for the valuation of and accounting for its property were not adequate. We have made recommendations with regard to the improvements needed
- The Council lacked sufficient capacity within its finance team to fully understand the accounting implications of its group accounting relationships. We note that the Council has subsequently responded to this matter.

In making these comments we note the following:

- 2019/20 saw an increased level of audit and this placed additional pressure on the Council due to the higher standards they have been held to
- The accounts and property valuations were prepared during a period of pandemic. Discussions with officers have indicated that this impacted significantly on the Council's processes
- national issues such as infrastructure assets have arisen during the audit and this has also caused delay
- on occasion, we have also needed to pause our work to focus on other clients.

While taking these matters into account we consider that the Council's arrangements particularly with regard to valuations and group accounts were not adequate.

Conclusion

Due to the significant issues identified with the 2019-20 financial statements we have concluded that the Council did not have in place appropriate management arrangements for the preparation of its financial statements

10. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

10. Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council during the period the 2019/20 audit has been open. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Type of Non-audit Service	Fees						Threats identified	Safeguards
	18/19	19/20	20/21	21/22	22/23	Total		
Audit-related:								
Certification of Teachers Pension Return	£4,200	£4,200	£6,000	£7,500	TBC	£21,900	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management (because GT report to Teachers Pensions)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. To mitigate against the self-review threat , we typically carry out the certification work after the audit has completed wherever possible. Errors identified have not been and are not expected to be material. The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. These factors mitigate the perceived threats to an acceptable level.
Certification of Housing Benefit Claim	£38,000	£40,000	£69,861	£60,000 (estimated)	£86,350 (estimated)	£294,211	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management (because GT report to DWP)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the annual fee for this work is low in comparison to the total annual fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. To mitigate against the self-review threat , the timing of certification work is carried out after the audit has completed where possible. Housing Benefit subsidy is a material figure in the accounts, however the level of errors identified have not been, and are not expected to be material. The Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reporting. Any changes to subsidy payable will be determined by DWP and we have no involvement in the decision. These factors mitigate the perceived threats to an acceptable level.
Follow up work by DWP (Module X) 2018/19	£5,000	-	-	-	-	£5,000		

10. Independence and ethics

Audit and Non-audit services (continued)

Type of Non-audit Service	Fees						Threats identified	Safeguards
	18/19	19/20	20/21	21/22	22/23	Total		
Audit-related:								
Certification of Innovate UK grant claims in relation to Battery Industrialisation Centre (from April 2019 for 18 months)	£7,900	£15,800	£6,000	-	-	£29,700	Self-review (because GT provides audit services)	The level of this non-recurring fee taken on its own is not considered a significant threat to independence as the annual fee was low in comparison to the total annual audit fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
EU funding for Urban Innovative Actions (UIA) grant received for the Council in 2017/18. This certification was requested and paid for by UIA for a cost of 9,600 Euros.	€ 9,600	-	-	-	-	€ 9,600	Self-review (because GT provides audit services)	We have carried out grant certification services on behalf of GT France in respect to EU funding for UIA grant received for the Council in 2017/18. This certification was requested and paid for by UIA for a cost of 9,600 Euros. To mitigate against the self-review threat , the timing of certification work is done after the audit was completed and was completed under the direction of GT France, who are independent from the Council audit team.

A. Action plan – Audit of Financial Statements

In additional to the recommendations under Section 24 of the Local Audit and Accountability Act we have identified 4 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 and 2021/22 audits. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High impact	The Council's group is gaining complexity and appropriately accounting for activity and balances independently from both a single entity and group perspective is increasingly challenging and at risk of material error.	We recommend that management strengthens the capacity within its finance team and implements standardised practices and procedures to appropriately account for the impact of the evolving activity within the group. Including, but not limited to: issuing group instructions for year-end reporting; recording group transactions and balances on ledger; maintaining a fixed asset register for group PPE; adopting a suitable valuation schedule and engaging experts to provide valuations for group property and for the valuation of the long-term investments in companies. We recommend management looks to harmonise the year-end reporting dates and accounting frameworks of its subsidiaries and joint ventures and establish an agreed-upon reporting structure and timetable with those bodies to ensure timely receipt of required information. **Management response** Steps have already been taken to strengthen capacity within the finance team and some of the individual recommended elements are already in place. The increased team capacity will enable the Council to work through the implications of the remaining outstanding elements which will include working within the framework of the Council's newly adopted company structure to identify the most effective and streamlined accounting approaches for the evolving company structure.
High impact	The valuation of property assets do not accurately reflect the usage and proposed usage of properties held by the Council leading to material error in valuation .	In prior audit findings reports we recommended that management should regularly reconcile the asset register with estate records held by the property team. We extend this recommendation to include a regular review of all relevant Local Plans identified as having an impact on local areas in which the Council owns land and ensure this is considered in the valuation of affected land assets. **Management response** The recommended approach for reconciling the asset register with property estates records is consistent with the Council's existing approach and we would expect the future valuation approach to incorporate the impact of Local Plans.
High impact	The valuation of property assets incorporate a wide range of assumptions, source data and judgements.. Errors in these variables can and have resulted in materially misstated valuations of property assets.	We recommend that management conducts a thorough review of the valuations provided by their valuations expert to ensure that the source data used by the valuer is factually accurate and assumptions and judgements are appropriate. **Management response** Management will work with the Council's valuations expert to ensure accurate factual data and appropriate judgements and assumptions are used.

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 and 2021/22 audits. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High impact	During a review of the control access performed by the IT audit team for the 2020/21 audit, it was identified that there were a small number of finance staff who had privileged administrative access rights within Business World. This presented a heightened opportunity risk for fraud and required substantial work to be performed by the engagement team to gain reasonable assurance over this area. As the 2019/20 audit remained open at this point, this issue was also addressed in 2019/20.	We recommend that the Council reviews the administrative access allowed to finance staff through Business World. The Council should ensure that adequate controls are in place to ensure segregation of duties and to prevent fraud. **Management response** Management's view is that the current structure provides significant benefits in the form of an integrated and efficient approach to financial systems administration. We recognise however that this also provides a sub-optimal position with regard to system controls. We will review the current structure of system access to examine whether this can be changed to provide an improved control environment.

Appendix A

A. Action plan – Audit of Financial Statements

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We identified the following issues in the audit of Coventry City Council's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Lack of reconciliation between the property database and asset register** Our audit work on understanding the businesses processes and property plant equipment valuation controls it was noted that there is no formal reconciliation carried out between the Estates team's property database and the Council's Asset register.	• We recommend that a reconciliation between the Estates team property database and Council's Asset Register is carried out at least annually **Response** • The Council have implemented this reconciliation and have carried out for 2018/19.
✓	**Valuation of investment properties** We note that the Council does not value all of its investment properties on an annual basis. We do not consider that this is compliant with the CIPFA Code and brings a risk that asset values could be misstated.	• We recommend that all investment properties are valued on an annual basis. **Response** • The Council consider their approach to valuation of investment properties is reasonable and will not lead to material misstatement • The Council have used a similar approach in 2019/20 and we are satisfied that the valuation of Investment Property is free from material misstatement
✓	**Valuation of PPE – School Assets** Our work identified that for school assets that were not revalued in year, if indexation was applied that there would be a material difference in the school asset valuation. As a result the Council have undertaken a further revaluation of school assets to ensure that the valuation of school assets are not materially misstated. In undertaking this assessment the Council identified an error in its valuation methodology.	We recommend that the Council; • Reviews all investment methodologies to ensure that they are compliant with RICS guidance • For assets not valued in year, considers the whether the value needs to be altered for movements in market prices, building costs etc.. **Response** • The Council have undertaken a revaluation of school assets in line with RICS and DfE guidance and have demonstrated that the valuation of assets is £1m different to what is shown in the financial statements and have concluded that this is not material to the financial statements.

Assessment

✓ Action completed

X Not yet addressed

B. Audit Adjustments

Contents

Bi.	Overview of Audit Adjustments
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Bix.	Disclosure and presentation misstatements

Bi. Overview of Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether the accounts have been adjusted by management or not.

The tables below show the audit adjustments management have made to the 2019/20 and 2018/19 transactions and balances.

Council Accounts	CIES	Balance sheet	Reference
	Surplus (£m)	Net Assets (£m)	
at 1 April 2018	90.130	90.130	Bii.
2018/19	21.018	111.147	Biii.
2019/20	54.396	165.545	Biv.
Cumulative	165.545	165.545	

Group Accounts	CIES	Balance sheet	Reference
	Surplus (£m)	Net Assets (£m)	
at 1 April 2018	118.390	118.390	Bv.
2018/19	19.608	137.998	Bvi.
2019/20	94.439	232.437	Bvii.
Cumulative	232.437	232.437	

Bi. Overview of Audit Adjustments- Council

The following tables show the impact of the audit adjustments on the amounts presented in the draft accounts and how these reconcile to the final accounts.

2018/19 Council Accounts:

2018/19 Council Accounts		Balance sheet 1 April 2018				
	Refer to:	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The results per the Council's 2018/19 financial statements were:		123.760	1,169.619	(111.779)	(893.879)	(287.721)
Adjusted misstatements	Bii	-	90.130	-	-	(90.130)
The final results per the Council's restated financial statements are:		123.760	1,259.749	(111.779)	(893.879)	(377.851)

2018/19 Council Accounts		CIES	Balance sheet 31 March 2019				
	Refer to:	(Surplus) (£m)	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The results per the Council's 2018/19 financial statements were:		(48.308)	143.077	1,238.096	(141.906)	(903.238)	(336.029)
Adjusted misstatements	Biii	(21.018)	-	111.147	-	-	(111.147)
The final results per the Council's restated financial statements are:		(69.328)	143.077	1,349.246	(141.906)	(903.238)	(447.179)

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Bi. Overview of Audit Adjustments- Council

2019/20 Council Accounts:

2019/20 Council Accounts		CIES	Balance sheet 31 March 2020				
	Refer to:	(Surplus) (£m)	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The draft results per the Council's financial statements were:		(10.713)	148.741	1,291.404	(154.563)	(938.840)	(346.742)
Adjusted misstatements	Biv	(54.394)	-	165.544	-	-	(165.544)
The final results per the Council's financial statements are:		(65.109)	148.743	1,456.948	(154.563)	(938.840)	(512.288)

Bi. Overview of Audit Adjustments- Group

2018/19 Group Accounts:

2018/19 Group Accounts		Balance sheet 1 April 2018				
	Refer to:	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The results per the Council's 2018/19 financial statements were:		128.771	1,127.522	(113.058)	(894.067)	(249.168)
Adjusted misstatements	Bv	(0.817)	118.994	0.313	(0.100)	(118.390)
The final results per the Council's restated financial statements are:		127.954	1,246.516	(112.745)	(894.167)	(367.558)

2018/19 Group Accounts		CIES	Balance sheet 31 March 2019				
	Refer to:	(Surplus) (£m)	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The draft results per the Group's financial statements were:		(43.212)	148.364	1,190.644	(143.220)	(903.408)	(292.380)
Adjusted misstatements	Bvi	(19.608)	(1.894)	139.897	(0.005)	-	(137.998)
The final results per the Group's financial statements are:		(62.820)	146.470	1,330.541	(143.225)	(903.408)	(430.378)

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Bi. Overview of Audit Adjustments- Group

2019/20 Group Accounts:

2019/20 Group Accounts		CIES	Balance sheet 31 March 2020				
	Refer to:	(Surplus) (£m)	Current Assets (£m)	Long Term Assets (£m)	Current Liabilities (£m)	Long Term Liabilities (£m)	Reserves (£m)
The draft results per the Group's financial statements were:		(9.633)	156.908	1,250.069	(161.337)	(943.627)	(302.013)
Adjusted misstatements	Bvii	(94.439)	0.065	233.395	(0.411)	(0.612)	(232.437)
The final results per the Group's financial statements are:		(104.072)	156.973	1,483.464	(161.748)	(944.239)	(534.450)

Bii. Audit adjustments made to earlier years as reflected in the balance sheet as at 1.4.2018- Council

Detail	Balance Sheet Dr	£m	Balance Sheet Cr	£m	Usable Reserves Dr	Usable Reserves Cr
1. Incorrect assumptions in the valuation of Local Plan land assets	Investment Property	83.604		-	-	-
2. Incorrect valuation approach- insurance rebuild cost approach	Other land & buildings	10.592		-	-	-
3. Incorrect valuation methodology- rateable value used as a proxy for rent	Other land & buildings	6.503		-	-	-
4. Incorrect valuation assumptions- Fairfax Leisure Centre		-	Other land & buildings	16.948	-	-
5. Arena land missed in valuation 31.3.18	Surplus assets	3.830		-	-	-
6. Incorrect historic gross accounting for revaluations	Other Land & buildings- gross book value	379.770	Other land & buildings- gross depreciation & impairment	379.770	-	-
7. Incorrect lease assumptions in valuation of property	Investment Property	2.549		-	-	-
Total		**486.848**		**396.718**	-	-
	Net	**90.130**				

In summary, the adjustments have resulted in an increase in the Council's net assets as at 1 April 2018 of £90.130m.

The adjustments have resulted in a £90.130m increase in the Council's unusable reserves as at 1 April 2018. There is no impact on the General Fund or other usable reserves.

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Biii. Audit adjustments made to the 2018/19 prior year Council accounts

	Council Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
1. Incorrect deduction of acquisition costs in valuation of investment property		-	Finance and Investment income	9.199	Investment Property	9.199		-	-	-
2 Incorrect assumptions in the valuation of schools		-	Revaluation gains	13.476	Other land & buildings	13.476		-	-	-
3. Waste disposal asset derecognised in 2019/20 should have been in prior year	Other operating expenditure	1.152		-		-	Property, plant & equipment	1.152	-	-
4. Various PPE adjustments which are individually trivial	Total comprehensive income	1.368		-		-	Property, plant & equipment	1.368	-	-
5. Gains and losses on derecogniition of PPE misclassified on CIES	Other operating expenditure	17.958	Net cost of services	17.958		-		-	-	-
6. Incorrect assumptions in the valuation of Local Plan land assets		-	Finance and Investment income	5.086	Investment Property	88.689		-	-	-
7. Incorrect classification for battery plant site		-		-	Operational Property - assets under construction	28.536	Investment Property - assets under construction	28.536	-	-
8. Incorrect valuation approach-insurance rebuild cost approach		-	Revaluation gains	1.022	Other land & buildings	11.614		-	-	-
9. Incorrect lease assumptions in valuation of property		-	Finance and investment expense	0.048	Investment Property	2.597			-	-

Biii. Audit adjustments made to the 2018/19 prior year Council accounts

	Council Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	**Dr**		**Cr**		**Dr**		**Cr**		**Dr**	**Cr**
		£m		**£m**		**£m**		**£m**		
10. Incorrect valuation methodology- rateable value used as a proxy for rent	Revaluation losses	0.052			Other land & buildings	6.451		-	-	-
11. Incorrect valuation assumptions- Fairfax Leisure Centre			Revaluation gains	0.774		-	Other land & buildings	16.174	-	-
12 Arena land missed in valuation 31.3.18		-		-	Surplus assets	3.830		-	-	-
13. Incorrect historic gross accounting for revaluations		-		-	Other Land & buildings- gross book value	379.770	Other land & buildings- gross depreciation & impairment	379.770	-	-
14. UKBIC REFCUS adjustment posted in 19/20 should be 18/19	Net cost of services	6.015		-		-	Assets under construction	6.015	-	-
15. Incorrect accounting treatment of school asset revaluations	Net cost of services	6.249	Other comprehensive income (RR)	6.249						
Total		**32.794**		**53.812**		**544.162**		**433.015**	-	-
			Net	**21.018**	**Net**	**111.147**				

In summary, the adjustments have resulted in a net increase in the Council's 2018/19 total comprehensive income of £21.018m and an increase in the Council's net assets as at 31 March 2019 of £111.147m.

The adjustments have resulted in a £111.147m increase in the Council's unusable reserves as at 31 March 2019. There is no impact on the General Fund or other usable reserves.

Biv. Audit adjustments made to the 2019/20 Council accounts

	Council Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
1. Double counting of stamp duty in modern equivalent land valuations	Cost of Services (revaluation losses)	1.329		-		-	Other land & buildings	2.415	-	-
	Other Comprehensive Income	1.086		-		-		-	-	-
2 Incorrect assumptions in the valuation of schools (in-year)		-	Revaluation gains	11.098	Other land & buildings	11.098		-	-	-
(prior year impact on current year)	Revaluation losses	12.108			Other land & buildings (b/f)	12.108	Other land & buildings (in-year)	12.108	-	-
3. Community asset (University Square) not owned by the Council	Loss on Disposal	1.211		-		-	Community Assets	1.211	-	.
4. Gains and losses on derecogniition of PPE misclassified on CIES	Other operating expenditure	13.602	Net cost of services	13.602		-		-	-	-
5. Incorrect assumptions in the valuation of Local Plan land assets			Finance and Investment income	5.183	Investment Property	93.873			-	-
6. Incorrect classification and accounting for battery plant site		-	Finance and investment expense	42.152	Operational Property - assets under construction	60.352	Investment Property - assets under construction	18.200	-	-

Biv. Audit adjustments made to the 2019/20 Council accounts

	Council Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
7. Incorrect valuation approach- insurance rebuild cost approach			Revaluation gains	0.526	Other land & buildings	12.140		-	-	-
8. Incorrect lease assumptions in valuation of property		-	Finance and investment expense	1.872	Investment Property	4.469			-	-
9. Incorrect valuation methodology- rateable value used as a proxy for rent	Revaluation losses	0.136		-	Other land & buildings	6.316		-	-	-
10. Incorrect valuation assumptions- Fairfax Leisure Centre	Revaluation losses	1.398		-		-	Other land & buildings	17.572	-	-
11 Arena land missed in valuation 31.3.18					Surplus assets	3.830			-	-
12. Incorrect historic gross accounting for revaluations					Other Land & buildings- gross book value	378.258	Other land & buildings- gross depreciation & impairment	378.258	-	-
13.Adoption of CIPFA override on infrastructure asset accounting		-	Other operating expenditure	12.865	Infrastructure assets	12.865		-	-	-

Biv. Audit adjustments made to the 2019/20 Council accounts

	Council Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
14. Incorrect deduction of acquisition costs in valuation of investment property opening balance	Finance and Investment income	9.199			Investment Property (b/f)	9.199	Investment Property (in-year)	9.199	-	-
15. UKBIC REFCUS adjustment posted in 19/20 should be 18/19		-	Net cost of services	6.015		-		-	-	-
16. Waste disposal asset derecognised in 2019/20 should have been in prior year		-	Other operating expenditure	1.152		-		-	-	-
17. Incorrect accounting treatment of school asset revaluations	Other comprehensive income (RR)	6.249	Net cost of services	6.249						
Total		**46.318**		**100.714**		**604.508**		**438.963**	**-**	**-**
			Net:	**54.396**	**Net:**	**165.545**				

In summary, the adjustments have resulted in a net increase in the Council's 2019/20 total comprehensive income of £54.396m and an increase in the Council's net assets as at 31 March 2020 of £165.545m.

The adjustments have resulted in a £165.545m increase in the Council's unusable reserves as at 31 March 2020. There is no impact on the General Fund or other usable reserves.

Bv. Audit adjustments made to earlier years as reflected in the balance sheet as at 1.4.2018- Group

	Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr	Cr
		£m		£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from Bii)	Net Assets	486.848	Net Assets	396.718	-	-
1. CSWDC- updated waste plant valuation not accounted for			Investments in JVs	2.174		
2. CSWDC- incorrect calculation of the investment in JV- exclusion of initial consideration	Investments in JVs	9.950				
3. CAPL- incorrect classification and valuation of hotel in group accounts	Other land & buildings	28.207	Investment Property	7.035		
4. CAPL- incorrect treatment of goodwill on acquisiton	Intangible assets	3.648				
5. CAPL- intragroup balance not eliminated			Long Term Debtors	4.472		
6. Incorrect split between unusable and usable group reserves	Unusable reserves	5.585	Usable reserves	5.585		5.585
7. Various adjustments which are individually trivial		0.136				
Total		**534.374**		**415.984**	-	-
	Net	**118.390**				

In summary, the adjustments have resulted in an increase in the group's net assets as at 1 April 2018 of £118.390m.

The adjustments have resulted in a £5.585m increase in the usable group reserves and a £112.805m increase in unusable group reserves as at 31 March 2019. There is no impact on the General Fund.

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Bvi. Audit adjustments made to the 2018/19 prior year Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from Biv)	CIES	32.794	CIES	53.812	Net Assets	544.162	Net Assets	433.015	-	-
1. CSWDC- updated waste plant valuation not accounted for		-		-		-	Investments in JVs	2.746	-	-
2. CSWDC- incorrect calculation of the investment in JV- exclusion of initial consideration		-		-	Investments in JVs	9.950			-	-
3. CAPL- incorrect classification and valuation of hotel in group accounts		-		-	Other land & buildings	28.688	Investment Property	7.333	-	-
4. CAPL- incorrect treatment of goodwill on acquisiton		-		-	Intangible assets	3.648			-	-
5. CAPL- intragroup transactions and balances not eliminated	Cost of Services	1.859		-		-	Long Term Debtors	4.604	-	-

Bvi. Audit adjustments made to the 2018/19 prior year Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
6. Incorrect split between unusable and usable group reserves		-		-	Unusable reserves	7.031	Usable reserves	7.031	-	7.031
7. Intragroup dividends not eliminated for CSWDC and CAPL	Finance and investment income	7.540		-		-		-	-	-
8. Gain/Loss on revaluation of financial instruments incorrectly included the purchase cost of FJVPL as a loss		-	Gain/Loss on revaluation of financial instruments	10.495		-		-	-	-
9. Incorrect calculation of share of OCI of joint ventures	Share of OCI of JV's	3.009		-		-		-	-	-
10. Various adjustments which are individually trivial		-		0.503		-		0.752	-	-
Total		**45.202**		**64.810**		**593.479**		**455.481**	**-**	**7.031**
			Net:	**19.608**	**Net:**	**137.998**				

In summary, the adjustments have resulted in a net increase in the group's 2018/19 total comprehensive income of £19.608m and an increase in the group's net assets as at 31 March 2019 of £137.998m.

The adjustments have resulted in a £7.031m increase in the usable group reserves and a £130.967m increase in unusable group reserves as at 31 March 2019. There is no impact on the General Fund.

Bvii. Audit adjustments made to the 2019/20 Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from Bii)	CIES	46.318	CIES	100.714	Net Assets	604.508	Net Assets	438.963	-	-
1. CSWDC- updated waste plant valuation not accounted for	Share of JV OCI	1.956		-		-	Investments in JVs	1.956	-	-
2. CSWDC- incorrect calculation of the investment in JV- exclusion of initial consideration					Investments in JVs	9.566				
3. UKBIC- equipment leased from Council to company not on group balance sheet & elimination of related REFCUS		-	Cost of Services	35.930	Property, plant and equipment	32.697		-	-	-
4. UKBIC- elimination of intragroup expenditure previously consolidated			Cost of Services	6.760						
5. UKBIC- impairment of intangible adjustment to bring in line with Council's intangibles policy	Finance and investment expenditure	1.659					Property, plant and equipment	1.169		
6. CAPL- incorrect classification and valuation of hotel in group accounts		-		-	Other land & buildings	29.342	Investment Property	7.848	-	-
7. CAPL- incorrect treatment of goodwill on acquisiton					Intangible assets	3.648			-	-
8. CAPL- intragroup transactions and balances not eliminated	Cost of services	1.110					Long Term Debtors	4.188		

Bvii. Audit adjustments made to the 2019/20 Group accounts

	Group Accounts									
	CIES				Balance Sheet				Usable Reserves	
Detail	Dr		Cr		Dr		Cr		Dr	Cr
		£m		£m		£m		£m		
9. CAPL- FV loss on company investment not eliminated			Loss on revaluation of financial instruments	3.969						
10. TWW- incorrect treatment of goodwill on acquisiton					Intangible assets	7.806			-	-
11. TWW- acquisition costs incorrectly netting down gain on revaluation			Gain/Loss on revaluation of financial instruments	10.688						
12. TWW March 2020 income and expenditure not consolidated into group accounts	Cost of Services	0.987	Cost of Services	0.987					-	-
13. Incorrect calculation of share of OCI of joint ventures	Share of OCI of JV's	8.242								
14. Gain/Loss on revaluation of financial instruments incorrectly included the FV movement on the CAPL LTI as a loss- intragroup	Gain/Loss on revaluation of financial instruments	3.969								
15. Incorrect split between unusable and usable group reserves					Unusable reserves	16.406	Usable reserves	16.406		16.406
16. Various adjustments which are individually trivial		0.368						1.006		
Total		**64.609**		**159.048**		**703.973**		**471.536**	**-**	**16.406**
			Net:	**94.439**	**Net:**	**232.437**				

In summary, the adjustments have resulted in a net increase in the group's total comprehensive income for 2019/20 of £94.439m and an increase in group's net assets as at 31 March 2020 of £232.437m.

The adjustments have resulted in a £16.406m increase in usable group reserves and an increase of £216.031m in unusable group reserves as at 31 March 2020. There is no impact on the General Fund.

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Bviii. Unadjusted misstatements

Impact of unadjusted misstatements

The table below provides details of adjustments identified which have not been made within the final set of financial statements. The Audit and Procurement Committee is required to approve management's proposed treatment of all items recorded within the table below.

Council Accounts 2019/20

		Council Accounts					
		CIES		Balance Sheet		Reserves	
Detail	Type	Dr	Cr	Dr	Cr	Dr	Cr
		£m	£m	£m	£m		
1. During an exercise performed by the council around Heritage Assets Valuations, it was noted that additions to Heritage Assets had not been included within the balance sheet.	Factual	-	Cost of services 0.960	Long Term Assets 0.960	-	-	-
2. Following errors identified within investment property valuations, the Council have performed an exercise to identify whether there are any material issues with valuations where updated leases have not been considered. The error noted here is a maximum potential error and has been calculated using high level comparison.	Estimate	-	Revaluation gains 1.923	Long Term Assets 1.923	-	-	-
3. Following work performed around the historic depreciation adjustment, it was noted that there were discrepancies for these assets between reserve lines (CAA & Reval Reserve) of £1.6m in 2019/20. No impact to other primary statement lines noted.	Factual	-	-	-	-	1.600	1.600
4. The Council have a land subcategory within Infrastructure Assets. It was noted during review that the council have depreciated this land which is in contradiction with IAS16 & CIPFA Code 4.1.2.40. There is uncertainty due to lack of historical records on infrastructure assets about what the land item is.	Uncertainty	-	Cost of Services 2.896	Long Term Assets 2.896	-	-	-
5. Depreciation for infrastructure assets- outside CIPFA suggested useful lives range	Estimate	-	Cost of Services 0.700	Long Term Assets 0.700	-	-	-

Bviii. Unadjusted misstatements

		Council Accounts					
		CIES		Balance Sheet		Reserves	
Detail	Type	Dr	Cr	Dr	Cr	Dr	Cr
		£m	£m	£m	£m		
7. Bad debt provision- our audit work in this area estimates an overstatement of both the Council Tax bad debt provision (£1.4m) and Housing Benefits provision (£1.2m)	Estimate	-	Cost of Services 2.600	-	Short term debtors 2.600	-	-
8. Business rates appeals provision- our audit work estimates this provision may be overstated by £2.9m but it is difficult to be certain of given the unpredictability of appeals and decisions.	Estimate	-	Cost of Services 2.900	-	Provisions 2.900	-	-
2019/20 Total		**-**	**11.979**	**6.479**	**5.500**	**1.600**	**1.600**
			Net: 11.979	**Net: 0.979**			**-**

Bviii. Unadjusted misstatements

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Group Accounts 2019/20

			Group Accounts					
			CIES		Balance Sheet		Reserves	
Detail	Type	Year	Dr	Cr	Dr	Cr	Dr	Cr
			£m	£m	£m	£m		
Impact of adjustments in Council accounts also reflected in Group accounts (from preceding table)		2019/20	CIES -	CIES 11.979	Net Assets 6.479	Net Assets 5.500	1.600	1.600
1. Land and Building Assets are held at historic cost less depreciation within the single entity accounts of Tom White Waste Limited at £6,151k. Upon consolidation, the assets should be valued at current value in line with the council's accounting policies. The fair value of L&B at TWW is £5,185k.	Estimate	2019/20	Revaluation losses 0.966	-	-	Long Term Assets 0.966	-	-
2019/20 Total			**0.966**	**11.979**	**6.479**	**6.466**	**1.600**	**1.600**
Net				**11.013**		**- 0.013**		**-**

Bviii. Unadjusted misstatements

Council and Group Accounts 2018/19

		Council Accounts					
		CIES		Balance Sheet		Reserves	
Detail	**Type**	**Dr**	**Cr**	**Dr**	**Cr**	**Dr**	**Cr**
		£m	**£m**	**£m**	**£m**		
1. Following work performed around the historic depreciation adjustment, it was noted that there were discrepancies for these assets between reserve lines (CAA & Reval Reserve) of £3.9m in 2018/19 No impact to other primary statement lines noted.	Factual	-	-	-	-	3.900	3.900
2 Community asset (University Square) not owned by the Council- adjusted for in 2019/20 but extends to prior years	Factual	Loss on disposal 1.211			Long Term Assets 1.211	-	-
2018/19 Total		**1.211**	**-**	**-**	**1.211**	**3.900**	**3.900**
Net			**- 1.211**		**1.211**		**-**

Bix. Misclassification and disclosure changes

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Number	Issue	Amended	Management's reason for not adjusting
1	CIES- Fair value movements on investment property - the fair value movement was incorrectly classified in the CIES in Net Cost of Services and should have been shown as Finance and Investment Income and Expenditure. The amount adjusted was £8.3m.	Yes	N/A
2	Movement in Reserves Statement- Following the significant adjustments to the primary statements, further adjustments to the MiRS and related notes were required for 19/20 and 18/19. There remains a non-material discrepancy (£861k) in the 2018/19 accounts relating to a difference between PPE derecognitions and PPE revaluations. As the remaining error is not material, a prior period adjustment is not required.	Yes	As the remaining error is not material, a prior period adjustment is not required.
3	Cash Flow Statement and related notes- the 'Other receipts from investing cash flows' was overstated by £75m. Following the significant adjustments to the primary statements, further adjustments to the Cash Flow Statement and notes were required in both the Council's accounts and the Group accounts.	Yes	N/A
4	Disclosure note impact of audit adjustments- the audit adjustments detailed in the previous tables had impacts across related disclosure notes including: - Notes to the CIES including the Expenditure and Funding Analysis (EFA) - Unusable Reserves - Adjustments between Accounting Basis & Funding Basis under Regulations - PPE - Non-Operational Assets - Capital Expenditure and Capital Financing - Revaluation of PPE - Group accounts and supporting notes	Yes	N/A
5	Group MiRS - this was not presented in accordance with accounting requirements.	Yes	N/A
6	Group Accounts- where a line item in the primary financial statements of the group differs materially to the same line item in the Council's single entity accounts, a full disclosure note should be made in the group accounts to support. Improvements were made in this area; the Council included a Group PPE note and various other notes.	Yes	N/A
7	The Collection Fund Statement shows correct precept figures for West Midlands Police (£12.5m) and West Midlands Fire (£5.1m) . The sub note of precepts further down in the disclosure showed these the wrong way round.	Yes	N/A
8	Narrative report- updated to provide reflections up to the date of the audit close.	Yes	N/A
9	Annual Governance Statement - the Council's assessment of the effectiveness of controls in Tom White Waste Limited were not disclosed. A wider update was required to the AGS ro reflect the difficulties faced in the 2019/20 accounts audit.	Yes	N/A

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
10	Material Uncertainty disclosures were required around asset valuations and pension liability valuation.	Yes	N/A
11	Group disclosures- the group PPE notes do not contain the following disclosure points required by the Code: 1) the amount of contractual capital commitments for the acquisition of PPE (non-Council group bodies only) 2) effective dates of group PPE valuations, details of the valuer used, the methods and significant assumptions applied. The disclosures should be enhanced to meet the requirements of the Code.	No	It is the Council's view that this omission does not prevent these accounts from presenting a true and fair view. We will ensure that future accounts comply with this disclosure requirement.
12	Disclosure requirements not fully met relating to: - financial instruments - fair value measurements The disclosures should be enhanced to meet the requirements of the Code.	No	It is the Council's view that this omission does not prevent these accounts from presenting a true and fair view. We will ensure that future accounts comply with this disclosure requirement.
13	The wording of the disposals accounting policy contained ambiguous terms which may be misleading to the reader.	Yes	N/A
14	Disclosure requirements not fully met in the note 'Significant assumptions made in estimating assets and liabilities' Disclosure improvements are required. The Council should cross refer to the CIPFA Code to ensure that all required disclosures are included.	No	It is the Council's view that this omission does not prevent these accounts from presenting a true and fair view. We will ensure that future accounts comply with this disclosure requirement.
15	IFRS 15 Revenue from contracts with service recipients - disclosures. Authorities should disclose qualitative and quantitative information about the nature, amount, timing and uncertainty of revenue and cash flows generated from contracts with service recipients. The Council has added a split to the table in Note 3.6 Income and Expenditure Analysis to show £70m of the total fees and charges income £87m is revenue of this type. Further disclosure improvements should be made.	Partial	The Council will ensure that future accounts fully comply with this disclosure requirement.

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Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
16	Prior Period Adjustment– Collective Investment Vehicles - In 2018/19 the Council have applied the fair value through other comprehensive income (FVOCI) designation to investments in collective investment vehicles such as the CCLA Property Fund. We do not consider that investments in collective investment vehicles qualify for the election under IFRS 9 to be designated as FVOCI because such investments do not meet the definition of an equity instrument from the issuer's perspective. We recommended that the Council revise their accounting treatment for the Pooled Investment Fund , which has resulted in disclosure changes on the face of the CIES as a result of accounting through FVTPL rather than OCI and the creation of a Pooled Investment Fund Adjustment Account. There is no impact on the overall position of the General Fund for 2018/19 as accounting through the Pooled Investment Fund Adjustment Account offsets the charge to the General Fund Balance, however there has been changes on the face of the CIES. The Council have also restated their Balance Sheet and MiRS to take into account the impact of the transactions through the Pooled Investment Adjustment Account and also updated their group accounts. This amendment has also impacted Note 5.5 Changes in Accounting Policies.	Yes	N/A
17	The Prior Period Adjustments outlined in previous tables required disclosure in accordance with IAS 8, including the presentation of a restated balance sheet as at 1st April 2019. Notes 3.39 and 4.14 were expanded to detail the adjustments made to the prior year.	Yes	N/A

Bix. Misclassification and disclosure changes

<table>
<tr><th>Number</th><th>Issue</th><th>Amended</th><th>Management's reason for not adjusting</th></tr>
<tr><td>18</td><td>Derecognitions of property, plant & equipment. In-year and prior period adjustment to the PPE note required to correct the gross cost and depreciation balances disclosed. Previously the Council has incorrectly recognised net derecognitions solely in the gross cost section of the PPE note, rather than adjusting for the depreciation element. The corrections required are:
<table>
<tr><th></th><th>1/4/18</th><th>2018/19</th><th>2019/20</th></tr>
<tr><td>Infrastructure assets- gross cost</td><td>-15.474m</td><td>-1.639m</td><td>-2.630m</td></tr>
<tr><td>Other Land & buildings- gross cost</td><td>-6.915m</td><td>-1.885m</td><td>-0.409m</td></tr>
<tr><td>Infrastructure assets- gross dpn</td><td>-15.474m</td><td>-1.639m</td><td>-2.630m</td></tr>
<tr><td>Other Land & buildings- gross dpn</td><td>-6.915m</td><td>-1.885m</td><td>-0.409m</td></tr>
</table>
Note the infrastructure adjustment is not presented in the final accounts. The presentation of gross figures is no longer required per the temporary relief afforded by an update to the Code- see page 35.

IAS 8 disclosure of the nature and the amount of the PPA was required.

Note this adjustment was impacted by the gross depreciation issue included in the adjustment tables. The amount in the adjustment tables includes the combined impact of the gross depreciation issue and this issue as they are interrelated.</td><td>Yes</td><td>N/A</td></tr>
<tr><td>19</td><td>Note 3.17 - Non-Operational Assets- reclassifications between investment property AUC and investment properties c£3m had been incorrectly classified as additions instead of on the reclassifications line.</td><td>Yes</td><td>N/A</td></tr>
<tr><td>20</td><td>Note 3.17 - Non-Operational Assets- An investment property disposal had been incorrectly reclassified to Assets Held for Sale prior to disposal (value £14.2m). When an investment property is disposed it should remain classified within the investment property class. An amendment was posted to Note 3.17.</td><td>Yes</td><td>N/A</td></tr>
<tr><td>21</td><td>Note 3.19 - Revaluation of Property, Plant and Equipment - the table required amending for a £660k omission in OLB revalued at 31 March 2020. The table also required amending for the various PPE valuation adjustments that we report earlier in the AFR.</td><td>Yes</td><td>N/A</td></tr>
</table>

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
22	Contingent Liabilities- University Hospitals mandatory business rates relief- In 2019 the High Court ruled that these trusts' claim for mandatory relief was not valid. In March 2021 the relevant trusts decided not to petition the Court of Appeal in an effort to overturn the High Court's ruling. This marked the end of the legal action and, as result, the Council no longer recognises a contingent liability for this issue.	Yes	N/A
23	Contingent Liabilities- Equal Pay Claims - The Council has received a number of Equal Pay Claims from employees which have now been recorded as a Contingent Liability within the Council's accounts. The first claims were received in February 2023 and could- if successful- represent a liability for the Council affecting 2019/20 and prior years.	Yes	N/A
24	Financial Instruments- the fair value of borrowings held with other local authorities was understated by £22m. The disclosure was amended from £51m to £73m.	Yes	N/A
25	Financial Instruments- amendments were required to the table setting out credit risk of deposits with banks and financial institutions as the original draft note omitted bank accounts held by the Council's schools. The disclosure changed from £46.8m (18/19: 37.3m) to £64.6m (18/19: £63.5m)	Yes	N/A
26	Related Party Transactions- the disclosure note did not accurately represent in-year activity with group entities, in line with our understanding and workings provided by the council for the purposes of the group financial statements. Some amendments were made however improvements are still required such that all intragroup transactions and balances are disclosed. Of particular note is UKBIC Limited: a payment of £9.3m is disclosed but the peppercorn lease transaction for the building (value £60.3m) is not disclosed and neither is the lease transaction for plant and equipment (value £26m)	Yes	N/A
27	Related Party Transactions- the disclosure sets out transactions with companies with which senior officers at the Council had an interest. The companies are not named, and the nature of the interests are not detailed so it is unclear who the related party is and whether the values of transactions and balances are material to the related party. The disclosure should be improved.	No	

Bix. Misclassification and disclosure changes

Number	Issue	Amended	Management's reason for not adjusting
28	Officers' Remuneration- Senior Officers' Remuneration- the Chief Executive's pay was understated due to omission of elements of pay. There were also minor changes to the table which sets out remuneration over £50,000.	Yes	N/A
29	Pension notes - the disclosure did not split the assets by quoted and unquoted. Management amended.	Yes	N/A
30	Associated Company Interests and Holdings- the disclosure note was updated to reflect the audited accounts of the associated companies.	Yes	N/A
31	External Audit Costs- the disclosure required updating for errors and for updated fees	Yes	N/A
32	Events after the reporting date - the disclosure required amending for all significant events occuring since the balance sheet up to the audit signing date along with their impact on the Council.	Yes	N/A
33	Pensions notes- the CIES transactions presented in the note did not include the amounts funded from the upfront pensions payment. A correction was required including to the comparative figures for 2018/19. In both years the amount to be adjusted for is one third of the £93,300k upfront payment, so £31,100k	Yes	N/A

C. Audit Fees

We confirm below our final fees charged for the audit and provision of non-audit services

Audit fees	Proposed fee	Final fee
Council Audit	£168,414	£353,464*
Total audit fees (excluding VAT)	£168,414	£353,464

*subject to PSAA approval

The final audit fee payable for the 2019/20 audit has been increased due to the additional audit work required on the issues highlighted in this addendum to the Audit Findings Report.

The fees reconcile to the financial statements.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services- 19/20 grant certification		
- Housing Benefit Subsidy (19/20)	£30,000	£40,000
- Teachers Pension Return (19/20)	£4,200	£4,200
- Certification of Innovate UK grant claims (19/20)	£15,800	£15,800
Total 19/20 non-audit fees (excluding VAT)	**£50,000**	**£60,000**
Audit Related Services- 18/19 grant certification		
- Housing Benefit Subsidy (18/19)		£38,000
- Teachers Pension Return (18/19)		£4,200
- Certification of Innovate UK grant claims (18/19)		£7,900
- DWP extended work in relation to Housing Benefit Subsidy (18/19)		£5,000
Total 18/19 non-audit fees (excluding VAT)		**£55,100**

Grant Thornton (UK) have also carried out grant certification services on behalf of Grant Thornton (France) in respect of EU funding for UIA grant received for the Council in 2017/18. This certification was requested and paid for by UIA for a fee of 9,600 Euros. Since the Council was not liable for the fee, this is not presented in the Council's financial statements.

C. Audit Fees

We confirm below our final fees charged for the audit.

Audit fees	Fee per plan £	Proposed fee £
Council Audit	133,564	133,564
Increased challenge and depth of work	5,000	5,000
Materiality reduction from 1.8% to 1.5%	3,000	3,000
PPE	4,350	37,500
Pensions	3,500	3,500
Coombe Abbey Specialist Valuation	2,500	2,500
Group accounts/Component auditors	5,000	32,500
PPE Valuation – cost of auditor's expert	5,000	15,150
Enhanced regulatory requirements in respect of public interest entities	4,000	4,000
New standards/developments – IFRS16	2,500	0
UKBIC – group accounting, PPAs		19,000
Tom White Waste – group accounts and auditors expert		5,000
Coombe Abbey – derecognition and revaluation		2,500
COVID 19 / Remote working		25,250
Various PPAs including investment property acquisition costs, school componentisation, PPE derecognitions		19,000
Accounts and group accounts amendments (versions 1 to 12)		20,000
Update of previous work for current information (debtors, creditors, provisions, group performance)		3,000
Continued		

C. Audit Fees

We confirm below our final fees charged for the audit.

Audit fees	Fee per plan £	Proposed fee £
Infrastructure assets		5,000
Consultation panels		3,000
VfM update		3,000
Audit Findings Reports (2020, 2021, 2023)		5,000
Subsequent events review		4,000
Potential statutory recommendation		3,000
Total audit fees (excluding VAT)	**£168,414**	**353,464**

D. Management Letter of Representation

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Coventry City Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Coventry City Council; its subsidiary undertakings: Coombe Abbey Park Limited, Tom White Waste Limited, UK Battery Industrialisation Centre Limited, Coventry North Regeneration Limited, North Coventry Holdings Limited; and its joint ventures: The Coventry and Solihull Waste Disposal Company Limited and Friargate JV Project Limited for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and we acknowledge the material valuation uncertainty the valuer has noted in the Council's valuation report. This is on the basis of the uncertainties in markets caused by Covid-19 and we are satisfied that there have been no material impairment of asset values as assessed by the valuer. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as *they are immaterial to the results of the Council and its financial position at the year-end* The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

D. Management Letter of Representation

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. *The prior period adjustments disclosed in Notes 3.39 and 4.14 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention. We are satisfied that the opening balance position of restatement of 1 April 2018 is free from material misstatement.*

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xvi. We have completed a review of the accounting treatment of UKBIC and its consolidation in the group accounts and are satisfied that the position is shown is free from material misstatement.

xvii. We are satisfied that land and property has been appropriately classified and has been valued on an appropriate basis in compliance with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice of Practice on local authority accounting 2019-20.

xviii. We are satisfied that the valuation of Coombe Abbey in the group accounts complies with the Royal Institute of Chartered Surveyor guidance and the CIPFA Code of Practice on Local Authority Accounting 2019-20.

xix. We have not completed the revaluation of all all investment properties as required by IAS 40, however, we are satisfied that our approach to valuation means that those assets not valued in year are free from material misstatement.

xx. We have not undertaken fair value valuations of the following assets Tom White Waste Limited and Friargate JV Project Limited which are included as Long Term Investments. We are satisfied that the valuation reflected in the financial statements are free from material misstatement

Information Provided

xxi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xxii. We have communicated to you all deficiencies in internal control of which management is aware.

xxiii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxiv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxv. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxvi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxvii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxviii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxix. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxx. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

D. Management Letter of Representation

Narrative Report

xxxi. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 11 September 2023.

Yours faithfully

Name……………………………

Position…………………………..

Date……………………………..

Name……………………………

Position…………………………..

Date……………………………..

Signed on behalf of the Council

Coventry City Council

Public report
Cabinet

Cabinet	29th August 2023
Council	5th September 2023
Audit and Procurement Committee	9th October 2023

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:
Chief Operating Officer (Section 151 Officer)

Ward(s) affected:
City wide

Title:
2023/24 First Quarter Financial Monitoring Report (to June 2023)

Is this a key decision?
No

Executive Summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2023. The net revenue forecast position after management action is for spend in 2023/24 of **£12.1m over budget**. At the same point in 2022/23 there was a projected overspend of £9.5m.

The Council continues to face budget pressures within both Adults and Children's social care which together account for £11m of the underlying overspend. The overwhelming majority of this is caused by the continuing high level of inflation within the economy and difficult conditions within social care markets. Other smaller but still significant overspends are also being reported in Business Investment and Culture, Transportation and Highways, and Streetscene and Regulatory Services.

Recent weeks have seen a number of councils with social care responsibilities report large in-year budgetary difficulties and it is clear that there are systemic problems for the whole sector which represent a serious threat to its financial sustainability. The Council's position above reflects a number of largely one-off actions that have already been taken to reduce the overspend. As **the underlying position is significantly higher** than has been experienced in recent years, further urgent action is proposed to address the pressure in order to prevent the 2024/25 position increasing to unmanageable levels.

The Council's capital spending is projected to be £163.6m and includes major schemes progressing across the city. The size of the programme and the nature of the projects within it continue to be fundamental to the Council's role within the city. Inflationary pressures are also affecting capital

projects. The assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The materiality of the emerging financial pressures, both revenue and capital, has renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This will be a priority across all services as the Council develops its future budget plans in the coming months.

Recommendations:

Cabinet is requested to:

1) Approve the Council's first quarter revenue monitoring position and endorse the proposal for officers to seek to identify further ongoing service options to mitigate the position in conjunction with Cabinet Members as appropriate.

2) Approve the revised forecast capital outturn position for the year of £163.6m incorporating: £14.0m rescheduling from 2022/23 outturn, £29.7m net increase in spending relating to approved/technical changes, £0.4m underspend and £38.9m of net rescheduling of expenditure into future years.

Cabinet is requested to recommend that Council:

1) Receive and note the decisions of Cabinet as outlined in recommendations 1) and 2) above.

Council is recommended to:

1) Receive and note the decisions of Cabinet as outlined in recommendations 1) and 2) above.

The Audit and Procurement Committee is requested to:

1) Note the proposals in the report and forward any comments they wish to raise with the Cabinet Member for Strategic Finance and Resources.

List of Appendices included:

Appendix 1 - Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2 - Capital Programme: Analysis of Budget/Technical Changes
Appendix 3 - Capital Programme: Analysis of Rescheduling
Appendix 4 - Capital Programme: Analysis of Over / Under Spend
Appendix 5 - Prudential Indicators

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

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

Yes - Audit and Procurement Committee, 2nd October 2023

Will this report go to Council?

No

Report title: 2023/24 First Quarter Financial Monitoring Report (to June 2023)

1. Context (or background)

1.1 Cabinet approved the City Council's revenue budget of £260.5m on 21st February 2023 and a Capital Programme of £159.2m. This is the first quarterly monitoring report for 2023/24. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure, recommending any action required, and also to report on the Council's treasury management activity.

1.2 The current 2023/24 revenue forecast is for net expenditure to be **£12.1m over budget** (after management action). The reported forecast at the same point in 2022/23 was an overspend of £9.5m. Capital spend is projected to be £163.6m.

1.3 It is not unusual for the revenue position to reflect a forecast overspend at this stage which then improves over the course of the year. However, as significant management action has already been factored in, the **underlying position is significantly** higher than the £12.1m forecast. This is a significantly high figure by historical standards, and represents a serious enough cause for concern for the Council, such that emergency in year actions should be considered.

1.4 The overspend is caused largely by factors external to the Council and which can be expected to be ongoing (affecting future years MTFS) if action is not taken urgently.

1.5 Following on from the £6.7m reported at the end of 2022/23 this indicates a serious financial trend for the Council which is not sustainable over the long-term. Section 2 of the report provides further detail on the revenue position and Section 5 sets out the Council's proposed approach to managing the position.

1.6 As a final backstop it should be noted that the Council maintains a strong balance sheet in-part to protect itself from circumstances such as this, although it should be re-iterated that reserves are a finite resource and should only be applied sparingly to mitigate ongoing revenue overspends, and once a medium-term solution is in place.

2. Options considered and recommended proposal.

2.1 This is a budget monitoring report and as such there are no options.

Table1 Revenue Position - The revenue forecast position is analysed by service area below.

Service Area	Revised Net Budget	Forecast Spend	Total Over/ (Under) Spend
	£m	£m	£m
Adult Services & Housing	113.8	120.4	6.6
Business Investment & Culture	8.1	9.1	1.1
Children & Young People's Services	93.3	97.5	4.2
Contingency & Central Budgets	(28.1)	(28.7)	(0.6)
Education and Skills	19.4	19.2	(0.2)
Finance & Corporate Services	9.3	9.2	(0.1)
Human Resources	0.7	1.2	0.5
Legal & Governance Services	7.5	7.7	0.2

People Directorate Management	1.0	1.0	0.0
Project Management & Property Services	(8.3)	(8.5)	(0.2)
Public Health	0.9	(0.6)	(1.6)
Streetscene & Regulatory Services	32.6	33.7	1.1
Transportation & Highways	10.3	11.5	1.2
Total	**260.5**	**272.6**	**12.1**

2.2 An explanation of the major forecast variances is provided below, the vast majority of which are of an ongoing nature if urgent action is not taken. Further details are provided in Appendix 1 to the report.

Directorate

Adult Services & Housing £6.6m

Within Adult Services & Housing the largest element of overspend is on Adult Social Care of £4.5m, which is due to increased activity & complexity of placements and increased package costs (inflation). The other notable variance is a £2.0m overspend on Housing & Homelessness due to significantly more people seeking assistance and placed in temporary accommodation plus a 15% increase in temporary accommodation fees which is required to ensure temporary accommodation continues to be available and mitigate the use of more expensive Bed and Breakfast accommodation.

Children's and Young People £4.2m

Within Children & Young People's Services £3.2m of the total overspend relates to the cost of looked after children's placements. The overspend is caused by a lack of sufficiency in the market to meet the needs of young people in care which has significantly increased the average unit cost of those placements. There is a further overspend of £1.3m against staffing in Help and Protection due to high levels of cases requiring additional workers and agency staff. There are short term one-off savings that are offsetting these budget pressures across the directorate from additional grants, and the use of earmarked reserves.

Business Investment & Culture £1.1m

Of the total Business Investment and Culture overspend, £0.8m relates to the one-off holding costs of the Cultural Gateway building and the remainder relates to sponsorship income shortfalls and Godiva festival costs.

Streetscene & Regulatory Services £1.1m

The Streetscene & Regulatory Services overspend includes a c£0.6m reduction in Planning income due to delayed major applications, however planning fees will increase in October 2023 to partially mitigate this. The majority of the remaining balance relates to agency and overtime costs relating to vacancies (Streetpride and Parks and Street Team Enforcement), income shortfalls (Car Parks and Pest Control) and higher waste collection costs than budgeted.

Transport & Highways £1.2m.

There are income pressures of £0.5m in Bus Lane and Parking Enforcement attributed to temporary bus gates closures and lower than expected enforcement activity due to the impact of sickness and not recruiting to vacancies. This is offset by higher car park usage/income. The remaining overspend relates to the current planned cost of addressing the backlog in highways defects at £0.35m and an under-recovery within Highways Operations as a result of vacancies and sickness of £0.4m.

2.3 **Capital**

The quarter 1 2023/24 capital outturn forecast is £163.6m compared with the original programme reported to Cabinet in February 2022 of £159.2m. Table 3 below updates the budget at quarter 1 to take account of a £14.0m increase in the base programme (net rescheduling from 2022/23), £29.7m of new approved/technical changes, a £0.4m underspend and £38.9m of rescheduling now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2023/24. It shows 79.6% of the programme is funded by external grant monies, whilst 11.6% is funded from borrowing. The programme also includes funding from capital receipts of £12.9m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2023/24 MOVEMENT	Qtr 1 Reporting £m
February 2022 Approved Programme	159.2
Net rescheduling of expenditure from 2022/23	14.0
Revised Programme	173.2
Approved / Technical Changes (see Appendix 2)	29.7
“Net” Rescheduling into future years (See Appendix 3)	(38.9)
Underspend (see Appendix 4)	(0.4)
Revised Estimated Outturn 2023-24	163.6

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	19.0
Grants and Contributions	130.2
Capital Receipts	12.9
Revenue Contributions and Capital Reserve	1.5
Total Resources Available	163.6

The inflationary pressures affecting the Council’s revenue budget are also present within capital schemes although the pattern with which this takes affect can be different due to the way in which expenditure is incurred. It is likely that most stand-alone projects that are already in-progress will be delivered within existing agreed contractual sums. However, some future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets. In addition, where budgets have established to deliver programmes of expenditure, it is likely that these programmes will need to be reduced in size over time reflecting higher prices.

2.4 Treasury Management

Interest Rates

From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease. However, a few weeks later, stronger and more persistent inflation data, particularly in the UK, changed the picture. Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7%.

After a sharp rise in interest rate expectations, with serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. Interest rate expectations priced in further hikes in policy rates. Arlingclose, the authority's treasury adviser, revised its forecast to expect a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting interest rates to rise to 6.5%. Better than expected inflation figures released on 19th July 2023 may now, however, dampen down those forecasts.

Long Term (Capital) Borrowing
The net long-term borrowing requirement for the 2023/24 Capital Programme is £4.1m, taking into account borrowing set out in Section 2.3 above (total £19.0m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.9m). In the current interest rate climate, the Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

The Public Works Loan Board (PWLB) remains the main source of loan finance for funding local authority capital investment. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet on 22 February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1st April and 30 June 2023 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2023/24 to Q1	Maximum 2023/24 to Q1	As at the End of Q1
5 year	4.34%	5.91%	5.91%
50 year	4.47%	5.43%	5.15%

The PWLB allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This "certainty rate" initiative provides a small reduction in the cost of future borrowing.

Regular monitoring continues to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings.

Short Term (Temporary) Borrowing and Investments
The Council's Treasury Management Team acts daily to manage the City Council's day-to-day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. The City Council borrowed £10m in February 2023 to cover a forecasted cash flow shortage. This was repaid in April 2023.

Returns provided by the Council's short-term investments yielded an average interest rate of 4.87% over the last quarter. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers, and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council's cash-flow, investments held by the City Council identified as a snapshot at the reporting stages were: -

	As at 31st March 2023 £m	As at 30th June 2023 £m
Banks and Building Societies	0.0	0.0
Local Authorities	0.0	41.0
Money Market Funds	42.96	36.96
Corporate Bonds	0.0	0.0
HM Treasury	0.0	0.0
Total	**42.96**	**77.96**

External Investments
In addition to the above in-house investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. The pooled funds are generally AAA rated; are highly liquid, as cash can be withdrawn within two to four days; and have a short average duration. These investments include Certificates of Deposit, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short-term fluctuations in return due to volatility to be smoothed out. In order to manage risk these investments are spread across several funds (CCLA, Schroders, Ninety-One Investec, Columbia Threadneedle and M&G Investments).

Returns provided by the Council's pooled funds yielded an average interest rate of 4.4% over the last 12 months. At 30 June 2023 the pooled funds were valued at £26.8m (£27.4m at 31 March 2023), against an original investment of £30m (a deficit of £3.2m). All seven pooled funds show a deficit mainly as a consequence of dropping property prices and rising interest rates. Some of the funds are showing encouraging signs of recovery to their original capital value. There remains an expectation that the full value for each pooled fund will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any 'losses' to be held on the Council's balance sheet and not counted as a revenue loss. This override was due to change in April 2023 but a further extension to 31st March 2025 has been granted by the government. These investments will continue to be monitored closely and are likely to be redeemed when they reach par value.

Prudential Indicators and the Prudential Code
Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing for capital purposes is affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30 June 2023 are included in **Appendix 4** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2023/24. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30 June 2023 the value is -£66.7m (minus) compared to +£96.2m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30 June 2023 the value is £204.0m compared to £480.9m within the Treasury Management Strategy, reflecting both the level of actual borrowing and that a significant proportion of the Council's investment balance is at a fixed interest rate.

2.5 Commercial Investment Strategy – Loans and Shares

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares. The total combined limit for 2023/24 is £146m, against which there are £131.2m of existing commitments: -

	Limit	Actual 31st March 2023	2023/24 Committed and Planned	Total	Headroom
	£m	£m	£m	£m	£m
Shares	55.0	52.1	0.0	52.1	2.9
Loans	91.0	52.5	26.6	79.1	11.9
	146.0	**104.6**	**26.6**	**131.2**	**14.8**

The committed or planned total of £26.6m includes a number of loan facilities to lend which may not necessarily be taken up, although the Council is committed to provide the funds if requested.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision.

4.1 There is no implementation timetable as this is a financial monitoring report.

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Director of Law and Governance

5.1 Financial implications

Revenue

The net quarter 1 forecast reflects an extremely serious and concerning position for the Council. The net forecast, after significant management action is a **£12.1m revenue overspend**, and incorporates a range of intractable ongoing issues and the continuation of inflationary pressures which will have an impact beyond the current financial year. Actions taken, and set out below, are of a largely one-off nature, meaning the **underlying position is significantly higher.**

At this stage of the monitoring cycle there is a real and significant threat that the Council will not be able to balance its revenue position by year-end without the use of reserve contributions, and without further urgent and ongoing action, **will increase the initial 2024/25 MTFS gap approved by Council in February 2023**.

These circumstances are common to councils across the country with instances of financial stress being widely reported. Alongside councils that have already been in difficult financial circumstances due to a variety of largely local reasons, 2023 has seen an increasing number of councils, including noticeably those with social care responsibilities, give dire warnings about their ability to balance their 2023/24 budgetary positions and beyond. The failure of the local government finance system to tackle issues around social care funding plus the continued impact of inflation in excess of that anticipated in the 2023/24 budgets, have put many councils in a perilous financial position.

The trend for cost of service delivery has generally over time reflected an upwards trajectory reflecting prevailing inflation and market conditions. However, the unprecedented levels of inflation in the last 2 calendar years have affected all service delivery costs such that 2022/23, 2023/24 and beyond, will reflect a very steep relative upward trend for the Council's key service costs.

Although the Council had budgeted for above historic levels of inflation, the pay award budget of £6m (4%) falls short of the current employer offer, which has not yet been accepted by the trades unions and which it is estimated would cost in the region of £9m, a minimum pressure of £3m.

Difficulties in the external markets for both children and adults are well documented but issues including the cost of highly complex cases and higher than planned levels of inflationary increases in placement costs have exceeded the additional budgetary provision included within the Council's budget. It is difficult to accurately predict whether current forecast outturn figures reflect a robust forecast for the year or whether further budgetary shocks will continue in these areas.

Management Action

This difficult position carries on from that faced in 2022/23 when the Council needed to balance its financial outturn position using £6.7m of reserves. Such a solution would be the Council's backstop position for 2023/24 but is one that the Council should be anxious to avoid. The Council holds limited reserve balances and recognises that such an approach is not sustainable in the medium term. It is therefore imperative to identify and adopt approaches that help the Council to manage its short-term pressures, whilst at the same time supporting the outlook for 2024/25 and medium-term financial problems.

The Council's Leadership Team instigated a range of immediate responses and is in the process of taking forward other actions. The following actions used to mitigate the underlying pressures have been taken so far:

- Urgent spend restrictions have already been put in place to cease non-essential spend.
- Control the filling of vacant posts.
- Control the drawdown of reserves.
- Challenge robustly any proposals for additional spend this year.
- Budget holders reminded of their responsibility to manage services within budget.
- Areas that require more regular forecasts identified

As these are primarily one-off solutions, the Leadership Team have also requested that Financial Management support and challenge Directors and budget managers to:

- identify options and service impact of reducing ongoing spend levels to within budget for political decision.
- undertake a comprehensive review of service reserves.
- identify technical options to resource switch.
- undertake a comprehensive review of service and policy options.

These 'policy' options may require political consideration of cost reduction initiatives which have previously been viewed as unfavourable. Directors have been asked to liaise with relevant cabinet member portfolio holders to identify these, such that members can collectively discuss, and ultimately decide whether they wish to implement in order to mitigate the pressures in 2023/24, but importantly for 2024/25 and beyond.

The above gives sufficient assurance that the Chief Operating Officer does not need to take any extra-ordinary action at this stage to respond to the financial position such as issuing a Section 114 Notice (a self-imposed limit on making any non-statutory expenditure as result of financial distress). However, Cabinet should be in no doubt that the underlying position for 2023/24 is incredibly challenging and that the Council will face some difficult choices in 2023/24 and to an even greater degree in 2024/25. Without further in-year support from Government or as part of the 2024/25 Local Government Finance Settlement, the Council faces the prospect of making some very hard in-year decisions including cutting or charging for some valued services in order to balance its budget.

Capital

The Council's Capital Programme continues to include a range of strategically important schemes across the city. This continues to be a large mostly grant funded programme continuing the trend of recent years. The programme includes major scheme expenditure on secondary schools' expansion, Very Light Rail, the Air Quality programme, disabled facilities grant (DfG), the A45 Overbridge Eastern Green, City Centre South and support to the Friargate Hotel development.

Legal implications

None

6. Other implications

6.1 How will this contribute to the One Coventry Plan (https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan)

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the One Coventry Plan. As far as possible it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. A recent reassessment indicates that the Council now faces a greatly increased level of risk in this area, described in section 5. Good financial discipline through budgetary monitoring continues to be paramount in managing this risk and this report is a key part of the process. A range of urgent actions has been set out in response to the Council's financial position. It is vital that Council officers and members are aware of the current financial challenge and activity across the second quarter of the year including the measures outlined will provide some indication of the direction of travel for the remainder of the year. This in turn will dictate the extent to which the bottom line can be moved significantly closer to a balanced position.

6.3 What is the impact on the organisation?

It remains important for the Council to ensure that strict budget management continues to the year-end. The Council may be forced to make some difficult policy choices over the coming months especially in areas that do not have a strict statutory basis, and which involve material levels of discretionary and flexible expenditure.

6.4 Equalities / EIA

No current policy changes have been proposed but the possibility remains that the Council may need to consider changes to existing services through the year. If this is the case, the Council's equality impact process will be used to evaluate the potential equalities impact of any proposed changes.

6.5 Implications for (or impact on) Climate Change and the environment

No impact at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

6.6 Implications for partner organisations?

No impact.

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Appendix 1
Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed “Budget Holder Forecasts” for the purposes of this report). The Centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

Service Area	Revised Net Budget	Forecast Spend	Centralised Variance	Budget Holder Variance	Total Variance
	£m	£m	£m	£m	£m
Adult Services & Housing	113.8	120.4	(1.6)	8.2	6.6
Business Investment & Culture	8.1	9.1	0.1	1.0	1.1
Children & Young People's Services	93.3	97.5	(1.2)	5.4	4.2
Contingency & Central Budgets	(28.1)	(28.7)	0.0	(0.6)	(0.6)
Education and Skills	19.4	19.2	(0.6)	0.4	(0.2)
Finance & Corporate Services	9.3	9.2	(0.5)	0.4	(0.1)
Human Resources	0.7	1.2	0.1	0.4	0.5
Legal & Governance Services	7.5	7.7	(0.3)	0.5	0.2
People Directorate Management	1.0	1.0	(0.1)	0.1	0.0
Project Management & Property Services	(8.3)	(8.5)	(0.3)	0.1	(0.2)
Public Health	0.9	(0.6)	(0.1)	(1.4)	(1.6)
Streetscene & Regulatory Services	32.6	33.7	(0.8)	1.9	1.1
Transportation & Highways	10.3	11.5	(0.3)	1.5	1.2
Total	**260.5**	**272.6**	**(5.6)**	**17.7**	**12.1**

Budget Holder Forecasts

Service Area	Reporting Area	Explanation	Budget Holder Variance £m
Adult Social Care	Strategic Commissioning (Adults)	£0.4m underspend relates to New Homes for Old PFI due to additional client fee income. A further underspend relates to lower than anticipated transport costs to day opportunities.	**(0.5)**
Adult Social Care	Housing and Homelessness	There are a number of reasons why the service is currently forecasting a significant overspend. The number of people seeking assistance with housing issues and subsequently the number being placed in Temporary Accommodation has increased significantly during 2023. Alongside this the cost of TA with private providers has increased by 15% from the 1st April (the first increase since the rates were set in 2019). A number of mitigations including purchasing additional TA, working with a Registered provider to provide us with an additional 50 flats for TA and new contracts with private providers are being progressed. The increases in TA is a national issue with the highest number of	**2.1**

		households in TA in England being reported in December 2022.	
Adult Social Care	Adult Social Care Director	Overspends relate to an increase in bad debt provision of £0.4m and additional spend on joint health initiatives to improve the provision across Health and Social Care.	0.6
Adult Social Care	Enablement & Therapy Services	Overspends on equipment purchases due to high inflation which have been offset by centralised underspends in salaries due to vacancies.	0.2
Adult Social Care	Internally Provided Services	Overspends on other pay and overtime which have been partly offset by centralised underspends in salaries due to vacancies.	0.4
Adult Social Care	Community Purchasing Mental Health	Demand for mental health services continues to increase, this impacts on provision of statutory services to meet essential need.	1.3
Adult Social Care	Partnerships and Social Care Operational	Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care	Localities and Social Care Operational	Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care	Community Purchasing Other	see above - Community purchasing spend is managed at an overall level and increased complexity of demand is being seen across all areas alongside increases to package costs driven by high levels of inflation. Activity throughout the year has also increased.	2.5
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.3m). Additional agency costs have been partly offset by underspends on centralised salaries due to vacancies.	0.7
Adult Social Care	Other Variances Less than 100K		0.3
Adult Social Care			**8.2**
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	Overspend mainly relates to Ikea collection centre/City Centre Cultural Gateway (CCCG) project with no revenue budget this year but still incurs costs for rates, electricity, security costs, BIDs. Final rate charge to be confirmed once VOA completed evaluation. (For information- other service areas: Sports and St Mary's forecast at Q1 shows a breakeven position. Godiva final position is normally clearer two weeks after the event when all relevant costs are confirmed, general ticket sales is significantly higher than last year although premium places generated a loss as ticket sales for premium is much lower than target.)	0.6
Business Investment and Culture	Employment & Adult Education	BH variance £481k mainly due to overspend in Employment because of reduced grant income offset underspend in Centralised variance from vacancies, overall employment skills variation is close to nil.	0.4
Business Investment and Culture			**1.0**

Children and Young People's Services	Children's Services Management Team	Financial strategy planned underspend.	(1.2)
Children and Young People's Services	Commissioning, QA and Performance	"Safeguarding training income is £100k below the budgeted target and the Professional Support Service saving target of £39k has not been met. There are also overspends due to agency spend for Independent Reviewing Officers', Child Protection Chairs and Local Authority Designated Officers, due to pressures caused by vacancies and increasing caseloads. The position is offset partly by underspends in CAMHS and the Coventry Safeguarding Children & Adults Multi-Agency Boards."	0.2
Children and Young People's Services	Help & Protection	"There is an overall budgetary pressure in Help and Protection, which includes the following: £1.3m pressure in the Area Teams linked to staff costs, with high levels of cases requiring additional workers and agency staff. £0.3m pressure in Section 17 spend linked to a high number of households being housed in temporary accommodation. There is an additional £0.1m pressure in NRPF (No recourse to public funds). This is unavoidable due to statutory responsibilities to financially support children and families who reside in Coventry without legal status to access benefits. There are short-term one-off savings which are currently offsetting the budget pressures from additional grants and the use of earmarked reserves. "	2.8
Children and Young People's Services	LAC & Care Leavers	"There is a £3.2m overspend on looked after children's (LAC) placements. This figure takes into account our expected increase in income from central government for unaccompanied asylum-seeking children which ensures these children do not contribute to the budgetary pressure. All of the overspend relates to external residential and is linked to unit cost. This is mainly linked to increasing unit costs for placements due to a lack of sufficiency in the market to meet the needs of young people in care. This is despite a decrease in number of looked after children and placement mix being in line with targets. There is a further budget pressure of £400k due to staffing challenges within LAC permanency service and the need for agency staff to ensure that care proceedings continue to be progressed. This is an improving position as measures taken are now starting to have a positive impact. The project team is being phased out in line with paper approved at CSLT-Business and will end fully in October. There are some continued pressures in LAC permanency around unbudgeted costs around therapy and assessments.	3.6

		There is an overspend of £312k in internal fostering due to high number of staff on maternity leave and agency cover being provided. LAC transport has an overspend of £190k and this is as a result of placement arrangements where transport needs to be provided for child to continue in current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure. There is an overspend of £193k on Adoption Central England that relates to an increase in Interagency fees and pay increases. Work is being undertaken to address this and finance sit on working group to explore budgetary needs of ACE moving forwards. There is a further budgetary pressure of £240k within the Children's disability service. This overspend relates to increased costs for short breaks & direct payments, DFG shortfalls and intensive support for some children to enable them to remain living at home, as an alternative to living in residential care. We are currently in the process of retendering our short breaks contracts to ensure 'best value' and reduce high cost support spend. These pressures are offset in part by underspends across the service."	
Children and Young People's Services			**5.4**
Corporate & Contingency	Corporate Finance	There is a forecast overspend for pay inflation contingencies (£2.6m) reflecting the latest local government employers' pay offer. This is more than offset by favourable variances for other contingency budgets (£1.4m), anticipated controls to reduce discretionary expenditure (£1m), a delayed need to replace DSG funded education expenditure (£0.6m) and other minor underspends.	
Corporate & Contingency			**(0.6)**
Education and Skills	Customer and Business Services	A budget holder underspend of £185k mainly as a result of the release of funding previously held in reserve.	(0.2)
Education and Skills	Transformation Programme Office	A budget holder underspend of £143k as a result of the release of funding previously held in reserve.	(0.2)
Education and Skills	SEND & Specialist Services	SEN Transport is forecasting an overspend of £0.3M. Demand for all SEN services has sharply increased this academic year, because of an unanticipated rise in the population, need and complexity; especially in the early years at the point of admission to reception and transfer to secondary phase. In response the LA has commissioned and delivered an additional 65 specialist placements	0.6

		within and outside of the city. Contract costs following e-auctions has increased and in-house salary costs reflect inflationary increase. The remainder of the budget holder over spend relates to staffing in Educational Psychology, but this is offset by an equivalent under spend against centralised staffing costs.	
Education and Skills	Libraries, Advice, Health & Information Services	The forecast Budget Holder overspend of £157K comprises a £64K net under-recovery of income on the Schools' Library Service, an under-recovery of £75K on other income targets, unfunded salary pressure of £126K, an overspend on casual posts and overtime of £17K offset by a £75K spending reduction on the media fund and several other smaller spending reductions. The under-recovery of income across the service is an on-going pressure that has steadily worsened over the last few years (particularly around buy in from schools). The Service is currently investigating opportunities for new and alternative income streams. This may reduce the pressure but will not remove it completely, and impact in the current year will be reduced due to timing. Salary pressure is due to regrading of staff (£44K higher in the current year due to backdating). There are currently a large volume of vacant posts within the service which is resulting in the use of over-time and casual staff in order to keep libraries open	0.2
Education and Skills			**0.4**
Finance & Corporate Services	Revenues and Benefits	The pressure is primarily attributable to the cost of temporary staffing as a result of increased levels of work being received, cover for a higher than normal level of staff absence and increased underlying work levels in council tax.	0.5
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
Finance & Corporate Services			**0.4**
Human Resources	HR - People & Culture	The People and Culture service is forecasting a £118K overspend. This mainly relates to pressures within the Resourcing Team including an un-met savings target, agency covering sickness, increased costs for subscriptions and DBS costs. In addition, there are growing pressures on training and development budgets	0.1
Human Resources	Employment Services	Employment Services has a forecast over-spend of £112K. This relates to a reduction in income from external organisations. It has not been possible to reduce costs further as a range of legislation and regulatory changes has created an increase in overall workload	0.1
Human Resources	ICT & Digital	Digital Services is forecasting a Budget Holder overspend of £183K. This relates to a shortfall on schools' income of £433K due to reduced buy in as schools convert to academies and academies join larger MATs offset by a one off release of £250K reserves. A range of spending reductions are expected to offset the significant pressures of £188K email filtering costs. Spending reductions	0.2

		include a short-term lower level of Microsoft Enterprise licence consumption charges, short-term reduction in “out of hours” service costs and other changes which are in the process of being worked on.	
Human Resources			**0.4**
Legal & Governance Services	Legal Services	"Recruitment of staff (particularly lawyers) into vacant positions remains a challenging situation within the service despite numerous attempts made to advertise vacancies. As a consequence, there is a significant amount of expenditure (circa £600k) on agency staff which is offset in part by vacancies within the Legal Services team. The service is also managing additional workload in the children’s social care sector which has made it difficult to end locum contracts. An action plan is in place to address the recruitment and retention issues within the team with the expectation that this will show reductions in subsequent quarters."	0.7
Legal & Governance Services	Other Variances Less than 100K		(0.2)
Legal & Governance Services			**0.5**
People Directorate Management			
People Directorate Management			**0.1**
Project Management and Property Services	Commercial Property and Development	£1.3m BH variance mainly due to £546k from CPM rental operation and £767k from CCS (City Centre South) project relates to red line area and new acquisitions due to a mix of income reduction and cost increase for void properties/sites. (Detailed breakdown for CPM rental operation £546k: 1. £370k: 4 Agency costs including a service charge accountant, backfill for legal expert post and covering two vacant posts (although there's underspend in centralised variance £121k, it's offset by saving target of £80k). 2. (£45k) extra income generated by the service charge accountant; 3.£104k Contributions to service charges and sinking funds for void units 4. £146k Public lighting, feeder pillars and voids 5. (£74k) Binley Crt/240 Jardine/Riley Sq Binley Crt/240 Jardine/Riley Sq - recharge to tenants of utility costs 6. £45k Professional fees costs to help service achieve income target). Note that £1m further saving target isn't in the ledger yet, so corresponding A60 saving position will be updated once the £1m saving target is actioned, potentially underachieving by £300k, but could be offset by more income generated from R&M service.	1.3
Project Management and Property Services	Facilities & Property Services	(£521k) BH variance due to 1. R&M (£123k) income overachieved based on the current order book for the profit to be generated from margin on jobs (for labour, materials and subcontractors) and additional income from project work expected. 2.	(0.5)

		(£407k) Corporate property building potential underspend due to forecasted drop in utilities costs after offsetting a pressure on Fairfax around £175k. Note that the position may still change due to volatility in the market.	
Project Management and Property Services	PMPS Management & Support	BH Variance (£700k) due to PMPS Property service draw down merit funding £750k, offset saving target of £50k.	(0.7)
Project Management and Property Services			**0.1**
Public Health	Public Health Staffing & Overheads	A budget holder underspend of £330k, mainly as a result of the release of funding previously held in reserve.	(0.3)
Public Health	Public Health - Migration	A budget holder underspend of £900k as a result of additional grant flexibility and the release of funding previously held in reserve.	(0.9)
Public Health	Other Variances Less than 100K		(0.2)
Public Health			**(1.4)**
Streetscene & Regulatory Services	Planning Services	There has been an overall reduction in planning applications since COVID which reflects the national trend. (Affecting Majors in particular.) This is partly mitigated by an increase in fees which is expected to be implemented around the start of September 2023.	0.2
Streetscene & Regulatory Services	Streetpride & Parks	The net variation across Streetpride and Parks is c£259k overspend and primarily relates to a) service reviews (Streetpride & Parks) with vacancies(part offset by u/spends on centralised variance) being covered by agency/overtime whilst new structures are being implemented, along with some shortfalls in income (i.e. car parks), b) set up costs and non-achievement of savings targets relating to Coventry Funeral Services c) Pressures in Urban Forestry relating to Tree Surveys, associated remedial works and inflationary increases and cd Traveller Incursion Costs. Some s106 (c£100k) will also be applied.	1.1
Streetscene & Regulatory Services	Waste & Fleet Services	Commercial Waste is currently under review and is forecasting a deficit in excess of £0.5m. A decision has been made for a third party to provide resources to deliver the Waste Collection service alongside CCC staff at a cost of c£522k (partly offset by centralised salary savings on Waste Admin), the WTS no longer has any external customers and although disposal costs have been reduced there is still a deficit of c£156k. Partly offsetting this is an underspend on Waste Disposal costs of (c£314k) due to lower than expected tonnages, anticipated savings of (c£272k) relating to SRL going live in Sept/October and additional income/savings on capital finance costs of c£270k from the EV programme.	0.4
Streetscene & Regulatory Services	Environmental Services	There are vacancies in Street Team Enforcement which are being covered by Agency/Overtime	0.1

		payments c£95k and a shortfall in Pest Control income c£37k.	
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
Streetscene & Regulatory Services			**1.9**
Transportation & Highways	Parking	There are income pressures in Bus Lane and Parking Enforcement due to temporary bus gates closures, activity levels remaining lower than expected due to the impact of staff vacancies and sickness. These are offset by higher-than-expected car park usage and income.	0.6
Transportation & Highways	Highways	Pressure is largely due to the anticipated costs to be incurred to address highways defects (£350k) and under-recovery within Highways Operations as a result of vacancies and sickness (£400k).	0.8
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
Transportation & Highways			**1.5**
Ringfenced Funding	SEND & Specialist Services	Dedicated Schools Grant Variance: The LA makes provision for children with high needs in the early years and new to City through a funded support plan, September activity saw an 85% increase against forecast demand. 50% of the forecast demand for external placements has been realised, with the average cost increasing during the year by £6k. In response to the system pressures across Coventry's special schools, top-up values have been inflated to secure sustainability and provision for specialist SEMH has been reviewed in response to increasing needs.	0.4
Ringfenced Funding	Schools	Dedicated Schools Grant Variance: The majority of this under spend relates to the Council's High Needs holding pot. This is budget that has been earmarked to support the Council's overall SEND Strategy and fund known provision cost pressures that will arise in future years.	(2.5)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total Dedicated Schools Grant Variance from the General Fund position.	2.1
Ringfenced Funding			**0.0**
Total Non-Controllable Variances			**17.7**

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Highways Investment	Budget 2023 announced £200 million for highways maintenance for the financial year 2023-2024. Based on the West Midlands Local Authority apportionment this is a further £0.6m funding for Coventry's Highway Investment programme.	0.6
Eastern Green - A45 Overbridge	The awarded £15.6m from Homes England for the delivery of the A45 Overbridge at Eastern Green has now been fully drawn down and passported over to the developer. As Coventry City Council are the accountable body for the delivery of the scheme, there is a legal agreement that the process moving forward will entail the developer re-imbursing CCC all invoiced amounts prior to CCC paying these funds over to the contractor. This ensures no financial risk to CCC.	8.0
On street Residential ChargePoints Phase 8	Report taken to Cabinet 14th February 2023 - Electric Vehicle Charging Infrastructure. Bids were submitted to Office for Zero Emissions Vehicles, which resulted in successful securing £2.8 for On street Residential charge points phase 8.	2.8
Routes to Stations	Successful bid in securing £1.6m from Sustrans to deliver the National Cycling Network across England, through a series of schemes to make the Network safer and more accessible to everyone, to encourage active travel. The awarded funding will deliver cycling network for Warwick University to Charter Avenue and Kenilworth Road to Spencer Park.	1.6
Public Realm - Palmer Lane De-culverting	Report taken to Cabinet 11th July 2023 - Palmer Lane Regeneration. Approval of additional funding of £318k for the delivery of the Palmer Lane project taking the total budget for the delivery of the scheme to £2.4m. Along with noting the grant acceptance of £534k received from Historic Coventry Trust in March 2023 under delegated authority contained in paragraph 2.3.2 (c) of Part 3F (Financial Procedure Rules) of the Council Constitution.	0.9
New Union Street Car Park	Report taken to Cabinet Member for Jobs, Regeneration and Climate Change on 15th June 2023. The Proposed Demolition of New Union St Multi Storey Car Park and Construction of a Surface Car Park on the Site.	1.0
Social Housing Decarbonisation Fund Wave 2	Coventry City Council have been successful in a consortium bid with Citizen Housing to improve the energy efficiency of over 2,000 homes in Coventry over the next two and half years. This Government grant funding (c. £23.8 million) together with Citizen's own investment will total circa £60m and deliver energy efficiency measures to just over 2,000 social housing properties in and around the Coventry area. The housing association worked with Coventry City Council to submit the bid to the Department of Energy Security and Net Zero (formally known as the Department for Business Energy and Industrial Strategy – BEIS). The £23.8m grant will see energy efficient works carried out on properties in the city to improve the Energy Performance to an EPC rating of a C. Works on the homes will predominately improve the fabric and ventilation of a property including, cavity / external wall insulation, increased loft insulation and improving ventilation to reduce the potential for mould growth. This funding is part of the second wave of Social Housing Decarbonisation Funding, which was submitted following joint success with Coventry City Council in the first wave of the bid where funding was secured to improve 95 homes across the city last year.	9.4
Coventry UK Shared Prosperity Fund (UKSPF)	Approval at Cabinet on 14th February 2023, capital allocation for the refurbishment works for the job shop relocation plus grant to business and preparing residents for workspaces	1.2
City Centre South	15th November 2022 Cabinet Approved £5.250m additional resources	4.1
Miscellaneous	Schemes below £250k threshold	0.1
TOTAL APPROVED / TECHNICAL CHANGES		**29.7**

Appendix 3

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
Very Light Rail	Spend has slowed down because we are still working with DfT to understand and agree the process for drawing down the phase 2 to 4 allocation. As yet, Coventry only secured phase 1 spend in 2023 (£6.4m was confirmed in Feb 23 and the remaining phase 1 balance of £2.5m was confirmed in July 23). Consequently, CCC took a decision to limit the amount of spend at risk and the programme was slowed down. CCC are confident we will spend the reprofiled forecast within the current predicted timescales.	(6.2)
Foleshill Transport Package	Delays in the consultation on Foleshill along with a more detailed approval process than anticipated at WMCA in achieving business case sign off has resulted in the programme slipping.	(2.8)
Coventry South Package	The previous forecast was based on a programme to deliver extensive improvements at Asda roundabout as an early phase within the programme. Further transport modelling assessments have demonstrated that a further round of option appraisal is needed to identify the best scheme to achieve all identified objectives at this junction, and the outcome of this will be reported back in due course. The current spend profile reflects the revised programme for design development of the Asda Roundabout scheme, with the Abbey Road junction improvement being the first element of the package to be delivered during 2023/24.	(3.3)
Schools Basic Need	Forecasts for 23/24 have been realigned to reflect the 22/23 rescheduling. There was £3m more spent in 22/23 which has reduced the forecasts accordingly	1.4
Woodlands School	Project delayed due to planning pre-commencement conditions issues and change of requirement by SSMAT in relation to the temporary accommodation to rehouse pupils out of building scheduled for demolition	(10.3)
Schools Condition	Additional funding received in 20/21 of £1m was carried forward to 21/22, we then received a further £1m grant from DFE, taking into account these additional funds being carried forward into 22/23 and not all funds being spent, this has increased the 23/24 available funds to be able to fund additional works on schools this year.	0.9
Disabled Facilities Grants	When the budget was set for 23/24 it included funds for a new home for children with disabilities, this should have reduced the main DFG forecast line but was put in as an additional line so overstated the base budget for the main DFG programme by £1m, this has now been adjusted at Qtr1 to reflect the correct 23/24 forecast	(0.9)
City Centre South	It was previously assumed that the demolition would complete during 2023/24. This date has moved as a result of changes to the development programme whilst waiting for the CPO to be confirmed and the relevant legal agreements with the developer to be finalised. The developer is now anticipating they will begin demolition in April 2024. The demolition is currently forecast to be in one phase and take up to 12 months.	(17.4)
Miscellaneous	Schemes below £250k rescheduling	(0.3)
TOTAL RESCHEDULING		**(38.9)**

Appendix 4

Capital Programme: Analysis of Over / Under Spend

SCHEME	EXPLANATION	£m
Sustainable Warmth Competition	The underspend is a result of low uptake from residents for the off-gas section of the Sustainable warmth competition. The remaining element of the grant has been returned to Midland Net Zero Hub (MNZH).	(0.2)
Miscellaneous	Schemes below £250k threshold	(0.2)
TOTAL UNDERSPEND		**(0.4)**

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy 2023/24	As at 30 June 2023
Ratio of Financing Costs to Net Revenue Stream (Indicator 1), This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.	14.98%	14.73%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2023 plus the estimates of any additional CFR in the next 3 years (Indicator 2), illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.	Estimate / limit of £546.2m	£317.0m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 5), This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.	£534.8m	£317.0m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 6), This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year.	£514.8m	£317.0m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9), These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.	£480.9m	£204.0m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9), as above highlighting interest rate exposure risk.	£96.2m	-£66.7m
Maturity Structure Limits (Indicator 10), This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. < 12 months	0% to 50%	8%

12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 20% 0% to 30% 0% to 30% 40% to 100%	12% 7% 12% 61%
Investments Longer than 364 Days (Indicator 11), This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.	£30m	£0.0m

Coventry City Council

Public report

Audit and Procurement Committee 9th October 2023

Name of Cabinet Member:
Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:
Chief Operating Officer (Section 151 Officer)

Ward(s) affected:
City Wide

Title:
Whistleblowing Annual Report 2022-23

Is this a key decision?
No – this is a monitoring report

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the concerns raised under the Council's Whistleblowing Policy during 2022-23 and the Council's response to the issues, including any organisational learning to prevent similar reoccurrences.

Recommendations:

Audit and Procurement Committee is recommended to note and consider the summary of whistleblowing concerns raised during 2022-23 and confirm its satisfaction with the actions taken to respond to the issues raised.

List of Appendices included:

None

Background papers:

None

Other Useful Documents:

Whistleblowing Policy 2017
https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MID=11091

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: Whistleblowing Annual Report 2022-23

1. Context (or background)

1.1 Whistleblowing is the making of a protected disclosure as found in Part IVA of the Employment Rights Act 1996 (and as amended by the Public Interest Disclosure Act 1998) and is reflected in the Council's Whistleblowing Policy 2017. This qualifies employees (including agency workers) for legal protection against detriment or unfair dismissal if they make a disclosure in the public interest. To qualify, the disclosure must also fall within one of the following grounds:

- A criminal offence
- Breach of any legal obligation
- Miscarriages of justice
- Danger to health and safety
- Damage to the environment
- The deliberate concealing of information about any of the above

1.2 The Council's Whistleblowing Policy makes it clear that all concerns raised about actual or potential misconduct or wrongdoing in the Council are taken seriously. For matters relating to fraud and corruption, these are considered by the Chief Internal Auditor. All other concerns which fall under one of the grounds listed above are considered by the Council's Monitoring Officer.

1.3 This report provides a summary of the concerns raised under the Council's Whistleblowing Policy during 2022-23 and the Council's response to the issues and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of refence "to monitor Council policies on whistleblowing and the fraud and corruption strategy".

1.4 In order to protect the confidentiality of whistleblowers and other parties involved, no information is included in this report that could lead to the identification of a whistleblower or the subject of the whistleblowing or compromise the confidentiality of an on-going investigation.

2. Options considered and recommended proposal

2.1 During 2022-23, the Council received six whistleblowing disclosures. Of these, two were made by a third party and as such, the legal protection afforded to employees who raise concerns does not extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way as disclosures made by employees and consequently have made every reasonable effort to protect all individuals under the whistleblowing process.

2.2 Action has also been taken during the year to introduce a digital reporting form which can be used to raise concerns alongside other routes and is available on the Council's website.

2.3 A summary of the disclosures made by type and service area is provided in Table One below.

Table One – Whistleblowing Disclosures 2022-23

Number	Nature of concern (grounds for whistleblowing)	Service area
1	Fraud and Corruption	Streetscene & Regulatory Services
2	Breach of a legal obligation	Transportation & Highways
3	Breach of a legal obligation, Health and Safety	Property Services & Development
4	Breach of a legal obligation	Children's Services
5	Breach of a legal obligation	Streetscene & Regulatory Services
6	Breach of a legal obligation, Fraud and Corruption	Property Services & Development

2.4 Whilst all concerns are taken seriously, the response will differ on a case-by-case basis. In some cases, if the disclosure has been made anonymously and insufficient details have been provided, the Council may be restricted in the action it can take. However, typically a preliminary fact-finding investigation will be undertaken which if required, will result in a full investigation and formal action being considered. A summary of the responses to the disclosures made in 2022-23 are provided in Table Two below.

Table Two – Responses to Whistleblowing disclosures 2022-23

Number	Response
1	Substantiated – the officer received a final written warning and was moved to a different post.
2	Preliminary fact-finding investigation – Not substantiated, but action taken to update the Council's policy on recruitment.
3	Preliminary fact-finding investigation – Not substantiated, but management action taken to improve project management in future projects.
4	No further action – did not satisfy grounds for whistleblowing. Raised anonymously.
5	No further action – did not satisfy grounds for whistleblowing. Raised anonymously.
6	Preliminary fact-finding investigation – Not substantiated, but alternative management action taken.

2.5 **Learning from disclosures –** Where appropriate, responsible officers will identify learning points from any issues raised and ensure that they are acted upon to prevent similar issues recurring. If required, this includes consideration of whether there are any systematic improvement actions for the wider organisation. As detailed above, in three cases considered in 2022-23 management action was agreed. This included one case where, as a result, identified improvements have been incorporated into the Council's recruitment policy.

2.6 **Benchmarking** - The Chartered Institute of Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker provides benchmarking information relating to counter fraud activity across all local authorities. The last survey was undertaken in 2020, where respondents reported a total of 486 whistleblowing cases, which is an average of six disclosures per local authority. As the survey has not been repeated since 2020, it has not been possible to consider whether the Council's figures for 2022-23 remain comparable to the current national average. It is also worth noting that employees do not have to use the Whistleblowing Policy to raise concerns and are able to resolve matters using other routes if they wish to do so, for example through discussion with their line manager or reporting concerns to one of the "prescribed persons" set out in the Public Interest Disclosure (Prescribed Persons) Order 2014, such as the Health and Safety Executive.

2.7 **2023-24 planned actions –** It is recognised that the Council's Whistleblowing Policy should be promoted and easily accessible to employees. To support this aim, action is currently being taken to review the Council's "I have a concern" intranet page, following which, it will be promoted across the Council.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

There is no implementation timetable as this is a monitoring report.

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

5.1 Financial Implications

There are no specific financial implications associated with this report. Effective whistleblowing arrangements assists the Council to ensure that any misconduct / wrongdoing which could have a detrimental financial impact on the Council is appropriately dealt with.

5.2 Legal implications

Review of the Council's arrangements for whistleblowing on an annual basis ensures that the organisation continues to meet its statutory obligations in respect of whistleblowing legislation and represents good governance.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan?

https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan

The Whistleblowing Policy assists in contributing to the objective of improving outcomes and tackling inequalities within our communities. The policy helps to achieve this by encouraging the raising of concerns in order to help to protect our most vulnerable people.

6.2 How is risk being managed?

The legislation gives all employees protection from suffering any detriment as a result of making a protected disclosure. Whilst members of the public are not protected by law, the Council treats all whistleblowers in the same way. Information is available to employees and members of the public on how they can access the Council's whistleblowing process and the Council considers actions to raise awareness. Assurance that concerns are dealt with effectively is provided to the Council's Audit and Procurement Committee through this annual report.

6.3 What is the impact on the organisation?

Where an investigation establishes that misconduct / wrongdoing has taken place, appropriate action would be taken, including, where appropriate use of the Council's formal disciplinary procedure and / or referring matters to third party organisations including the police.

6.4 Equalities / EIA

Section 149 of the Equality Act 2010 imposes a legal duty on the Council to have due regard to three specified matters in the exercise of their functions:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The "protected characteristics" covered by section 149 are race, gender, disability, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnership.

The Council acting in its role as investigator / Prosecutor must be fair, independent, and objective. Views about the ethnic or national origin, gender, disability, age, religion or belief, political views, sexual orientation, or gender identity of the suspect, victim or any witness must not influence the Council's decisions.

6.5 Implications for (or impact on) climate change and the environment

None

6.6 Implications for partner organisations

None

Report author:

Name and job title:
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Chief Internal Auditor

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Finance

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Law and Governance	30/8/2023	30/8/2023
Tina Pinks	Corporate Finance Manager	Finance	30/8/2023	25/9/2023
Names of approvers: (officers and members)				
Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	30/8/2023	29/9/2023
Julie Newman	Chief Legal Officer	-	30/8/2023	30/8/2023
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	30/8/2023	30/8/2023
Councillor R Lakha	Chair of Audit and Procurement Committee	-	30/8/2023	30/8/2023

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Coventry City Council

Public report
Committee Report

Audit and Procurement Committee 9th October 2023

Name of Cabinet Member:
N/A

Director approving submission of the report:
Chief Legal Officer

Ward(s) affected:
N/A

Title:
Outstanding Issues

Is this a key decision?
No

Executive summary:

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

Recommendations:

The Audit and Procurement Committee is recommended to:

1) Consider the list of outstanding items as set out in the Appendices to the report, and to ask the Director 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 to the report, 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 Corporate Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.

1.2 At their meeting on 25th January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside 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 to the report sets out items where additional information was requested outside 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 Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

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 One Coventry Plan?**
https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-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) climate change and the environment

N/A

6.6 Implications for partner organisations?

N/A

Report author:

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Governance Services Co-ordinator

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Law and Governance

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service area	Date doc sent out	Date response received or approved
Contributors:				
-				
Names of approvers: (Officers and Members)				
-				

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Appendix 1

Further Reports Requested to Future Meetings

	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.	Nil					

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

Appendix 2

Information/Action Requested Outside Meeting

No.	Subject/Report	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Minutes – Minute 65/22 - Corporate Risk	Minute 2/23 26th June 2023	The Committee be provided with the relevant information on consideration be given to the items listed in resolution 2), being added to the Corporate Risk Register.	Tina Pinks	24th July 2023
		Minute 11/23 24th July 2023	The information requested was reported orally at the meeting. The Committee requested that a copy of the information be circulated.	Tina Pinks	
2.	Revenue and Capital Outturn 2022/2023	Minute 13/23 24th July 2023	The Committee requested further information be circulated on:		
			a) Details of loss of commercial income (£1.3m) resulting from the Refuse Service dispute.	Tina Pinks/Paul Jennings	31st July 2023
			b) A breakdown of info in relation to the Council reserves, including an understanding of what is included in the Innovation and Development Fund and how much has been spent.	Tina Pinks/Paul Jennings	31st July 2023

Audit and Procurement Committee

Work Programme 2023/2024

26th June 2023

Local Code of Corporate Governance
Internal Audit Annual Report 2022/2023
Internal Audit External Quality Assessment

24th July 2023

Revenue and Capital Outturn 2022/2023
Audit and Procurement Committee Annual Report to Council 2022/2023
Internal Audit Plan 2023/2024
Annual Fraud and Error Report 2022/2023

9th October 2022

Audited 2019/20 Statement of Accounts and Audit Findings Report (Grant Thornton)
2023/24 First Quarter Financial Monitoring Report (to June 2023)
Whistleblowing Annual Report 2022/2023
Six Monthly Procurement Progress Report (Private)

27th November 2023

Quarter Two Revenue and Capital Monitoring Report 2023/2024
Treasury Management Update
Half Year Internal Audit Report 2023/2024
Half Year Fraud and Error Report 2023/2024
Coventry Municipal Holdings Group Accounts

29th January 2024

Information Governance Annual Report 2022
Complaints to the Local Government and Social Care Ombudsman 2022/2023
Quarter Two Revenue and Capital Monitoring Report 2023/2024
Treasury Management Update
Internal Audit Recommendation Tracking Report

18th March 2024

External Audit Plan Year Ending March 2023 (Grant Thornton)
RIPA (Regulation of Investigatory Powers Act) Annual Report 2024
Corporate Risk
Quarter Three Revenue and Capital Monitoring Report 2023/2024
Quarter Three Internal Audit Progress Report 2023/2024
Six Monthly Procurement Progress Report (Private)

Date to be confirmed

Data Analytics, Including Use of Artificial Intelligence
External Audit Plan Year Ending March 2022 (Grant Thornton)
External Auditor's Annual Report 2021/2022 (Grant Thornton)
Annual Governance Statement 2022/2023

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 11

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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