

# Coventry City Council

Statement of Accounts

2014/15

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## 1 Overview

### 1.1 Explanatory Foreword

Welcome to Coventry City Council's Statement of Accounts for the financial year 2014/15. These accounts set out the financial results of the Council's activities for the year ending 31st March 2015. This section gives an overview of the Council's financial performance for the year, explains the main financial statements contained within the accounts and highlights the most significant financial matters affecting the City Council.

The accounts are set out in line with International Financial Reporting Standards and show the Council's financial performance for 2014/15 in a way that is prescribed by accounting regulations.

The Council has produced a separate Outturn Report for the year that focuses specifically on the budgetary position within the Council's management accounts. The Council has also produced an Annual Report that sets out its non-financial performance. These reports and details about all other Council activities can be found on the Council's website at [www.coventry.gov.uk](http://www.coventry.gov.uk).

### 1.2 An Overview of the Council's Financial Performance in 2014/15

#### Revenue

In February 2014, the Council set a 2014/15 net revenue budget of £258.5m for regular costs such as salaries and energy. Funding for this was planned to come from grant from central government of £102.9m, retained Business Rates income of £56.8m, and Council Tax income of £98.8m.

The final level of actual net expenditure for 2014/15 was £260.7m which represents a £2.2m overspend compared with the budget. This overspend has arisen out of the Council's agreed strategy for funding the one-off costs of staffing reductions described below and has been met by a contribution from the Council's General Fund Reserve as planned. Further analysis of expenditure analysed between individual Council services is shown within the reconciliation of budget to net expenditure in section 3.4.

Several services within the Council have spent significantly more than budgeted. In particular this has occurred as a result of net additional costs of £6.4m within the Council's People Directorate. This reflects additional costs across several key service areas including Looked After Children, Child Protection and services for both Older People and People with Learning Difficulties. These areas are being addressed either as a result of reviews designed to reduce the level of overspend or having been allocated additional budgetary provision within the Council's 2015/16 budget.

The Council has continued to implement significant staffing reductions to enable it to manage year-on-year falls in Government funding levels. As a result, the Council has made payments to fund redundancy or early retirement decisions amounting to £10.3m in 2014/15. This has been funded from existing budgets and reserves set aside for this purpose.

The City Council has spent less than it planned to in a number of areas. In particular, costs have been £5.7m less than originally forecast for the interest and repayment costs on our outstanding debt and £5.9m less than forecast in relation to inflation contingencies and pension contributions. In addition, tight budgetary control and vacancy management across the Council have enabled the reporting of significant further under-spends in other services.

In overall terms, the Council's usable reserves reported on an IFRS basis have increased from £81.0m to £84.6m. This reserves position is detailed further in section 2.3, the Movement in Reserves Statement. Note 3.6 to the accounts lists the purpose for which these accounts are held.

## Capital

The 2014/15 capital budget, which includes expenditure incurred on major one-off items such as school extensions and major highways repairs, was £141.9m. During the year there has been a net decrease within the programme of £18m resulting in a final revised budget for the year of £123.9m.

Final capital spending of £101.1m was £22.8m below budget due to spending that is now planned to be undertaken in 2015/16. Funding for this Capital Programme plus the Council's new Private Finance Initiative assets added in the year is shown in section 3.27.

The main source of funding was external grant (£80.5m or 79.6%) with the remainder coming from revenue contributions, capital receipts and prudential borrowing.

The majority of schemes are managed within the Place directorate, including schemes relating to highways, property and a range of regeneration projects. In particular preparatory works associated with the Council's Friargate business district have made good progress and represent approaching £19m of the expenditure incurred in the year with further significant schemes including the NUCKLE rail project and the Whitley Junction road scheme. There has also been £19m of spending relating to the building of new schools and the expansion and refurbishment of existing schools within the city.

## Differences between the Management Accounts and the Statement of Accounts

The overall deficit shown in the Comprehensive Income and Expenditure Statement (section 2.2) is £113.0m. This is significantly different to the £2.2m over-spend in the management accounts. The key reason for the difference is the £120.2m increase in the Council's pension liability (section 3.19).

The main explanation for the worsened pension position is an increase in the liabilities within the pension fund. This has occurred as a result of a decrease in the discount rate used to calculate the pension amounts that need to be paid out in the future, a change that affects similar pension funds on a national level.

In overall terms, the value of the Council's long-term assets has remained relatively unchanged in 2014/15. This is the result of the combined effect of reductions caused by the revaluation and de-recognition of existing assets, balanced by new additions to the asset base from expenditure made in 2014/15. These changes are reflected and explained in sections 3.8 to 3.11.

The overall deficit in the Comprehensive Income and Expenditure Statement is matched by a decrease in the value of the Council's Balance Sheet (from £303.8m to £190.8m). The reasons for this, described above, do not reflect the Council's day to day financial performance but are the result, overwhelmingly, of the worsened position of the local government pension scheme.

## The Main Financial Statements

These accounts contain a set of main financial statements in section 2 with accompanying notes in section 3. The main statements incorporate the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash-Flow Statement and the Collection Fund. The purpose for each of these statements is set out at the start of section 2.

In addition the Group Accounts are presented in section 4. These accounts consolidate the City Council's accounts with its grouped companies (North Coventry Holdings Ltd, Coventry North Regeneration Ltd and the Coventry and Solihull Waste Disposal Company). The Group Accounts also incorporate the accounts of Arena Coventry Ltd (ACL) but this will be for the final time following its sale by the Council, described below.

The accounts are presented in line with International Financial Reporting Standards (IFRS). Under IFRS the surplus or deficit arising within the financial year is equal to the change in the net value of the authority's assets and liabilities and the change in the value of its equity. Therefore, the deficit within the Comprehensive Income and Expenditure Statement (section 2.2) matches the decrease in the value of the Balance Sheet (section 2.4) and the decrease reflected in the Movement in Reserves Statement (section 2.3).

## **The Main Issues within the Accounts**

### **Balance Sheet Value**

Over recent years the value of the City Council's Balance Sheet has reduced significantly. This value represents the difference between the Council's Net Assets (what the Council owns) and the Council's Net Liabilities (what the Council owes). As recently as 31<sup>st</sup> March 2009 on an equivalent (IFRS) basis, this value stood at £686.1m. At 31<sup>st</sup> March 2015 the value now stands at £190.8m.

Given the decrease in value in 2014/15, it remains a possibility that the Council's Balance Sheet value will become a negative figure in the foreseeable future, indicating that the Council, based on the way the accounts are required to be presented by regulations, will be in a position of negative equity (it will owe more than it owns). In the main this will depend upon whether the Council's pension liabilities increase further in the future, the degree to which more schools become Academies and the extent to which further impairments to the value of other Council assets occur. Other councils around the country are already facing this issue, not least due to the fact that the causes in Coventry are all part of national trends.

It is reasonable for readers of these accounts and other interested parties to ask what the consequences of negative equity are and the Council's Audit and Procurement Committee consider this issue as part of its annual review of the accounts. The over-riding reason why the Council may have a future position of negative equity is its very large and increasing pension liability. As described below it is essential that this position is addressed by the local government community and its pensions' authorities over the long-term. There has been an increasing focus on the issue of pensions and some revision to the way it is viewed because of its national impact. Notwithstanding, the Council has made an assessment that it maintains a robust position of going concern based on the long-term funding streams available to local government, the increased employer pension contributions now built into the Council's budget and the facility for it to take a long-term view on managing its pensions deficit.

Despite existing concerns around negative equity it is very likely that a future change to accounting regulations for highways infrastructure assets will increase, by hundreds of millions of pounds, the value of the Council's balance sheet as early as 2016/17.

### **Pensions Accounting**

Local Authorities are required to account for pension schemes in line with International Accounting Standard 19. The full effects of this for the local government and teachers' unfunded pension schemes are shown in the Comprehensive Income and Expenditure Statement, the Balance Sheet and sections 3.18 and 3.19. The figures disclosed in these accounts represent a snapshot in time and at present they show a shortfall for Coventry of £586.1m between the forecast cost of future pensions and the current level of assets built up in the pension fund, a deterioration of £120.2m in 2014/15.

Some changes in pension arrangements have been implemented in recent years and measures for tackling the deficit over time mean that the financial position of the authority remains sound. The City Council is committed to making increased employer pension contributions in the future to help achieve this and these contributions have been built into the Council's medium term financial plans.

### Loan to Arena Coventry Limited

In October 2014, Coventry City Council sold its 50% interest in Arena Coventry Limited (ACL), the operating company of the Ricoh Arena, to London Wasps Holdings Limited, the owners of Wasps Rugby Club. The Council had owned its share in ACL through North Coventry Holdings Limited (NCH Ltd), a company which it owns 100%. This sale represents the end of the Council's shareholding in the Arena. The sale proceeds of £2.7m are held currently in the accounts of NCH Ltd as reflected in section 4.9 of the Group Accounts. At the same time, the repayment term of the Council's outstanding loan to ACL, which stood at £14.2m on 31st March 2014 was shortened from 39 years to 20 years. Following this, Wasps made a £1m payment against the outstanding loan in addition to the repayments scheduled in 2014/15. Subsequently, the leasehold period on the stadium was extended to 250 years for which a consideration of £1m was paid to the Council by Wasps. The total value of the loan stood at £13.106m on 31st March 2015.

Final settlement of the outstanding loan was made on 13th May and this is reported in section 3.2, Events After The Balance Sheet Date. The financial impact of this transaction will be reflected in the 2015/16 Statement of Accounts. A Judicial Review into the original decision to make a loan to ACL was served in April 2013 by lawyers acting for companies associated with owning Coventry City Football Club. The Court found in the Council's favour in June 2014 and an initial application by the claimants to appeal that decision was turned down by the Court of Appeal in January 2015. More recently, the Court of Appeal gave permission in July 2015 for this to be appealed. These circumstances are recorded in the note on Events After the Balance Sheet Date in section 3.2. The Council's view is that it has acted lawfully in all respects and it will continue to strongly defend the claim. Notwithstanding the outcome of this case, the Court of Appeal ruling took place after the 31st March 2015 and as such will not require any changes to these accounts. A contingent liability has been recorded separately in section 3.25.

### Foundation and Voluntary Controlled Schools

The Council has made a change to its accounting policies to bring the assets of Foundation and Voluntary Controlled Schools onto its balance sheet. This change relates to 6 schools and represented £43m of additional asset value brought onto the Council's balance sheet at the start of the financial year. This has resulted in a restatement of the Council's opening balances as described in detail in section 3.36.

### Future Financial Position

The Council set its Revenue and Capital budgets for 2015/16 on the 24th February 2015. The gross revenue budget for 2015/16 is £718.7m. The table below sets out how this is funded. The Council has identified new savings totalling £14m within this budget which rise to £40m by 2017/18.

	£m
<b>Gross Revenue Expenditure</b>	<b>718.7</b>
Funded by:	
Specific Grants	(400.3)
Fees, Charges & Other Income	(80.0)
Local Share of Business Rates	(58.0)
Revenue Support Grant & Top-Up grant	(78.2)
Council Tax	(102.2)
<b>Total Funding</b>	<b>(718.7)</b>

The Council has had to work within the constraints of year on year cuts in Government funding since 2010 totalling 37% in addition to cuts to a range of specific grant streams. Further reductions are expected over the course of the new parliament. Faced with this challenge and in order to balance its budget the Council has implemented its abc programme of reviews - A Better Council for A Bolder Coventry - to improve services, reduce costs and achieve financial savings.



The 2015/16 budget has signalled a new approach, incorporating a range of strategies including Kickstart, the Customer Journey and City Centre First.

The Council continues to face significant challenges with regard to its social care services for children, including high levels of looked after children numbers and on-going work to address the disappointing Ofsted judgement of March 2014. These issues represent major financial as well as service pressures for the Council.

Although further work is needed to complete the abc Programme, the Council is now moving into a new phase of activity, designed to further modernise and streamline the services that it provides in response to the financial pressures referenced above. This phase will be marked by a move, in 2017, into a new purpose built office building in the forthcoming Friargate business district within which the majority of the Council's office based activity will occur. At the same time the Council will streamline its property portfolio, operate a refurbished Customer Services Centre, review the geographic delivery of its services across the city and transform the way that the Council and its customers and citizens transact with each other. The success of these activities is vital to enable the Council to achieve the savings that are required to meet the very large cuts in Government funding that continue to face the Council.

The Friargate initiative is one part of a much wider strategy to strengthen the financial position of the city and increase the ability of the Council to be more self-sufficient under the localisation of Business Rates which came into effect from 1st April 2013. The Council is operating the £50m Coventry Investment Fund, a vehicle to provide grants and loans for supporting local business, encouraging regeneration and generating Business Rate growth whilst also creating a more attractive and vibrant city centre, improving the city's transport links and playing a wider role in attracting businesses to the city.

A Capital Programme of £117.7m has been set for 2015/16 with the main funding coming from grants (£62.7m), borrowing (£42.6m) and revenue contributions (£12.4m). The Programme includes significant expenditure on the Council's Friargate building, the Nucleo rail project, the city's schools, its highways and city centre Public Realm projects. The Council has identified revenue budgets to repay any borrowing within the programme and these are built into the Council's medium term financial position.

The Better Care Fund (BCF) requires Local Authorities and Clinical Commissioning Groups to Pool budgets from 1st April 2015. The BCF is designed to drive improvement through integration of services and resources via a Section 75 pooled budget arrangement. Coventry was required to have a minimum pooled budget of £24m and the final plan reflects a pooled budget of £52m. These arrangements will be subject to IFRS 11 (Joint Arrangements) and initial guidance suggests that BCFs will be treated as Joint Operations. The accounting for and disclosure of this area will be considered in detail as part of the 2015/16 Statement of Accounts.



## 1.3 Statement of Responsibilities

### Coventry City Council's Responsibilities

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

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

### The Executive Director of Resources' Responsibilities

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

In preparing this statement of accounts, the Executive Director of Resources has:

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

The Executive Director of Resources has also:

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

### Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31<sup>st</sup> March 2015 and its income and expenditure for the year ended 31<sup>st</sup> March 2015, and that the accounts are authorised for issue.



**Chris West, CPFA**

Executive Director of Resources  
3rd August 2015

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council on 3rd August 2015

**Cllr Tony Skipper**

Chair of Audit and Procurement Committee  
3rd August 2015

## 1.4 Annual Governance Statement

### Scope of Responsibility

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

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

Coventry City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available on our website at

[http://www.coventry.gov.uk/downloads/file/3639/code\\_of\\_corporate\\_governance](http://www.coventry.gov.uk/downloads/file/3639/code_of_corporate_governance)

or can be obtained from Democratic Services.

The Annual Governance Statement explains how Coventry City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

### The Purpose of the Governance Framework

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

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

The governance framework has been in place at Coventry City Council for the year ended 31<sup>st</sup> March 2015 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements are documented in the City Council's Code of Corporate Governance and include the following:

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

Coventry's Council Plan "*Coventry open for business*" was adopted in January 2014 and sets out the Council's long term vision and priorities for the city for the next ten years. To deliver the vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active citizens and strong and involved communities. The Council Plan is part of the Council's performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way.

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

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

- Roles and responsibilities of both Councillors and officers, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.
- How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Council facilitates policy and decision-making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee.

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

The Council's Risk Management Strategy was revised in 2012 and includes processes for identifying, assessing, managing and monitoring financial and operational risks. Risk registers at directorate and corporate level are updated and reviewed regularly by senior managers and Members. 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 was revised in 2012 and reinforces the Council's commitment to creating an anti-fraud culture, whilst having effective arrangements in place in responding to allegations of fraud and corruption.

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

For the financial year 2014-15, the Executive Director, Resources, was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. In assessing this role against the requirements stated in

the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010), the Authority meets the five principles laid out in the CIPFA statement, namely:

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

The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31<sup>st</sup> March 2015:

- Coventry and Solihull Waste Disposal Company is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between Coventry and Solihull. The Company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31<sup>st</sup> March 2014, did not highlight any significant concerns. In the year CSWDC redeemed £3.6m of preference shares held by Coventry City and Solihull Metropolitan Borough Councils.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. The Directors of the Company are also senior officers of Coventry City Council. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31<sup>st</sup> March 2014. The company's purpose is to hold shares in two companies, Coventry North Regeneration Limited and Arena Coventry Limited. On the 8<sup>th</sup> October 2014, London Wasps Holdings Limited (LWHL) acquired the 50% shareholding held by NCH in Arena Coventry Limited.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. The Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31<sup>st</sup> March 2014.
- Arena Coventry Limited (ACL) was originally set up as a joint venture between NCH Limited and Football Investors Limited (a company owned by the Alan Edward Higgs Charity). The

Company is engaged in the management of the Ricoh Arena. On the 8<sup>th</sup> October 2014, London Wasps Holdings Limited (LWHL) acquired the 50% shareholding held by NCH in ACL. On 14<sup>th</sup> November 2014 LWHL completed their acquisition of 100% shareholding in ACL by acquiring a 50% shareholding from the Alan Edwards Higgs Charity. The Company has Dains LLP as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31<sup>st</sup> May 2014.

### **Review of Effectiveness**

Coventry City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Internal Audit and Risk Manager's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members, against targets and objectives set out in the Council's Plan.
- Ongoing reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.
- Regular reviews of Council's strategies and procedures to ensure they continue to reflect the needs of the Council.

The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls/governance arrangements by each Director.
- The work of the Internal Audit Service during 2014-15. 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 Internal Audit and Risk Manager, should be considered when producing the Annual Governance Statement.
- A review of the effectiveness of the Council's system of Internal Audit.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Procurement Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **Significant Governance Issues**

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

- Achievement of improvement in children's services leading to a satisfactory Ofsted inspection outcome during 2015-16.

- Ensuring delivery of the Council’s vision and corporate objectives, in line with the Medium Term Financial Strategy. This is underpinned by the delivery of significant financial savings from new strategies set out in the 2015/16 Budget Report. Successful implementation of this next stage of transformation will be fundamental to enabling the Council to achieve its immediate financial targets, and establish a basis for addressing future reported budget gaps which rise to £16 million by 2017/18.
- The delivery of the Kickstart programme - the Council’s plan for making savings, supporting city centre regeneration and rationalising its office estate. This includes the delivery of a new Customer Service Centre, a Democratic Centre within the Council House and a new purpose built office at Friargate supported by a radically transformed approach to the way the Council works and engages with its customers. The Kickstart programme will create the environment for culture change within the Council, leading to a more agile, modern organisation which is able to deal more effectively with demand changes and service transformation.
- To continue to implement the Education Improvement Strategy in order to raise standards across all schools in Coventry.

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

- To ensure robust processes and procedures exist to minimise the risk of fraud and error in relation to the award of Council Tax discounts and exemptions.
- To address the concerns over the robustness of the payment process in respect of adult social care, which are administered through the CareDirector System.
- To undertake a review of the Council’s Code of Corporate Governance.

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



**Martin Reeves**  
Chief Executive of Coventry City Council



**Cllr Ann Lucas**  
Leader of Coventry City Council

## 2 Main Financial Statements

### 2.1 Overview of the Main Financial Statements

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

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

The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

#### **The Movement in Reserves Statement (section 2.3)**

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

#### **Balance Sheet (section 2.4)**

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.

- Usable Reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable Reserves. The Authority is not able to use these reserves to provide services. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

#### **Cash Flow Statement (section 2.5)**

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

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.



**The Collection Fund (section 2.6)**

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

**Presentation of figures within the Statement of Accounts**

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

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

## 2.2 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/14			2014/15			
Gross Expenditure *restated	Gross Income *restated	Net Expenditure *restated	SERVICE ANALYSIS	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
104,153	(27,859)	76,294	Adult Social Care	100,737	(28,584)	72,153
28,461	(6,817)	21,644	Central Services to the Public	25,342	(7,350)	17,992
367,145	(253,034)	114,111	Children's & Education Services **	364,423	(253,147)	111,276
22,133	(2,027)	20,106	Cultural & Related Services	28,293	(2,694)	25,599
28,078	(5,051)	23,027	Environmental & Regulatory Services	26,352	(5,425)	20,927
13,009	(4,267)	8,742	Planning Services	22,888	(5,696)	17,192
38,067	(13,503)	24,564	Highways and Transport Services	59,977	(13,796)	46,181
149,991	(137,403)	12,588	Housing services	142,567	(135,060)	7,507
23,826	(18,314)	5,512	Public Health	23,558	(19,977)	3,581
15,818	(1,284)	14,534	Corporate and democratic core	15,565	(2,043)	13,522
(8,346)	(6,927)	(15,273)	Non-distributed costs**	10,436	(479)	9,957
<b>782,335</b>	<b>(476,486)</b>	<b>305,849</b>	<b>Cost of Services</b>	<b>820,138</b>	<b>(474,251)</b>	<b>345,887</b>
		16,917	Levy Payments to Other Bodies			16,311
		7	Contribution of Housing Capital Receipts to Gov. Pool			2
		6	Precepts of Local Precepting Authorities			6
		<b>16,930</b>	<b>Other Operating Expenditure</b>			<b>16,319</b>
		21,056	Interest Payable and Similar Charges			21,815
		(1,599)	External Investment Income			(2,392)
		21,251	Net interest on the net defined benefit liability (section 3.19)			19,518
		(11,295)	Net (Surplus)/Deficit from Trading Operations (section 3.5)			(11,770)
		(5,915)	Dividends and Interest Receivable			(1,941)
		<b>23,498</b>	<b>Finance and Investment Income and Expenditure</b>			<b>25,230</b>
		(97,296)	Council Tax			(101,387)
		(51,091)	Retained Business Rates			(58,535)
		(15,588)	Business Rates Top-up			(15,489)
		(115,269)	General Government Grants			(95,721)
		(30,649)	Capital Grants (section 3.30)			(80,126)
		<b>(309,893)</b>	<b>Taxations and Non-Specific Grant Income</b>			<b>(351,258)</b>
		<b>36,384</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>36,178</b>
		(3,869)	(Surplus)/Deficit on revaluation of non current assets			(23,799)
		(46,804)	(Surplus)/Deficit on revaluation of available for sale financial assets			(2,845)
		(83,440)	Remeasurement of the net defined benefit liability (section 3.19)			103,420
		<b>(134,113)</b>	<b>Sub-total of other comprehensive Income &amp; Expenditure</b>			<b>76,776</b>
		<b>(97,729)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>112,954</b>

\* Restated 2013/14 figures as per section 3.36

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

Gross Expenditure	Gross Income	Net Expenditure	MATERIAL ITEMS	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
			<b>Included within Children's &amp; Education Service</b>			
33,441	0	33,441	Impairment as a result of schools transferring to academy status	0	0	0
			<b>Included within Non-distributed costs</b>			
(15,000)	0	(15,000)	Reversal of Equal Pay Claim Provision	(485)	0	(485)

## 2.3 MOVEMENT IN RESERVES STATEMENT

### USABLE RESERVES AND OVERALL POSITION 2014/15

	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £001
<b>31st March 2014</b>	<b>(7,328)</b>	<b>(72,910)</b>	<b>(756)</b>	<b>(80,994)</b>	<b>(222,762)</b>	<b>(303,756)</b>
(Surplus) or Deficit on Provision of Services (Accounting Basis)	36,178	0	0	36,178	0	36,178
Other Comprehensive Income and Expenditure	0	0	0	0	76,776	76,776
<b>Total Comprehensive Income and Expenditure</b>	<b>36,178</b>	<b>0</b>	<b>0</b>	<b>36,178</b>	<b>76,776</b>	<b>112,954</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(40,155)	0	372	(39,783)	39,783	0
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>(3,977)</b>	<b>0</b>	<b>372</b>	<b>(3,605)</b>	<b>116,559</b>	<b>112,954</b>
<b>Net (Increase) / Decrease in Earmarked Reserves</b>	<b>6,145</b>	<b>(6,145)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase) / Decrease in Year</b>	<b>2,168</b>	<b>(6,145)</b>	<b>372</b>	<b>(3,605)</b>	<b>116,559</b>	<b>112,954</b>
<b>31st March 2015</b>	<b>(5,160)</b>	<b>(79,055)</b>	<b>(384)</b>	<b>(84,599)</b>	<b>(106,203)</b>	<b>(190,802)</b>

### UNUSABLE RESERVES 2014/15

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

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

**USABLE RESERVES AND OVERALL POSITION 2013/14 COMPARATIVES**

	General Fund Balance *restated £000	Earmarked Reserves £000	Capital Grants Unapplied Account £000	Total Usable Reserves *restated £000	Unusable Reserves *restated £000	Total Authority Reserves *restated £000
<b>31st March 2013</b>	<b>(7,304)</b>	<b>(63,059)</b>	<b>(902)</b>	<b>(71,265)</b>	<b>(134,762)</b>	<b>(206,027)</b>
(Surplus) or Deficit on Provision of Services (Accounting Basis)	36,384	0	0	36,384	0	36,384
Other Comprehensive Income and Expenditure	0	0	0	0	(134,113)	(134,113)
<b>Total Comprehensive Income and Expenditure</b>	<b>36,384</b>	<b>0</b>	<b>0</b>	<b>36,384</b>	<b>(134,113)</b>	<b>(97,729)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(46,259)	0	146	(46,113)	46,113	0
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>(9,875)</b>	<b>0</b>	<b>146</b>	<b>(9,729)</b>	<b>(88,000)</b>	<b>(97,729)</b>
<b>Net (Increase) / Decrease in Earmarked Reserves</b>	<b>9,851</b>	<b>(9,851)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase) / Decrease in Year</b>	<b>(24)</b>	<b>(9,851)</b>	<b>146</b>	<b>(9,729)</b>	<b>(88,000)</b>	<b>(97,729)</b>
<b>31st March 2014</b>	<b>(7,328)</b>	<b>(72,910)</b>	<b>(756)</b>	<b>(80,994)</b>	<b>(222,762)</b>	<b>(303,756)</b>

\* Restated 2013/14 figures as per section 3.36

**UNUSABLE RESERVES 2013/14 COMPARATIVES**

	Capital Adjustment Account *restated £000	Revaluation Reserve *restated £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Total Unusable Reserves *restated £000
<b>31st March 2013</b>	<b>(470,087)</b>	<b>(188,147)</b>	<b>2,192</b>	<b>(1,323)</b>	<b>528,804</b>	<b>5,116</b>	<b>(11,317)</b>	<b>(134,762)</b>
(Surplus) or Deficit on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	0
Other Comprehensive Income and Expenditure	0	(3,869)	0	0	(83,440)	0	(46,804)	(134,113)
<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(3,869)</b>	<b>0</b>	<b>0</b>	<b>(83,440)</b>	<b>0</b>	<b>(46,804)</b>	<b>(134,113)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	7,057	19,985	(104)	(701)	20,545	(820)	151	46,113
<b>Net (Increase) / Decrease</b>	<b>7,057</b>	<b>16,116</b>	<b>(104)</b>	<b>(701)</b>	<b>(62,895)</b>	<b>(820)</b>	<b>(46,653)</b>	<b>(88,000)</b>
<b>31st March 2014</b>	<b>(463,030)</b>	<b>(172,031)</b>	<b>2,088</b>	<b>(2,024)</b>	<b>465,909</b>	<b>4,296</b>	<b>(57,970)</b>	<b>(222,762)</b>

\* Restated 2013/14 figures as per section 3.36

## 2.4 BALANCE SHEET

31st March 2014 * restated £000	Balance Sheet	31st March 2015 £000	Section Ref.
792,852	Property, Plant and Equipment *	806,547	3.8
25,893	Heritage Assets	25,893	3.9
167,198	Investment Property	154,350	3.10
74,735	Long Term Investments	75,233	3.12
30,466	Long Term Debtors	29,514	3.13
<b>1,091,144</b>	<b>Long Term Assets</b>	<b>1,091,537</b>	
57,313	Short Term Investments	102,297	3.17
499	Inventories	364	
52,458	Short Term Debtors	48,090	3.14
39,393	Cash and Cash Equivalents	10,220	2.5
9,987	Assets held for Sale	4,996	3.10
<b>159,650</b>	<b>Current Assets</b>	<b>165,967</b>	
(22,596)	Short Term Borrowing	(24,063)	3.17
(63,009)	Short Term Creditors	(70,179)	3.15
(2,972)	Short Term Provisions	(1,555)	3.16
<b>(88,577)</b>	<b>Current Liabilities</b>	<b>(95,797)</b>	
(9,922)	Long Term Provisions	(9,157)	3.16
(372,861)	Long Term Borrowing	(366,723)	3.17
(465,909)	Other Long Term Liabilities	(586,089)	3.19
(9,769)	Capital Grants Receipts in Advance	(8,936)	3.30
<b>(858,461)</b>	<b>Long Term Liabilities</b>	<b>(970,905)</b>	
<b>303,756</b>	<b>Net Assets *</b>	<b>190,802</b>	
(80,994)	Usable Reserves	(84,599)	2.3
(222,762)	Unusable Reserves *	(106,203)	2.3
<b>(303,756)</b>	<b>Total Reserves *</b>	<b>(190,802)</b>	

\* Restated 2013/14 figures as per section 3.36

The unaudited accounts were authorised for issue on 12th June 2015 and the audited accounts were authorised for issue on 3rd August 2015.

## 2.5 CASH FLOW STATEMENT

2013/14			2014/15	
*restated		Cash Flow Statement		
£000's	£000's		£000's	£000's
36,384		Net (Surplus) or Deficit on the Provision of Services *	36,178	
(84,588)		Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements *	(128,604)	
19,005		Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	53,930	
	<b>(29,199)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(38,496)</b>
	(7,051)	Investing Activities		8,258
	36,554	Financing Activities		59,411
	<b>304</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>29,173</b>
	(39,697)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(39,393)
	(39,393)	Cash and Cash Equivalents at the End of the Reporting Period		(10,220)

\* Restated 2013/14 figures as per section 3.36

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

## 2.6 COLLECTION FUND

Business Rates £000	2013/14 Council Tax £000	Total £000	Collection Fund	Business Rates £000	2014/15 Council Tax £000	Total £000
<b>INCOME</b>						
0	(108,603)	(108,603)	Council Tax Receivable	0	(113,549)	(113,549)
(115,762)	0	(115,762)	Business Rates Receivable	(118,390)	0	(118,390)
(1,143)	(1,359)	(2,502)	Write (Offs) / Ons	(477)	(1,015)	(1,492)
618	2	620	Transitional Relief	784	1	785
<b>(116,287)</b>	<b>(109,960)</b>	<b>(226,247)</b>	<b>Total Income</b>	<b>(118,083)</b>	<b>(114,563)</b>	<b>(232,646)</b>
<b>EXPENDITURE</b>						
54,139	0	54,139	Precepts, Demands & Shares	57,589	0	57,589
53,056	93,813	146,869	Central Government	56,437	98,788	155,225
0	7,259	7,259	Coventry City Council	0	7,647	7,647
1,083	3,743	4,826	West Midlands Police	1,152	3,943	5,095
<b>Distribution of previous years' surplus / deficit</b>						
0	0	0	West Midlands Fire	108	0	108
0	819	819	Central Government	105	3,279	3,384
0	61	61	Coventry City Council	0	254	254
0	29	29	West Midlands Police	2	131	133
<b>108,278</b>	<b>105,724</b>	<b>214,002</b>	<b>TOTAL EXPENDITURE</b>	<b>115,393</b>	<b>114,042</b>	<b>229,435</b>
<b>Charges to Collection Fund</b>						
1,143	1,359	2,502	Charges to Collection Fund	477	1,015	1,492
309	(107)	202	Less: Write offs uncollectable amounts	5	266	271
10,188	0	10,188	Less: Increase/ (Decrease) in Bad Debt Provision	(2,238)	0	(2,238)
380	0	380	Less: Increase/ (Decrease) in Appeals Provision	380	0	380
0	(2)	(2)	Less: Costs of Collection	0	0	0
<b>12,020</b>	<b>1,250</b>	<b>13,270</b>	Less: Write off of poll tax deficit	<b>(1,376)</b>	<b>1,281</b>	<b>(95)</b>
<b>4,011</b>	<b>(2,986)</b>	<b>1,025</b>	Total Charges to Collection Fund	<b>(4,066)</b>	<b>760</b>	<b>(3,306)</b>
0	(1,471)	(1,471)	(Surplus)/Deficit Arising During Year	4,011	(4,457)	(446)
4,011	(4,457)	(446)	(Surplus)/Deficit b/fwd	(55)	(3,697)	(3,752)
<b>Commitments</b>						
215	3,663	3,878	Surplus/(Deficit) committed in future year's budget setting	3,327	872	4,199
4,226	(794)	3,432	<b>Excess (Surplus)/Deficit c/fwd to following year's tax setting.</b>	3,272	(2,825)	447

### 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 West Midlands Police and Fire Authorities and Central Government. These payments represent, for Council Tax, the amount requested by each Authority at the beginning of the year to fund their net budgets and, for Business Rates, as the total determined by the nationally set multiplier and the local Business Rates tax base and split by pre-determined percentages.

### Income from Business Rates

The City Council collects rates from local businesses on behalf of Central Government. The level of in-year recovery of the Business Rates billed in 2014/15 was 96.9%. The Government determines the level of rates payable, which was 48.2p per £ of rateable value (47.1p in 2013/14). The Valuation Office Agency sets the rateable value of each property and the total was



£299,165,370 at 31st March 2015 (£299,695,268 at 31st March 2014). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. In addition to a bad debt provision, to meet the anticipated impact of debts being written off, there is also a provision for the estimated future liability amendments due to appeals. Details of the movement in these provisions are provided within the tables later in this section.

### Calculation of the Council Tax Base

The level of Council Tax is set at the beginning of the year and is calculated so as to ensure that the Collection Fund can meet its obligations. Council Tax paid by taxpayers is based on the valuation of their property. Each property is placed into one of eight valuation bands (A to H).

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.5%. The total number of dwellings on the valuation list is 136,297 of which 5,387 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	125	50.7
A	53,451	24,221.3
B	39,219	21,735.4
C	21,625	13,926.4
D	8,569	6,286.5
E	4,303	3,915.8
F	2,194	2,374.3
G	1,328	1,666.3
H	96	139.0
<b>Total</b>	<b>130,910</b>	<b>74,315.7</b>
Estimated eventual collection rate		98.5%
Total Council Tax Base Band D 2014/15		73,201.0
Total Council Tax Base Band D 2013/14		70,863.8

## Provisions and Write Offs

Level of Provisions & Write Offs	Council Tax Bad Debt Provision £000	Business Rates Bad Debt Provision £000	Business Rates Appeals Provision * £000
<b>Provision brought forward</b>	<b>(5,891)</b>	<b>(3,222)</b>	<b>(10,188)</b>
Written off in year	1,015	477	2,308
(Increase) / decrease in provision	(1,282)	(482)	(71)
<b>Provision carried forward</b>	<b>(6,158)</b>	<b>(3,227)</b>	<b>(7,951)</b>

\* The provision figures provided in section 3.16 include 49% of the Appeals Provision figures shown in the table above. This is the City Council's share of the Business Rates balances.

## Gross Debtors

	Council Tax £000	Business Rates £000
<b>Gross Debtors brought forward</b>	<b>12,175</b>	<b>6,470</b>
<b>Gross Debtors carried forward</b>	<b>12,806</b>	<b>8,222</b>

## Precepts and Demands on the Collection Fund

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

### Council Tax

2013/14		2014/15		
Total	Precept / Demand	Share of surplus / (deficit)	Total	
£000	£000	£000	£000	
97,296	Coventry City Council	98,788	2,599	101,387
3,882	West Midlands Fire Service	3,943	104	4,047
7,530	West Midlands Police	7,647	201	7,848
<b>108,708</b>	<b>Total</b>	<b>110,378</b>	<b>2,904</b>	<b>113,282</b>

### Business Rates

2013/14		2014/15			
Total	Precept	Share of surplus / (deficit)	Top Up	Total	
£000	£000	£000	£000	£000	
52,133	Central Government (50%)	57,589	2,141	0	59,730
66,679	Coventry City Council (49%)	56,437	2,098	15,489	74,024
1,043	West Midlands Fire Service (1%)	1,152	43	0	1,195
<b>119,855</b>	<b>Total</b>	<b>115,178</b>	<b>4,282</b>	<b>15,489</b>	<b>134,949</b>

### **3 Notes to the Main Financial Statements**

#### **3.1 Significant Assumptions made in estimating Assets and Liabilities**

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

##### **Pensions Liability**

This liability stands at £586.1m, at the end of the 2014/15 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. Further details can be found in note 3.18.

#### **3.2 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Executive Director of Resources on 12th June 2015.

The financial statements and notes have not been adjusted for the following event which took place after 31st March 2015 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date.

##### **Loan to Arena Coventry Limited**

As at 31st March 2015 the Council held an outstanding loan of £13.106m to Arena Coventry Limited, a company owned by London Wasps Holdings Limited. This loan is shown in note 3.13 Long Term Debtors. Final settlement of the loan was made on 13th May and the financial impact of this will be reflected in the 2015/16 Statement of Accounts.

##### **Council Loan to Arena Coventry Limited**

A Court of Appeal hearing in July 2015 considered the Council's decision on 15th January 2013 to make a £14.4m loan to Arena Coventry Limited (ACL). ACL was formerly a Joint Venture company within the Council's Group Accounts which was 50% owned by the Council prior to its sale to Wasps Holdings Limited during 2014/15. The Court has given permission for the original loan decision to be appealed such that the issue remains outstanding as at the balance sheet date. This issue remains subject to a legal process, the timing and outcome of which is currently uncertain and it is recorded as a contingent liability in note 3.25. The Council's position is that it has acted lawfully in all respects and it will strongly defend the claim.

##### **Transfer of Schools to Academy Status**

Seven Coventry primary schools and one secondary school transferred to Academy status on 1st August 2015. These transfers have the effect of diluting the relationship between the schools and the local authority. In the future the Council's accounts will no longer reflect the day to day costs and funding of these schools amounting to approximately £15m.

#### **3.3 Significant Judgements Made Regarding Accounting Policies**

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

## Going Concern Status

There is a high degree of uncertainty about future levels of funding for Local Government and the impact of existing services moving outside of Local Authority control. These accounts have been prepared on the basis that the City Council will continue to be a major provider of Local Government services into the foreseeable future and as such that it maintains its going concern status.

## 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. This represents a change in relation to the assets of foundation and voluntary controlled schools which have been brought onto the Council's balance sheet for the first time in 2014/15. Note 36, Prior Period Restatements details the changes to the accounts that result from this judgement. For 2014/15 additional asset value of £43m has been brought onto the balance sheet relating to 6 schools.

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

## 3.4 Amounts Reported for Resource Allocation Decisions

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

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

### Amounts Reported for Resource Allocation Decisions 2014/15

Directorate Income & Expenditure	Resources	Public Health	Chief Executive's	People	Place	Contingency & Central Budgets	Total
2014/15	£000	£000	£000	£000	£000	£000	£000
General Income	(6,738)	(125)	(116)	(34,223)	(37,495)	(16,679)	<b>(95,376)</b>
Re-charges	(41,979)	0	(1,490)	(9,321)	(52,152)	(125)	<b>(105,067)</b>
Government Grants	(135,380)	(18,811)	(36)	(240,500)	(10,495)	(76,926)	<b>(482,148)</b>
Reserves	(84)	(622)	0	2,261	(907)	(14,363)	<b>(13,715)</b>
<b>Total Income</b>	<b>(184,181)</b>	<b>(19,558)</b>	<b>(1,642)</b>	<b>(281,783)</b>	<b>(101,049)</b>	<b>(108,093)</b>	<b>(696,306)</b>
Employee Expenses	38,758	3,258	1,579	229,324	38,330	9,489	<b>320,738</b>
Running Expenses	156,585	16,443	2,029	213,886	89,176	151,205	<b>629,324</b>
RCCO*	366	0	0	0	6,551	0	<b>6,917</b>
<b>Total Expenditure</b>	<b>195,709</b>	<b>19,701</b>	<b>3,608</b>	<b>443,210</b>	<b>134,057</b>	<b>160,694</b>	<b>956,979</b>
<b>Net Expenditure</b>	<b>11,528</b>	<b>143</b>	<b>1,966</b>	<b>161,427</b>	<b>33,008</b>	<b>52,601</b>	<b>260,673</b>
<b>Annual Budget</b>	<b>13,703</b>	<b>121</b>	<b>2,000</b>	<b>155,076</b>	<b>33,507</b>	<b>54,098</b>	<b>258,505</b>
<b>Deficit / (Surplus)</b>	<b>(2,175)</b>	<b>22</b>	<b>(34)</b>	<b>6,351</b>	<b>(499)</b>	<b>(1,497)</b>	<b>2,168</b>

\*RCCO is Revenue Contribution to Capital Outlay

### Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis	Service Analysis	Not Reported to Mgmt.	Not Included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
2014/15	£000	£000	£000		£000	£000	£000
Fees, charges & other service income	(205,678)	0	100,028	105,067	(583)	(11,770)	<b>(12,353)</b>
Interest & Investment Income	(4,333)	0	4,333	0	0	(4,333)	<b>(4,333)</b>
Council Tax	(2,599)	0	2,599	0	0	(101,387)	<b>(101,387)</b>
Business Rates including Top-up	(1,548)	0	1,548	0	0	(74,024)	<b>(74,024)</b>
Government grants and contributions	(482,148)	(80,126)	88,606	0	(473,668)	(175,847)	<b>(649,515)</b>
<b>Total Income</b>	<b>(696,306)</b>	<b>(80,126)</b>	<b>197,114</b>	<b>105,067</b>	<b>(474,251)</b>	<b>(367,361)</b>	<b>(841,612)</b>
Employee Expenses	320,738	17,275	(19,518)	0	318,495	19,518	<b>338,013</b>
Other Service Expenses	493,042	23,633	(116,199)	0	400,476	0	<b>400,476</b>
Recharges	105,067	0	0	(105,067)	0	0	<b>0</b>
Depreciation, Amortisation & Impairment	0	101,167	0	0	101,167	0	<b>101,167</b>
Interest Payments	21,815	0	(21,815)	0	0	21,815	<b>21,815</b>
Precepts & Levies	16,317	0	(16,317)	0	0	16,317	<b>16,317</b>
Payments to Housing Capital Receipts Pool	0	2	(2)	0	0	2	<b>2</b>
<b>Total Expenditure</b>	<b>956,979</b>	<b>142,077</b>	<b>(173,851)</b>	<b>(105,067)</b>	<b>820,138</b>	<b>57,652</b>	<b>877,790</b>
(Surplus) or Deficit	<b>260,673</b>	<b>61,951</b>	<b>23,263</b>	<b>0</b>	<b>345,887</b>	<b>(309,709)</b>	<b>36,178</b>

### 3.5 Trading Account Summary

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

2013/14		2014/15	
(Surplus)/Deficit	Trading Accounts	Income	(Surplus)/Deficit
£000		£000	£000
(10,306)	Commercial Property	5,938	(16,698)
(158)	Highways Maintenance	12,010	(12,528)
184	Construction & Property Services	6,211	(6,314)
307	Building Cleaning	3,138	(2,590)
(1,041)	Fleet & Workshop	9,070	(10,105)
(104)	Catering Services	4,361	(4,066)
494	Monitoring Response Unit	1,451	(712)
(525)	Commercial Waste Services	5,281	(6,072)
(103)	School Finance Services	271	(344)
(43)	Advertising	5	(77)
<b>(11,295)</b>	<b>(Surplus)/Deficit from Trading Operations</b>	<b>47,736</b>	<b>(59,506)</b>

### 3.6 Usable and Unusable Reserves

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

#### Usable Reserves

Usable Reserves	Balance at 31 March 2014 £000	Transfer Out 2014/15 £000	Transfer In 2014/15 £000	Balance at 31 March 2015 £000
<b>General Fund Balance</b>	<b>(7,328)</b>	<b>2,168</b>	<b>0</b>	<b>(5,160)</b>
<b>Earmarked Reserves:</b>				
Private Finance Initiatives	(10,333)	0	(728)	(11,061)
Potential Loss of Business Rates Income	(6,400)	0	(700)	(7,100)
Early Retirement and Voluntary Redundancy	(2,800)	0	(2,309)	(5,109)
Achievement of Future Savings	(2,800)	0	(624)	(3,424)
Children's Social Care	(4,000)	1,000	0	(3,000)
Leisure Development	(3,181)	1,722	0	(1,459)
Public Health	(2,527)	1,125	0	(1,402)
Health and Social Care Schemes	(1,785)	368	0	(1,417)
Vehicle Purchase Programme	(1,290)	0	(257)	(1,547)
Troubled Families	(1,088)	378	0	(710)
Schools (specific to individual schools)	(18,499)	449	0	(18,050)
Schools (related to expenditure retained centrally)	(3,645)	0	(2,826)	(6,471)
Insurance Fund	(3,348)	436	0	(2,912)
Management of Capital	(1,869)	0	(243)	(2,112)
Other Corporate	(1,988)	238	(619)	(2,369)
Other Directorate	(4,877)	5,330	(6,887)	(6,434)
Other Directorate funded by Grant	(2,480)	1,410	(3,408)	(4,478)
<b>Total Earmarked Reserves</b>	<b>(72,910)</b>	<b>12,456</b>	<b>(18,601)</b>	<b>(79,055)</b>
<b>Other Usable Reserves:</b>				
Useable Capital Receipts Reserve	0	28,725	(28,725)	0
Capital Grant Unapplied Account	(756)	372	0	(384)
<b>Total Other Usable Reserves</b>	<b>(756)</b>	<b>29,097</b>	<b>(28,725)</b>	<b>(384)</b>
<b>Total Usable Reserves</b>	<b>(80,994)</b>	<b>43,721</b>	<b>(47,326)</b>	<b>(84,599)</b>

#### General Fund Balance

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

## Unusable Reserves

### Capital Adjustment Account

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

### Revaluation Reserve

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

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

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

2013/14			Category of Reserve Movement	2014/15		
Capital Adjustment Account [CAA]	Revaluation Reserve [RR]	CAA & RR Combined		Capital Adjustment Account [CAA]	Revaluation Reserve [RR]	CAA & RR Combined
£000	£000	£000		£000	£000	£000
<b>(470,087)</b>	<b>(188,147)</b>	<b>(658,234)</b>	<b>Opening Balance</b>	<b>(463,030)</b>	<b>(172,031)</b>	<b>(635,061)</b>
27,557	0	27,557	Depreciation	25,204	0	25,204
28,884	8,457	37,341	Impairment	10,359	0	10,359
18,733	0	18,733	Derecognitions	36,872	0	36,872
1,961	1,027	2,988	Revaluations	26,316	(23,799)	2,517
(3,869)	0	(3,869)	Investment Property Revaluations	656	0	656
1,712	0	1,712	Intangibles	1,760	0	1,760
(30,801)	0	(30,801)	Capital grants and contributions applied	(80,498)	0	(80,498)
12,790	0	12,790	Revenue Expenditure Funded from Capital	25,269	0	25,269
(10,777)	0	(10,777)	Capital receipts applied	(14,392)	0	(14,392)
9,871	652	10,523	Disposal of Assets	9,099	1,406	10,505
261	0	261	Repayment of Loans	1,687	0	1,687
0	0	0	Other Capital Receipts	2,200	0	2,200
(12,897)	0	(12,897)	Revenue Contribution to Capital Outlay	(6,917)	0	(6,917)
(777)	0	(777)	Issue of Loans	(854)	0	(854)
(5,980)	5,980	0	Written out of the Revaluations Reserve	(4,969)	4,969	0
(14,705)	0	(14,705)	Revenue provision for the Repayment of Debt	(14,117)	0	(14,117)
(15,000)	0	(15,000)	Reversal of Equal Pay Provision	(485)	0	(485)
94	0	94	Other Gains and Losses	(126)	0	(126)
<b>(463,030)</b>	<b>(172,031)</b>	<b>(635,061)</b>	<b>Closing Balance</b>	<b>(445,966)</b>	<b>(189,455)</b>	<b>(635,421)</b>

### Financial Instruments Adjustment Account

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

### Collection Fund Adjustment Account

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



**Pension Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. A breakdown of the movements in this reserve is provided in note 3.19.

**Accumulated Absences Account**

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

**Available for Sale Financial Instruments Reserve**

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

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

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

2013/14 *restated £000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	2014/15 £000
<b>Reversal of items debited or credited to the CIES Usable Reserves</b>		
(146)	<b>Capital grants &amp; contributions unapplied movement to CIES</b>	(372)
<b>Unusable Reserves</b>		
(7)	Contribution from the Capital Receipts Reserve to finance the payments to the Housing Pool	(2)
(27,557)	Charges for depreciation of non-current assets	(25,204)
(37,341)	Charges for impairment of non-current assets	(10,359)
(18,733)	Charges for derecognition of non-current assets	(36,872)
(2,990)	Revaluation of Property, Plant & Equipment & Assets Held for sale *	(26,972)
(1,712)	Amortisation of intangible assets	(1,760)
30,795	Capital grants and contributions applied	80,498
(12,790)	Revenue expenditure funded from capital under statute	(25,269)
95	Proportion of premiums incurred in previous years	96
9	Reversal of impact of Soft Loans and Stepped Loans	9
(20,545)	Retirement benefit adjustments debited or credited to the CIES	(16,760)
701	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	1,312
820	Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)	(1,000)
0	Movements in the market value of Investment Properties	0
0	Finance Lease Principal Receipt	121
0	Provision of Closed Landfill Site Costs - Capitalisation	0
(151)	Disinvestment of Available for Sale Assets	0
6	Adjustment to Management of Capital Reserve	0
15,000	Equal Pay Claim Reversal of Provision	485
72	Other movements	98
<b>Inclusion of items not debited or credited to the CIES</b>		
14,705	Statutory provision for the financing of capital investment	14,117
692	Repayment of Transferred Debt Principal	762
12,897	Capital expenditure charged against the General Fund balance.	6,917
(79)	Finance Lease Repayment as Revenue Income	0
<b>(46,113)</b>	<b>Subtotal of adjustments affecting Unusable Reserves *</b>	<b>(39,783)</b>
<b>(46,259)</b>	<b>Total Adjustments *</b>	<b>(40,155)</b>

\* Restated 2013/14 figures as per section 3.36

### 3.8 Property, Plant and Equipment

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

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infra- structure Assets £000	Community Assets £000	Under Construction £000	Total £000
<b>Cost or Valuation</b>						
<b>1st April 2014</b>	<b>947,837</b>	<b>38,741</b>	<b>322,888</b>	<b>14,296</b>	<b>3,383</b>	<b>1,327,145</b>
Additions	19,670	931	41,871	1,342	17,933	81,747
Revaluation increase/(decreases) to RR*	(13,943)	0	0	513	0	(13,430)
Revaluation increase/(decrease) to SDPS*	(51,322)	0	0	0	0	(51,322)
Disposals	(1,307)	(1,250)	0	(515)	0	(3,072)
Derecognition	(2,881)	(72)	(33,559)	(360)	0	(36,872)
Reclassifications	142	0	0	0	0	142
<b>31st March 2015</b>	<b>898,196</b>	<b>38,350</b>	<b>331,200</b>	<b>15,276</b>	<b>21,316</b>	<b>1,304,338</b>
<b>Depreciation and Impairment</b>						
<b>1st April 2014</b>	<b>425,870</b>	<b>23,092</b>	<b>85,331</b>	<b>0</b>	<b>0</b>	<b>534,293</b>
Depreciation Charge	16,416	2,626	6,137	0	0	25,179
Disposals	0	0	0	0	0	0
Depreciation written out to the RR*	(36,650)	(249)	0	0	0	(36,899)
Depreciation written out to the SDPS*	(24,804)	0	0	0	0	(24,804)
Impairment losses/reversals to RR*	0	0	0	0	0	0
Impairment losses/reversals to SDPS*	0	0	0	0	0	0
Reclassifications	22	0	0	0	0	22
<b>31st March 2015</b>	<b>380,854</b>	<b>25,469</b>	<b>91,468</b>	<b>0</b>	<b>0</b>	<b>497,791</b>
<b>Net Book Value</b>						
<b>31st March 2015</b>	<b>517,342</b>	<b>12,881</b>	<b>239,732</b>	<b>15,276</b>	<b>21,316</b>	<b>806,547</b>
<b>1st April 2014</b>	<b>521,967</b>	<b>15,649</b>	<b>237,557</b>	<b>14,296</b>	<b>3,383</b>	<b>792,852</b>

\* RR = Revaluation Reserve

\* SDPS = Surplus/Deficit on the Provision of Services

Revaluation of Fixed Assets is undertaken within a 5 year rolling programme. This is a re-assessment of asset valuations and has been undertaken by qualified City Council staff in accordance with the "Royal Institute of Chartered Surveyors Appraisal and Valuation Manual". A key objective of the valuation process is to ensure that the overall carrying value of the Council's assets is not materially different to their fair value. The measurement bases used for the fixed asset classifications are detailed in the accounting policies, see section 5.6.

Impairment reflects a reduction in value of the asset below its carrying amount on the balance sheet. Impairment reviews are required where changes in circumstances have arisen e.g. a significant decline in the market value of an asset. An impairment review was carried out in 2014/15 and no PPE assets have been identified for impairment.

Property, Plant & Equipment has been realigned to reflect derecognitions of £36.9m relating to the replacement or restoration of existing components. The Code of Practice states that where it is not practicable to determine the carrying amount of the replaced part/component, authorities may use the cost of the new part as an indication of what the cost of the replaced part/component was at the time it was acquired or constructed.

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 5.6.

### 3.9 Heritage Assets

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. The table provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2014 and the carried forward balance on 31st March 2015. There have been no significant or material additions or disposals over the last five years that warrant any further disclosure.

Type of Heritage Assets	31st March 2014 £000	31st March 2015 £000
Transport Museum Collection	6,933	6,933
Scientific	20	20
Clocks	265	265
Arms & Armour	35	35
Textiles	5,035	5,035
Silver	375	375
General	132	132
Natural History	40	40
Works of Art	232	232
Furniture	140	140
Visual Arts	12,438	12,438
Civic Regalia	248	248
<b>Total</b>	<b>25,893</b>	<b>25,893</b>

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

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

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

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

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

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

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

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

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

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

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

### 3.10 Non-Operational Assets

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

	Investment Property	Assets Held for Sale	Heritage Assets	Under Construction *	Total
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>1st April 2014</b>	<b>273,104</b>	<b>17,630</b>	<b>25,893</b>	<b>44</b>	<b>316,671</b>
Additions	6	0	0	67	73
Revaluation increase/(decrease) to RR**	0	499	0	0	499
Revaluation increase/(decrease) to SDPS***	(656)	(49)	0	0	(705)
Disposals	(2,198)	(5,235)	0	0	(7,433)
Derecognition	0	0	0	0	0
Reclassifications	142	(284)	0	0	(142)
<b>31st March 2015</b>	<b>270,398</b>	<b>12,561</b>	<b>25,893</b>	<b>111</b>	<b>308,963</b>
<b>Depreciation and Impairment</b>					
<b>1st April 2014</b>	<b>105,949</b>	<b>7,643</b>	<b>0</b>	<b>1</b>	<b>113,593</b>
Depreciation Charge	0	25	0	0	25
Disposals	0	0	0	0	0
Depreciation written out to the RR*	0	169	0	0	169
Depreciation written out to the SDPS*	0	(250)	0	0	(250)
Impairment losses/reversals to RR*	0	0	0	0	0
Impairment losses/reversals to SDPS*	10,209	0	0	0	10,209
Reclassifications	0	(22)	0	0	(22)
<b>31st March 2015</b>	<b>116,158</b>	<b>7,565</b>	<b>0</b>	<b>1</b>	<b>123,724</b>
<b>Net Book Value</b>					
<b>31st March 2015</b>	<b>154,240</b>	<b>4,996</b>	<b>25,893</b>	<b>110</b>	<b>185,239</b>
<b>1st April 2014</b>	<b>167,155</b>	<b>9,987</b>	<b>25,893</b>	<b>43</b>	<b>203,078</b>

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

\*\* RR = Revaluation Reserve

\*\*\* SDPS = Surplus/Deficit on the Provision of Services

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

Operating expenditure incurred and rental income generated from Investment Property is shown as 'Commercial Property' within the Trading Account Summary.

£10.2m impairment of Investment Property in 2014/15 reflects a decline in the market value of City Council assets located in the City Centre South redevelopment area. A further £7.4m reduction relates to the disposal of City Council assets

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

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

Property, Plant & Equipment Total * restated	Non- Operational Assets Total	Total * restated		Property, Plant & Equipment Total	Non- Operational Assets Total	Total
2013/14				2014/15		
£000	£000	£000	Cost or Valuation	£000	£000	£000
<b>1,304,445</b>	<b>324,729</b>	<b>1,629,174</b>	<b>1st April 2014</b>	<b>1,327,145</b>	<b>316,671</b>	<b>1,643,816</b>
42,605	1,708	<b>44,313</b>	Additions	81,747	73	<b>81,820</b>
(1,162)	(3,836)	<b>(4,998)</b>	Revaluation Increases/(decreases) to RR**	(13,430)	499	<b>(12,931)</b>
(1,406)	3,588	<b>2,182</b>	Revaluation Increases/(decreases) to SDPS***	(51,322)	(705)	<b>(52,027)</b>
(499)	(7,624)	<b>(8,123)</b>	Disposals	(3,072)	(7,433)	<b>(10,505)</b>
(18,733)	0	<b>(18,733)</b>	Derecognitions	(36,872)	0	<b>(36,872)</b>
1,894	(1,894)	<b>0</b>	Reclassifications	142	(142)	<b>0</b>
<b>1,327,144</b>	<b>316,671</b>	<b>1,643,815</b>	<b>31st March 2015</b>	<b>1,304,338</b>	<b>308,963</b>	<b>1,613,301</b>
<b>Depreciation and Impairment</b>						
<b>474,312</b>	<b>112,368</b>	<b>586,680</b>	<b>1st April 2014</b>	<b>534,293</b>	<b>113,593</b>	<b>647,886</b>
27,557	0	<b>27,557</b>	Depreciation Charge	25,179	25	<b>25,204</b>
0	0	<b>0</b>	Disposals	0	0	<b>0</b>
(1,505)	0	<b>(1,505)</b>	Depreciation written out to RR**	(36,899)	169	<b>(36,730)</b>
(2,188)	0	<b>(2,188)</b>	Depreciation written out to SDPS***	(24,804)	(250)	<b>(25,054)</b>
8,457	0	<b>8,457</b>	Impairment losses/reversals to RR**	0	0	<b>0</b>
27,741	1,143	<b>28,884</b>	Impairment losses/reversals to SDPS***	0	10,209	<b>10,209</b>
(82)	82	<b>0</b>	Reclassifications	22	(22)	<b>0</b>
<b>534,292</b>	<b>113,593</b>	<b>647,885</b>	<b>31st March 2015</b>	<b>497,791</b>	<b>123,724</b>	<b>621,515</b>
<b>Net Book Value</b>						
792,852	203,078	<b>995,930</b>	<b>31st March 2015</b>	806,547	185,239	<b>991,786</b>
830,133	212,361	<b>1,042,494</b>	<b>1st April 2014</b>	792,852	203,078	<b>995,930</b>

\* Restated 2013/14 figures as per section 3.36

\*\* RR = Revaluation Reserve

\*\*\* SDPS = Surplus/Deficit on the Provision of Services

### 3.12 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 3.33 Associated Company Interest and Holdings.

31st March 2014 £000	Long Term Investments	31st March 2015 £000
22,913	Birmingham Airport Holdings Ltd	22,913
51,817	Coventry Solihull Waste Disposal Co (CSWDC)	49,617
0	University of Warwick Science Park Innovation Centre Ltd	0
5	Coventry Venture Capital	0
0	North Coventry Holdings Limited	2,703
<b>74,735</b>	<b>Total Long Term Investments</b>	<b>75,233</b>

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

A valuation exercise undertaken jointly with BDO LLP in 2012 valued Coventry City Council's shareholding in Birmingham Airport Holdings Ltd at £22.9m. A subsequent exercise undertaken in 2015 has indicated that there is no material change in this valuation.

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

Following the sale of its interests in the BECTA/CAFCASS Building on the University of Warwick Science Park there was no further reason for Coventry Venture Capital to continue to trade. The initial shareholder investment of £5,000 has been repaid in 2014/15

### 3.13 Long Term Debtors

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

<b>31st March 2014 £000</b>	<b>Long Term Debtors</b>	<b>31st March 2015 £000</b>
101	Museum of British Road Transport	0
86	Housing Loans	93
1,066	Binley Innovation Centre	1,066
292	Pathways to Care Loans	292
858	Residential Property Debts	1,019
5	Coventry North Regeneration Ltd	5
123	Mortgages	123
292	Belgrade Theatre	278
28	Spon End Building Preservation Trust	15
36	Commercial Property	36
4,685	City College Car Park	4,658
2	Car Loans	2
2,412	Kickstart	2,282
14,173	Arena Coventry Limited Loan *	12,706
0	Coventry Investment Fund - Cathedral Lanes	790
0	Coventry Investment Fund - FARGO	301
6,307	Coombe	5,848
<b>30,466</b>	<b>Total Long Term Debtors</b>	<b>29,514</b>

\* Note 3.2 explains that the outstanding loan to Arena Coventry Limited (including a short term element of £400k) was settled after the end of the financial year.



### 3.14 Short Term Debtors

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

31st March 2014				Debtors Classification	31st March 2015			
Debtor	Payment In Advance	Impairment Allowance	Total		Debtor	Payment In Advance	Impairment Allowance	Total
£000's	£000's	£000's	£000's		£000's	£000's	£000's	£000's
12,161	0	0	12,161	Central Government Bodies	8,938	1	0	8,939
853	474	0	1,327	Other Local Authorities	1,650	9	0	1,659
12,666	0	(24)	12,642	NHS Bodies	8,215	121	(4)	8,332
33	0	0	33	Public Corporations	0	0	0	0
22,796	10,697	(14,426)	19,067	All Other Bodies	23,793	9,421	(12,451)	20,763
14,091	0	(6,863)	7,228	Debts Relating to Local Taxation	15,489	0	(7,092)	8,397
<b>62,600</b>	<b>11,171</b>	<b>(21,313)</b>	<b>52,458</b>	<b>Total Debtors</b>	<b>58,085</b>	<b>9,552</b>	<b>(19,547)</b>	<b>48,090</b>

### 3.15 Short Term Creditors

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

31st March 2014			Creditors Classification	31st March 2015		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
£000's	£000's	£000's		£000's	£000's	£000's
(9,121)	(3,120)	(12,241)	Central Government Bodies	(6,547)	(376)	(6,923)
(2,655)	(55)	(2,710)	Other Local Authorities	(1,618)	(37)	(1,655)
(1,979)	0	(1,979)	NHS Bodies	(1,479)	0	(1,479)
(43)	0	(43)	Public Corporations	(11)	0	(11)
(38,051)	(4,055)	(42,106)	All Other Bodies	(45,250)	(8,441)	(53,691)
(638)	(3,292)	(3,930)	Debts Relating to Local Taxation	(3,278)	(3,142)	(6,420)
<b>(52,487)</b>	<b>(10,522)</b>	<b>(63,009)</b>	<b>Total Creditors</b>	<b>(58,183)</b>	<b>(11,996)</b>	<b>(70,179)</b>

### 3.16 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that it will have to make a payment to discharge the liability. If it is found that a provision is no longer needed it is returned to revenue. The movement in the City Council's provisions during 2014/15 is explained below:

Provisions	Self-Insurance £000	Business Rates Appeals £000	Other £000	Total £000
<b>1st April 2014</b>	<b>(5,966)</b>	<b>(4,992)</b>	<b>(1,935)</b>	<b>(12,893)</b>
Increase in provision	0	(980)	0	(980)
Amounts used	64	945	536	1,545
Unused amounts reversed	0	1,131	485	1,616
<b>31st March 2015</b>	<b>(5,902)</b>	<b>(3,896)</b>	<b>(914)</b>	<b>(10,712)</b>

The split between short and long term provisions, as at 31st March 2015, is provided in the following table:

Provisions	Self-Insurance £000	Business Rates Appeals £000	Other £000	Total £000
Short Term Provisions	0	(1,398)	(157)	(1,555)
Long Term Provisions	(5,902)	(2,498)	(757)	(9,157)
<b>Total</b>	<b>(5,902)</b>	<b>(3,896)</b>	<b>(914)</b>	<b>(10,712)</b>

The Council's provision for its self-insurance liability is based upon the full value of known insurance claims. The provision is used when insurance claims require settlement, the timing of which is uncertain. The level of this provision has gone down by £64k in 2014/15 and now stands at £5,902k. The Council also maintains an insurance earmarked reserve that is set aside for claims that have been incurred but not yet received as detailed within the usable reserves table in section 3.6.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2014/15 and earlier financial years. As a result, the Council has estimated that a provision of £3,896k is required relating to Business Rates appeals, although the amount and timing of future payments are uncertain. This represents a reduction of £1,096k in 2014/15. This is included within the Self-Insurance and Other Provisions column, with £1,398k relating to short-term provisions and £2,498k relating to long-term provisions.

### 3.17 Financial Instruments

The borrowing and investments disclosed in the Balance sheet are made of the following categories of financial instruments:

	Long Term		Current	
	31st March 2014	31st March 2015	31st March 2014	31st March 2015
	£000	£000	£000	£000
<b>Investments</b>				
Fixed Term Cash Deposits	0	0	40,060	55,392
Available for Sale Financial Assets	74,735	75,233	17,236	46,886
Other	0	0	17	19
<b>Total Investments</b>	<b>74,735</b>	<b>75,233</b>	<b>57,313</b>	<b>102,297</b>
Cash and Cash Equivalents	0	0	39,393	10,220
Debtors*	30,466	29,514	14,582	20,763
<b>Borrowing</b>				
<b>Financial Liabilities at Amortised Cost</b>				
PWLB	221,344	209,459	8,598	14,972
Market Loans	59,901	59,893	10,613	5,613
Stock Issue	12,004	12,004	236	241
Other Local Authorities	17,410	16,471	854	940
PFI	62,202	68,896	1,726	1,824
Liabilities under Finance Leases	0	0	0	0
Other	0	0	569	473
<b>Total Borrowings</b>	<b>372,861</b>	<b>366,723</b>	<b>22,596</b>	<b>24,063</b>
Creditors*			38,094	45,261

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

#### Short Term Debtors

Debtors included in Financial Instruments	20,763
Other Debtors	27,327
<b>Total Short Term Debtors</b>	<b>48,090</b>

#### Short Term Creditors

Creditors included in Financial Instruments	45,261
Other Creditors	24,918
<b>Total Short Term Creditors</b>	<b>70,179</b>

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

The 2014/15 Comprehensive Income and Expenditure Account include the following amounts in relation to financial instruments:

	Financial Liabilities		Financial Assets	
	measured at amortised cost	Loans and receivables	Available for sale assets	Total
	£000	£000	£000	£000
Interest expense	21,815	0	0	21,815
Losses on derecognition	0	0	0	0
Impairment (gains) / losses	0	(1,975)	0	(1,975)
<b>Interest payable and similar charges</b>	<b>21,815</b>	<b>(1,975)</b>	<b>0</b>	<b>19,840</b>
Interest income	0	(2,392)	(1,941)	(4,333)
<b>Interest and investment income</b>	<b>0</b>	<b>(2,392)</b>	<b>(1,941)</b>	<b>(4,333)</b>
Gains on revaluation	0	0	(2,845)	(2,845)
Amounts recycled to the Income & Expenditure Account after impairment	8	0	0	8
<b>Surplus arising on revaluation of financial assets</b>	<b>8</b>	<b>0</b>	<b>(2,845)</b>	<b>(2,837)</b>
<b>Net (gain) / loss for the year</b>	<b>21,823</b>	<b>(4,367)</b>	<b>(4,786)</b>	<b>12,670</b>

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable parties in an arm's length transaction. The fair value of liabilities and assets can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for Public Works Loan Board (PWLB) long term liabilities using PWLB rates as at 31st March 2015
- 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
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31st March 2014		31st March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
<b>Financial Liabilities</b>				
▪ PWLB	229,942	281,446	224,431	333,853
▪ Market Loans	70,514	74,017	65,506	91,439
▪ Stock Issue	12,240	19,208	12,245	19,009
▪ Other Local Authorities	18,264	21,250	17,411	21,183
▪ PFI	63,928	110,523	70,720	139,565
▪ Creditors	38,094	38,094	45,261	45,261
▪ Other	569	569	473	473
<b>Total Liabilities</b>	<b>433,551</b>	<b>545,107</b>	<b>436,047</b>	<b>650,783</b>
<b>Loans and Receivables</b>	<b>124,518</b>	<b>124,518</b>	<b>107,901</b>	<b>107,901</b>

The fair value of financial liabilities reflects the amount of fixed interest debt taken out in the past at higher rates of interest, and includes accrued interest. The fair value figures for PWLB, Market Loans & Stock Issue above have been calculated by the Council's treasury advisors, Arlingclose. The 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.

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

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

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

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2014/15 this required that deposits were only made with banks, building societies & corporate bonds with a high quality credit rating (minimum BBB+ long term). In addition, as at 31<sup>st</sup> March 2015 the policy limited the maximum that can be deposited with an institution at any point in time to £8m. Under the Treasury Management Strategy the Executive Director Resources will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

Deposits	Amounts as at 31st March 2015	Historical experience of default	Historical experience adjusted for market conditions as at 31st March 2015	Estimated maximum exposure to default & uncollectability
	£000 A	% B	% C	£000 (A x C)
Banks and Building Societies – A Rated	52,042	0.07%	0.07%	36
Building Societies - Not Rated	2,001	0.19%	0.19%	4
Money Market and Collective Pooled Funds - AAA Rated	23,812	0.04%	0.04%	10
Collective Pooled Funds - Not Rated	3,000	0.19%	0.19%	6
Corporate Bonds - A Rated	7,163	0.07%	0.07%	5
UK Central & Local Government	22,348	0.03%	0.03%	7
Trade Debtors	20,763	0.39%	0.39%	81
	<b>131,129</b>			<b>149</b>

The deposits set out above as at 31<sup>st</sup> March 2015 were held with financial institutions domiciled in a number of countries:-

Country	£000
United Kingdom	72,434
Ireland	18,760
Switzerland	8,000
Sweden	5,004
Denmark	3,165
Singapore	3,002
<b>Total</b>	<b>110,365</b>

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

The authority does not generally allow credit for trade debtors. £5,106k of the £20,763k 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	3,546
Three to six months	586
Six months to one year	569
More than one year	405
<b>Total</b>	<b>5,106</b>

### Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Maturity of Financial Liabilities	31st March 2014 £000	31st March 2015 £000
Less than one year	16,355	18,274
Between one and two years	12,825	1,033
Between two and five years	17,244	23,762
Between six and ten years	24,316	18,979
More than ten years	255,374	253,159
<b>Total</b>	<b>326,114</b>	<b>315,207</b>

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

LOBO loans are included in the maturity analysis of financial liabilities based on their actual contractual maturity date, rather than the earliest date on which the lender can opt to increase the interest rate. In the event of the lender increasing the interest rate the City Council can opt to repay the loan. A total of £59,000k of such loans are held, £31,000k of which the lenders have interest review options at up to annual intervals, and £28,000k 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 £88.3m in 2014/15. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance. Furthermore, the risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing, and provide compensation for a proportion of any higher costs.

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

According to this strategy, at 31<sup>st</sup> March 2015, 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 £61,966k. This movement would be equal and opposite for a 1% fall in interest rates.

### **Price Risk**

The authority does not generally invest in equity shares but does have shareholdings to the value of £75,233k 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 £3,762k gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2014/15.

### **Foreign Exchange Risk**

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

### 3.18 Pension Costs

Figures in brackets relate to 2013/14.

#### Officers

In 2014/15 the City Council paid an employer's contribution of £26,863k, (£21,675k in 2013/14.) representing 20.0% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. Projected employer contributions for 2015/16 are estimated to be £29,349k. This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service. The contributions were set in line with local government pension regulations, following the actuarial review by Mercer Human Resource Consulting as at 31<sup>st</sup> March 2013.

In addition, the Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2014/15, this amounted to £3,838k (£4,954k in 2013/14).

Further details on pension liabilities are provided in note 3.19.

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

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

#### Teaching Staff

In 2014/15, the City Council paid £11,088k (£11,679k in 2013/14.) to the Department for Education (DfE) for teachers' pension costs, which represents 14.1% 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 2014/15, these amounted to £2,638k (£2,652k in 2013/14) representing 2.4% of pensionable pay.

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

#### NHS Staff

Staff who work for the public health service which transferred to the City Council on 1<sup>st</sup> 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 2014/15 the City Council paid £92k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, which represents 14% of pensionable pay.



### 3.19 IAS 19 – 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.

Mercer Human Resource Consulting, the actuary for the pension fund, has undertaken the assessment of the value of assets and liabilities on behalf of the member authorities of the West Midlands Pension Fund.

#### Summary of Outcome

The overall increase in the deficit is analysed as follows:

2013/14				2014/15		
LGPS	Teachers	Total		LGPS	Teachers	Total
£000	£000	£000		£000	£000	£000
(492,904)	(35,900)	<b>(528,804)</b>	Deficit b/fwd	(431,381)	(34,528)	<b>(465,909)</b>
(31,255)	0	<b>(31,255)</b>	Current Service Cost	(27,457)	0	<b>(27,457)</b>
26,624	2,652	<b>29,276</b>	Employer Contributions	30,676	2,638	<b>33,314</b>
(61)	0	<b>(61)</b>	Past Service Gain/(Loss)	0	0	<b>0</b>
34,011	0	<b>34,011</b>	Return on Assets	36,906	0	<b>36,906</b>
(53,983)	(1,279)	<b>(55,262)</b>	Interest on Pension Liabilities	(54,996)	(1,428)	<b>(56,424)</b>
83,441	(1)	<b>83,440</b>	Remeasurements	(100,729)	(2,691)	<b>(103,420)</b>
3,140	0	<b>3,140</b>	Curtailment Gain/(Loss)	(2,699)	0	<b>(2,699)</b>
(394)	0	<b>(394)</b>	Administration Expenses	(400)	0	<b>(400)</b>
<b>(431,381)</b>	<b>(34,528)</b>	<b>(465,909)</b>	<b>Surplus/(Deficit)</b>	<b>(550,080)</b>	<b>(36,009)</b>	<b>(586,089)</b>

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

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

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

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

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

adjusted as part of the Adjustments between Accounting Basis and Funding Basis under Regulations.

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

2013/14			2014/15			
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
<b><u>Net Cost of Services</u></b>						
31,255	0	31,255	Current Service Cost	27,457	0	27,457
61	0	61	Past Service Costs (Gain)	0	0	0
(3,140)	0	(3,140)	Settlements and curtailments	2,699	0	2,699
394	0	394	Administration Expenses	400	0	400
<b><u>Financing and Investment Income and Expenditure</u></b>						
53,983	1,279	55,262	Interest cost	54,996	1,428	56,424
(34,011)	0	(34,011)	Expected return on scheme assets	(36,906)	0	(36,906)
48,542	1,279	49,821	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	48,646	1,428	50,074
<b><u>Other Post Employment Benefit Charged to CIES</u></b>						
(83,441)	1	(83,440)	Actuarial (gains) and losses	100,729	2,691	103,420
(34,899)	1,280	(33,619)	<b>Total Post Employment Benefit Charged to the CIES</b>	149,375	4,119	153,494
<b><u>Movement in Reserves Statement</u></b>						
(48,542)	(1,279)	(49,821)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(48,646)	(1,428)	(50,074)
<b><u>Actual amount charged against the General Fund for pensions in the year:</u></b>						
26,624		26,624	Employers contributions payable to scheme	30,676		30,676
	2,652	2,652	Retirement benefits payable to pensioners		2,638	2,638

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2015 is a loss of £130.197m.

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

<b><u>Local Government Pension Scheme</u></b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1st April	816,341	838,661
Expected rate of return	34,011	36,906
Actuarial gains and losses	1,651	91,371
Employer contributions	26,624	30,676
Contributions by scheme participants	8,306	8,618
Benefits paid	(47,406)	(48,506)
Settlements	(472)	(10)
Administration Expenses	(394)	(400)
Closing balance at 31st March	<b>838,661</b>	<b>957,316</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £128.278m. (£24.760m in 2013/14)

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

<u>Reconciliation of present value of the scheme liabilities (defined benefit obligation):</u>	<u>2013/14</u> £000	<u>2014/15</u> £000
LGPS & Teachers		
Opening Balance at 1st April	1,345,145	1,304,570
Current Service Cost	31,255	27,457
Interest Cost	55,262	56,424
Contributions from scheme participants	8,306	8,618
Remeasurement (gains) and losses:	0	0
(Gain)/loss arising from changes in financial assumptions	(103,282)	194,791
(Gain)/loss arising from changes in demographic assumptions	8,551	0
Experience (gain)/loss	12,942	0
Past service cost	61	0
Losses/(gains) on curtailment	2,961	3,075
Liabilities assumed on entity combinations	0	0
Benefits paid	(50,058)	(51,144)
Liabilities extinguished on settlements	(6,573)	(386)
Closing balance at 31st March	1,304,570	1,543,405

### 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.

<u>The main assumptions used in the actuarial calculation are:</u>	<u>31st March</u> <u>2014</u>	<u>31st March</u> <u>2015</u>
Rate of CPI inflation	2.40%	2.00%
Rate of increase in salaries	4.15%	3.75%
Rate of increase in pensions	2.40%	2.00%
Discount rate	4.40%	3.20%
<b>Mortality Assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
Men	22.9	23.0
Women	25.5	25.6
<b>Longevity at 65 for future pensioners in 20 years time</b>		
Men	25.1	25.2
Women	27.8	28.0

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

<u>Asset Categories</u>	<u>31st March 2014</u>		<u>31st March 2015</u>	
	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
<b>Equities</b>	488,267	58.2%	565,487	59.1%
<b>Bonds</b>	159,011	19.0%	177,199	18.5%
<b>Property</b>	75,564	9.0%	83,573	8.7%
<b>Cash/Liquidity</b>	22,643	2.7%	39,154	4.1%
<b>Other</b>	93,176	11.1%	91,903	9.6%
<b>Total</b>	838,661		957,316	

**History of experience gains and losses**

The actuarial gains/losses identified as movements in the pension reserve in 2014/15 can be analysed into the following categories and measured as a percentage of assets or liabilities at 31st March 2015. Previous year's figures are shown for comparison purposes.

	2010/11	2011/12	2012/13	2013/14	2014/15
LGPS					
Asset Gain/(Loss)	1.0%	(4.5%)	5.6%	0.2%	9.5%
Liability Gain/(Loss)	2.7%	(3.3%)	(10.6%)	6.4%	(12.7%)
Unfunded Teachers					
Liability Gain/(Loss)	0.8%	3.3%	11.8%	0.0%	(7.5%)

  

	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Scheme History</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Present value of liabilities</b>					
LGPS	(1,053,876)	(1,128,598)	(1,309,245)	(1,270,042)	(1,507,396)
Teachers	(32,658)	(32,842)	(35,900)	(34,528)	(36,009)
<b>Fair value of assets</b>					
LGPS	733,787	736,658	816,341	838,661	957,316
Teachers	0	0	0	0	0
<b>Surplus/(deficit) in scheme</b>					
LGPS	(320,089)	(391,940)	(492,904)	(431,381)	(550,080)
Teachers	(32,658)	(32,842)	(35,900)	(34,528)	(36,009)
<b>TOTAL (deficit)</b>	<b>(352,747)</b>	<b>(424,782)</b>	<b>(528,804)</b>	<b>(465,909)</b>	<b>(586,089)</b>

### 3.20 Notes to the Cash Flow

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

2013/14 £000	Adjust Net Surplus/Deficit on the Provision of Services for Non Cash Movements	2014/15 £000
(27,557)	Depreciation	(25,204)
(37,341)	Impairment	(10,359)
(18,733)	Derecognition of Non-current Assets	(36,872)
(2,990)	Revaluation of Non-current Assets	(26,972)
(1,712)	Amortisation	(1,760)
(1,667)	(Increase)/ Decrease in Impairment Provision for Bad Debts	1,766
8,360	(Increase)/ Decrease in Creditors and Provisions	(5,785)
15,817	Increase/ (Decrease) in Debtors	(7,270)
74	Increase/ (Decrease) in Inventory	(135)
(20,545)	Pension Liability	(16,760)
1,706	Non Cash items charged to the Net Surplus or Deficit on the Provision of Services	747
<b>(84,588)</b>	<b>Total</b>	<b>(128,604)</b>

2013/14 £000	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2014/15 £000
18,011	Net Application of grants to capital financing	55,229
994	Council Tax & Business Rates Adjustments	(1,299)
<b>19,005</b>	<b>Total</b>	<b>53,930</b>

2013/14 £000	Net Cash Flows from Investing Activities	2014/15 £000
41,657	Purchase of Property, Plant and Equipment, Investment Property & Intangible Assets	99,142
0	Other Payments for Investing Activities	0
(8,123)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(10,505)
(2,400)	Proceeds from Short Term & Long Term Investments	(2,205)
(38,185)	Other Receipts from Investing Activities *	(78,174)
<b>(7,051)</b>	<b>Total</b>	<b>8,258</b>

\* The most significant element of this cash flow was £78m grant income during 2014/15

2013/14 £000	Net Cash Flows from Financing Activities	2014/15 £000
13,094	Cash Receipts of Short and Long Term Borrowing	596
(994)	Council Tax & Business Rates Adjustments	1,299
1,511	Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts	1,695
762	Repayments of Short and Long Term Borrowing	10,838
22,181	Other Payments for Financing Activities *	44,983
<b>36,554</b>	<b>Total</b>	<b>59,411</b>

\* The most significant element of this cash flow was £29.7m of investments being invested in fixed term deposits rather than liquid investments. The Council's investment balance has also increased by £15.1m during the year.

2013/14 £000	Cash Flows from Interest and Dividends	2014/15 £000
(1,574)	Interest received	(2,391)
20,498	Interest paid	21,815
(1,371)	Dividends received	(1,941)
<b>17,553</b>	<b>Total</b>	<b>17,483</b>

2013/14 £000	Breakdown of Cash and Cash Equivalents	2014/15 £000
(146)	Cash held by the council	(144)
(1,325)	Bank current accounts	(1,876)
(37,922)	On call deposits	(8,200)
<b>(39,393)</b>	<b>Total</b>	<b>(10,220)</b>

### 3.21 Private Finance Initiative (PFI)

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

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

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

#### Caludon Castle School PFI Contract

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

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

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

In 2014/15 expenditure on unitary charge payments to the contractor was £3,229k, compared with £3,220k in 2013/14. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2015/16	1,214	757	918	2,889
2016/17 - 2019/20	5,350	2,877	3,091	11,318
2020/21 - 2024/25	8,064	3,242	2,480	13,786
2025/26 - 2029/30	9,720	3,077	776	13,573
2030/31 - 2034/35	9,306	3,811	(242)	12,875
<b>Total</b>	<b>33,654</b>	<b>13,764</b>	<b>7,023</b>	<b>54,441</b>

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

The liability held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2014/15 are shown in the table below.

Loans	£000
<b>Liability brought forward</b>	(14,833)
Adjustment to brought forward position	308
Unitary Charge (Lease repayment)	761
<b>Liability carried forward (breakdown below)</b>	<b>(13,764)</b>
Long term liability	(13,007)
Current liability	(757)

### New Homes for Old PFI Contract

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

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

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

In 2014/15 expenditure on unitary charge payments to the contractor was £6,556k, compared with £6,474k in 2013/14. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2015/16	4,346	564	1,849	6,759
2016/17 - 2019/20	18,761	2,819	7,277	28,857
2020/21 - 2024/25	26,996	4,773	8,773	40,542
2025/26 - 2029/30	32,946	6,120	7,084	46,150
2030/31 - 2032/33	16,169	3,847	2,738	22,754
<b>Total</b>	<b>99,218</b>	<b>18,123</b>	<b>27,721</b>	<b>145,062</b>

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2014/15 are shown in the tables below.

Operational Assets Other Land & Buildings	£000
<b>Cost or Valuation</b>	
Brought forward	22,202
Revaluation	2,428
Carried forward	24,630
<b>Depreciation and Impairments</b>	
Brought forward	(13,935)
Charged this year	(988)
Carried forward	(14,923)
<b>Balance Sheet carried forward</b>	<b>9,707</b>
<b>Balance Sheet brought forward</b>	<b>8,267</b>

Long Term Loans	£000
<b>Liability brought forward</b>	<b>(17,437)</b>
Adjustment to brought forward position	(1,373)
Unitary Charge (Lease repayment)	687
<b>Liability carried forward (breakdown below)</b>	<b>(18,123)</b>
Long term liability	(17,559)
Current liability	(564)

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

### Street Lighting PFI Contract

In August 2010 the City Council entered into a PFI contract with Balfour Beatty (Connect Roads Coventry Ltd) for the provision of street lighting services. The contract provides for the replacement and maintenance of street lights and similar equipment across the city, together with the associated energy costs, for a period of 25 years.

The Council is due to receive PFI grants of £124.3m from central government over the period of this contract.

In 2014/15 expenditure on unitary charge payments to the contractor was £6,605k, compared with £5,853k in 2013/14. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.



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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2015/16	2,604	503	3,999	7,106
2016/17 - 2019/20	7,661	4,025	17,826	29,512
2020/21 - 2024/25	11,557	7,158	19,746	38,461
2025/26 - 2029/30	13,058	11,563	15,800	40,421
2030/31 - 2034/35	14,333	18,821	9,484	42,638
2035/36	1,741	2,827	588	5,156
<b>Total</b>	<b>50,954</b>	<b>44,897</b>	<b>67,443</b>	<b>163,294</b>

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

The liability and assets held on the Balance Sheet under this PFI scheme and an analysis of the movement within 2014/15 are shown in the tables below.

<b>Operational Assets - Infrastructure</b>	<b>£000</b>
<b>Cost or Valuation</b>	
Brought forward	35,033
Assets transferred to operator	0
Initial recognition	8,789
Asset derecognition	(477)
Carried forward	<u>43,345</u>
<b>Depreciation and Impairments</b>	
Brought forward	(833)
Charged this year	(852)
Carried forward	<u>(1,685)</u>
<b>Balance Sheet carried forward</b>	<b><u>41,660</u></b>
<b>Balance Sheet brought forward</b>	<b><u>34,200</u></b>
<b>Long Term Loans</b>	<b>£000</b>
<b>Liability brought forward</b>	<b>(31,541)</b>
Adjustment to brought forward position	1,251
Liability to be recognised in year	(8,789)
Unitary Charge (Lease repayment)	246
<b>Liability carried forward (breakdown below)</b>	<b><u>(38,833)</u></b>
Long term liability	(38,330)
Current liability	(503)

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

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

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

The Council is required to disclose the number of employees whose remuneration during 2014/15 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions), car and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

2013/14		Remuneration Band - £	2014/15	
Schools staff	Other staff		Schools staff	Other staff
68	44	£50,000 - £54,999	69	27
44	39	£55,000 - £59,999	51	34
23	13	£60,000 - £64,999	22	23
19	7	£65,000 - £69,999	18	8
7	6	£70,000 - £74,999	7	8
4	7	£75,000 - £79,999	5	5
5	10	£80,000 - £84,999	1	11
1	4	£85,000 - £89,999	5	4
3	0	£90,000 - £94,999	3	3
0	4	£95,000 - £99,999	1	1
0	2	£100,000 - £104,999	0	2
1	1	£105,000 - £109,999	2	1
1	0	£110,000 - £114,999	0	0
0	1	£115,000 - £119,999	0	2
0	2	£120,000 - £124,999	0	2
0	0	£125,000 - £129,999	0	1
0	1	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	0	0
0	1	£140,000 - £144,999	0	2
0	0	£145,000 - £149,999	0	0
0	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	0	0
0	0	£160,000 - £164,999	0	0
0	0	£165,000 - £169,999	0	0
0	1	£170,000 - £174,999	0	1
0	0	£175,000 - £179,999	0	0
0	0	£180,000 - £184,999	0	0
0	0	£185,000 - £189,999	0	0
0	0	£190,000 - £194,999	0	0
0	1	£195,000 - £199,999	0	0
0	0	£200,000 - £204,999	0	0
0	0	£205,000 - £209,999	0	1
<b>176</b>	<b>144</b>	<b>Total</b>	<b>184</b>	<b>136</b>

The above table includes senior officers' remuneration, which is detailed below.

**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; expenses allowances; compensation for loss of employment; and pension contributions (employer's contributions and any other emoluments). The tables below provide the required disclosure:

Senior Employees	Salary Inc Fees & Allowances £	Loss of Office £	Pension Contributions £	Total Remuneration £
<b>2014/15</b>				
<b>CHIEF EXECUTIVE</b>				
Martin Reeves	205,675	0	38,878	244,553
<b>MANAGEMENT BOARD</b>				
Executive Director Resources	127,643	0	24,859	152,502
Executive Director Place	124,295	0	24,859	149,154
Executive Director People	144,822	0	28,964	173,786
Director of Public Health	120,269	0	16,800	137,069
Director of Children, Learning & Young People	0	0	0	0
Director of Customer & Workforce Services	0	0	0	0
<b>TOTAL</b>	<b>722,704</b>	<b>0</b>	<b>134,360</b>	<b>857,064</b>

Senior Employees	Salary Inc Fees & Allowances £	Loss of Office £	Pension Contributions £	Total Remuneration £
<b>2013/14</b>				
<b>CHIEF EXECUTIVE</b>				
Martin Reeves	175,000	0	28,788	203,788
<b>MANAGEMENT BOARD</b>				
Executive Director Resources	115,760	0	19,043	134,803
Executive Director Place	124,295	0	20,447	144,742
Executive Director People	130,101	0	21,402	151,503
Director of Public Health	123,517	0	16,800	140,317
Director of Children, Learning & Young People	51,790	0	8,519	60,309
Director of Customer & Workforce Services	45,944	152,109	7,558	205,611
<b>TOTAL</b>	<b>766,407</b>	<b>152,109</b>	<b>122,557</b>	<b>1,041,073</b>

Senior officers have not received any bonuses, expenses or benefits in kind during 2013/14 or 2014/15.

### 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		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
2014/15							£000	£000
£0 - £20,000	27	5	158	336	185	341	1,725	2,872
£20,001 - £40,000	4	4	57	74	61	78	1,675	2,142
£40,001 - £60,000	0	1	20	26	20	27	1,003	1,346
£60,001 - £80,000	0	0	11	8	11	8	771	533
£80,001 - £100,000	0	0	4	4	4	4	375	356
£100,000 - £150,000	0	0	7	10	7	10	880	1,136
£150,001 - £200,000	1	0	3	2	4	2	642	332
£200,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £300,000	0	1	0	1	0	2	0	592
<b>Totals in bandings</b>	<b>32</b>	<b>11</b>	<b>260</b>	<b>461</b>	<b>292</b>	<b>472</b>	<b>7,071</b>	<b>9,309</b>
<b>Add: Amounts provided for in CIES not included in bandings</b>						48	529	1,560
<b>Total cost included in CIES</b>	<b>32</b>	<b>11</b>	<b>260</b>	<b>461</b>	<b>292</b>	<b>520</b>	<b>7,600</b>	<b>10,869</b>

### 3.23 Members' Allowances

Members of the Council have direct control over the Council's financial and operating policies. The Council paid the following amounts to members during the year.

Financial Year	2013/14	2014/15
	£000's	£000's
Basic Allowances	691	704
Other Allowances	277	262
Expenses	6	5
<b>Total</b>	<b>974</b>	<b>971</b>

Members are required to declare any interests that they hold in organisations that may have a relationship with the Council. During 2014/15 no works or services were commissioned from organisations in which members had a controlling interest. A register of members' interests is available from the Council's website at [www.coventry.gov.uk](http://www.coventry.gov.uk).

### 3.24 Related Party Transactions

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

#### Central Government

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

## Other Public Bodies

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

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

## Organisations Controlled or Significantly Influenced by the Council

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

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

CSWDC is a company set up by Coventry City Council and Solihull Metropolitan Borough Council for the disposal of waste arising from the two authorities. During the year, the Council made payments of £6,202,636 to the company for services received and in return provided services to the value of £77,563 of which £17,946 was unpaid at 31st March 2015. In addition the Council received Business Rates payments of £607,320, dividends of £970,000 and a receipt of £2.2m from the company for the redemption of a proportion of the Council's preference shares.

### Coventry North Regeneration Ltd (CNR)

There is a balance outstanding of £5,000 on cash flow assistance to CNR. In addition the City Council makes contributions to the company to support its payments. During the year contributions of £6,196 were made towards their expenses. As at 31st March 2015 the Council still owed CNR £3,582

### Arena Coventry Ltd (ACL)

Up to October 2014 the Council made payments of £6,525, to ACL for services received and in return provided services to the value of £32,062 of which £17,962 was unpaid as at 31st October 2014. In addition the Council received Business Rates payments of £185,484 and loan repayments of £621,356 (£14,202,901 balance outstanding at 31st October 2014)

## Officers

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

The following table details debtors and creditors for related parties for which Council officers hold a position of influence (together with any 2014/15 transactions).

Related Party	31st March 2014		31st March 2015		2014/15	
	Debtors	Creditors	Debtors	Creditors	Receipts from	Payments to
	£	£	£	£	£	£
Cov&Warks Local Enterprise Partners	20,084	0	42	0	(22,540)	550,115
Centre for Cities	0	0	0	(478)	0	0
Coventry Citizens Advice Bureau	1,952	0	2,315	(90,405)	(5,212)	553,822
Coventry Mysteries Company	0	0	0	0	0	242
Coventry University	179,674	(25,090)	16,344	0	(546,555)	153,262
Holy Trinity P C C	0	0	0	0	0	300
IDP Group; Spon Street, Coventry.	0	0	0	0	(803)	0
North Coventry Holdings Ltd	0	0	0	0	(62,500)	0
Old Coventrians Rugby Club	0	0	499	0	(711)	0
Solace Enterprises Ltd	0	0	0	0	0	203
Sustainability West Midlands	86	0	0	0	0	0
The Living Environment Trust	325	0	422	0	(527)	270
Whitefairs Housing Group	58,242	0	254,339	(12,838)	(783,237)	448,249

## 3.25 Contingent Liabilities and Assets

### Contingent Assets

#### Magistrates Court

The Council has commenced legal proceedings to recover outstanding monies from previous occupants of part of the Magistrates Court building. The Court building was constructed in the 1980s and the outstanding amounts relate to part of its construction costs. The case is nearing completion and it now appears more likely than not that the Council will receive a payment of approaching £0.9m. Given the need to finalise the legal proceedings this sum has not yet been taken into the accounts but is reflected here as a contingent asset.

### Contingent Liabilities

#### Council Loan to Arena Coventry Limited

A Judicial Review held in June 2014 considered the Council's decision on 15th January 2013 to make a loan to Arena Coventry Limited. The initial judgement on the review found in the City Council's favour although the Court of Appeal gave permission in July 2015 for this to be appealed. The Council's position is that it has acted lawfully in all respects and it will continue to strongly defend the claim. It is not possible to quantify any financial implications that may fall on the Council if this appeal were to be successful. However, given the nature and significance of this issue it is appropriate to record it as a contingent liability.

### 3.26 Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, 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 (England) regulations 2011. 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 2014/15 are as follows:

Notes	Schools Budget Funded by Dedicated Schools Grant	Central Expenditure £000	Individual Schools Budget £000	Total £000
		1	2	3
A	Final DSG for 2014/15 before Academy Recoupment	30,459	233,946	264,405
B	Academy figure recouped for 2014/15	230	69,979	70,209
<b>C</b>	<b>Total DSG after Academy Recoupment for 14/15</b>	<b>30,229</b>	<b>163,967</b>	<b>194,196</b>
D	Plus: Brought forward from 2013/14	5,679	0	5,679
E	Less: Carry forward to 2015/16 agreed in advance	4,501	0	4,501
F	Agreed initial budgeted distribution in 2014/15	31,406	163,967	195,373
G	In year adjustments	343	(85)	258
H	Final budgeted distribution for 2014/15	31,749	163,882	195,631
I	Less: Actual central expenditure	29,779	0	29,779
J	Less: Actual ISB deployed to schools	0	163,882	163,882
K	Plus: Local authority contribution for 2014/15	0	0	0
<b>L</b>	<b>Carry forward to 2015/16</b>	<b>1,970</b>	<b>0</b>	<b>6,471</b>

#### Notes

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2015 early years block adjustment.

B: Figure recouped from the authority in 2014/15 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after DfE Academy recoupment for 2014/15.

D: Figure brought forward from 2013/14 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 2014.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2015/16 rather than distribute in 2014/15.

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 2014/15- 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 2014/15 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2015/16, ie: - For central expenditure, difference between budgeted distribution of DSG and actual expenditure, plus any local authority contribution.

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

- Total is carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2015/16 already agreed.

### 3.27 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2014/15 has been financed:

31st March 2014 £000		31st March 2015 £000
<b>427,228</b>	Opening Capital Financing Requirement	<b>407,737</b>
	<b>Capital Investment</b>	
42,605	Property, Plant and Equipment	81,747
1,707	Investment Properties	73
1,712	Intangible Assets	1,760
12,790	Revenue Expenditure Funded from Capital Under Statute	25,269
6,651	Debtors	1,049
<b>65,465</b>	Total Capital Investment	<b>109,898</b>
	<b>Sources of Finance</b>	
(10,777)	Capital Receipts	(14,392)
(30,795)	Government Grants and Other Contributions	(80,498)
(12,897)	Revenue Contributions	(6,917)
(14,705)	Revenue Provision for Debt Repayment	(14,117)
(15,782)	Other Adjustments	(1,341)
<b>(84,956)</b>	Total from Sources of Finance	<b>(117,265)</b>
<b>407,737</b>	Closing Capital Financing Requirement	<b>400,370</b>
	<b>Explanation of movement in year</b>	
(14,705)	Revenue Provision for Debt Repayment	(14,117)
(692)	Repayment of Transferred Debt Principal	(762)
2,321	Capital Investment funded by borrowing	301
(2,312)	Capital Receipts Applied to Repay Debt	(1,000)
10,981	Assets acquired under PFI/PPP contracts	8,789
(15,000)	Reduction of Capitalised Provision	(485)
(84)	Restatement of Historic Debt Liability	(93)
<b>(19,491)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(7,367)</b>

The Capital Financing Requirement includes a reduction of £485k in respect of a provision for equal pay costs which was capitalised in 2008/09, but is no longer required.

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£101,109k), includes all the items recorded under capital investment above (£109,898k) less new assets recorded as part of the Street Lighting PFI contract (£8,789k).



### 3.28 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2010/11 to 2014/15. The valuations were carried out by Graham Stephens MRICS, from the Property Division – Place Directorate. The basis for valuation is set out in the statement of accounting policies. The effective date of each revaluation is the date that the revaluation was produced.

Year of revaluation	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	0	12,881	239,732	15,275	21,316	289,204
Valued at current value as at:						
31st March 2011	20,665	0	0	0	0	20,665
31st March 2012	30,079	0	0	0	0	30,079
31st March 2013	26,295	0	0	0	0	26,295
31st March 2014	7,646	0	0	0	0	7,646
31st March 2015	432,658	0	0	0	0	432,658
<b>Total cost or Valuation</b>	<b>517,343</b>	<b>12,881</b>	<b>239,732</b>	<b>15,275</b>	<b>21,316</b>	<b>806,547</b>

### 3.29 Capital Commitments

The City Council has an approved capital programme for 2015/16 of £117.8m and a provisional programme of £123.5m for 2016/17 and £60m for 2017/18. The following are significant contracts legally committed to finish projects already started on 31st March 2015

Significant Capital Commitments 2014/15	Outstanding Commitment £000	Contract Value £000	Date for Completion
A4600 Congestion Relief Scheme - Jacksons	2,130	3,258	01/07/2015
Castlewood Extension - Servacomm	336	336	01/07/2015
Customer Service Centre - Deeley Construction	2,621	2,621	30/09/2015
Edgewick New Build - Farrans	3,799	4,552	01/01/2017
Friargate Council Building - Friargate LLP	38,159	40,500	31/12/2015
Increasing Pupil Places 2014 Phase 1 - Wates	742	12,454	02/09/2015
Increasing Pupil Places 2014 Phase 2 - Wates	1,082	11,097	01/02/2016
Nuckle - Buckingham	2,664	6,012	21/06/2015
Nuckle - London Midland	476	476	21/06/2015
Nuckle - Network Rail	414	780	21/06/2015
Nuckle - SLC	245	923	21/06/2015
South West Coventry Junction Improvement Scheme	4,784	6,195	01/09/2015
Spon Gate Expansion - E Manton	554	554	01/09/2015
Whitley - Costain	4,772	6,193	31/08/2015
	<b>62,778</b>	<b>95,951</b>	

### 3.30 Analysis of Capital Grants

2013/14 £000	Grant / Grant Body	2014/15 £000
11,437	Education Funding Agency	18,361
7,417	Department for Transport	11,575
77	Homes & Communities Agency	397
421	Department for Energy & Climate Change	156
637	Department of Health	1,129
1,607	Department for Communities & Local Government	2,025
1,673	Department for Business, Innovation & Skills	21,245
3,051	European Regional Development Fund	12,605
1	Heritage Lottery Fund	205
1,810	Centro Highways & Transportation Grants & Contributions	2,870
2,664	Other Capital Grants & Contributions	9,930
<b>30,795</b>	<b>Total</b>	<b>80,498</b>

2014/15 Capital Grant total of £80,498k is comprised of £80,126k received in year (see section 2.2) and £372k applied from reserves (see section 2.3)

In addition the Council's Balance Sheet (as at 31st March 2015) reflects Capital Grants received in advance, of £8,936k.

### 3.31 Analysis of Revenue Grants

2013/14 £000	Grant	2014/15 £000
197,846	Dedicated Schools Grant (DSG) *	194,570
131,233	Housing Benefit Subsidy	131,209
106,183	Revenue Support Grant (Formula Grant element)	87,241
7,480	EFA School Sixth Form Grant	6,253
6,134	Skills Funding Agency Grants	6,384
8,607	Private Finance Initiative Grants	8,607
11,318	Pupil Premium Grant	14,771
5,332	Education Support Grant	5,076
5,462	Primary Care Trust Contribution	7,855
17,832	Public Health Grant	19,615
4,406	New Homes Bonus	5,712
23,430	Other revenue grants & contributions (Govt.)	21,330
2,565	Other revenue grants & contributions (Non-Govt.)	1,414
<b>527,828</b>	<b>Total</b>	<b>510,037</b>

\* Section 3.26 identifies a total 2014/15 Dedicated Schools Grant (DSG) funded budget of £194,196k. This is £374k lower than the DSG figure shown in the table above, which includes additional elements accrued in the year.

## 3.32 Leases

### Authority as Lessee

#### Finance Leases

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

	31st March 2014 £000	31st March 2015 £000
Other Land and Buildings	1,705	1,634
Vehicles, Plant, Furniture and Equipment	24	14
	<b>1,729</b>	<b>1,648</b>

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

	31st March 2014 £000	31st March 2015 £000
Finance lease liabilities :		
- current	0	0
- non-current	0	0
Finance costs payable in future years	291	260
<b>Minimum Lease Payments</b>	<b>291</b>	<b>260</b>

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

	31st March 2014 £000	31st March 2015 £000
Not later than one year	0	0
Later than one year and not later than five years	24	24
Later than five years	267	236
	<b>291</b>	<b>260</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 there were no contingent rents payable by the Authority.

#### Operating Leases

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

	31st March 2014 £000	31st March 2015 £000
Not later than one year	196	474
Later than one year and not later than five years	583	289
Later than five years	8	163
	<b>787</b>	<b>926</b>

## Authority as Lessor

### Finance Leases

City College Car Park (Swanswell)

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

	31st March 2014 £000	31st March 2015 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	92	0
- non-current	4,584	4,656
Unearned finance income	3,775	3,611
Unguaranteed residual value of property	0	0
<b>Gross Investment in the lease</b>	<b>8,451</b>	<b>8,267</b>

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

	31st March 2014 £000	31st March 2015 £000
Not later than one year	325	105
Later than one year and not later than five years	1,300	1,395
Later than five years	6,826	6,767
	<b>8,451</b>	<b>8,267</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15, no contingent rents were receivable by the Authority.

### Operating Leases

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

	31st March 2015 £000
Not later than one year	3,861
Later than one year and not later than five years	4,122
Later than five years	5,110
<b>Total</b>	<b>13,093</b>

### 3.33 Associated Company Interests & Holdings

The City Council maintains investments and/or interests in a number of companies. The following summarises the latest information and where applicable the latest audited accounts.

Companies in which the City Council maintain investments as shown in note 3.12.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>Arena Coventry Ltd (Company Registration Number: 0440684)</b>		<b>31st March 2014</b>	<b>30th Sept 2014</b>
North Coventry Holdings Ltd owned 50% shares in Arena Coventry Ltd (ACL) (value £nil). ACL is the operating company of the Arena and has been included within the Council's group accounts as a joint venture up to 30th Sept 2014.	Net Assets(liabilities)	6,049	6,380
	Profit (loss) before taxation	(992)	(472)
	Profit (loss) after taxation	(992)	(472)
<b>Arena Coventry (2006) Ltd (Company Registration Number: 05675263)</b>			
ACL owns 100% of shares in a subsidiary - Arena Coventry (2006) Ltd. Arena Coventry (2006) Ltd holds the 50-year headlease from CCC together with the benefit of the occupational sublease.		Consolidated into ACL accounts above	
<b>International Events Centre Experience Ltd (Company Registration Number: 08039699)</b>			
ACL owns 77% of shares in its subsidiary Internation Events Centre Experience Ltd. IECE is a conference, convention and exhibition centre.		Consolidated into ACL accounts above	
As of October 2014 the Council ceased to hold an interest in ACL or Arena Coventry (2006) Ltd, therefore the last full management accounts ( September 2014) have been used for this purpose.			
Copies of ACL's, International Events Centre Experience Ltd's and Arena Coventry (2006) Ltd's accounts can be acquired from: Company Secretary, Arena Coventry Ltd, Ricoh Arena,, Phoenix Way, Foleshill, Coventry , CV6 6GE			
<b>Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)</b>		<b>31st March 2014</b>	<b>31st March 2015</b>
The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares. The City Council owns :	Net Assets	196,327	178,640
5.8% of the 324m ordinary shares	Profit before taxation	18,774	16,164
£1.8 million preference shares	Profit after taxation	12,462	10,492
In addition, during the year, the company issued 1000 C Class shares of £0.01p each. These were issued at their nominal value to the holders of A Ordinary shares. The Council received 6% of these shares.			
<b>Coventry North Regeneration Ltd (Company Registration Number: 4523598)</b>		<b>31st March 2014</b>	<b>31st March 2015</b>
NCH holds 100% of the shares (value £nil) in Coventry North Regeneration Ltd (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.	Net Assets	0	0
	Profit (loss) before taxation	0	0
	Profit (loss) after taxation	0	0
The company's principal activity was to build the Coventry Arena. The Arena, combines a football stadium, conference and exhibition space, hotel, casino and other leisure and community facilities. Post completion, the Company's principal activity is to act as landlord of the Arena.			
Copies of CNR's accounts can be acquired from: Company Secretary, Coventry North Regeneration Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>Coventry Solihull Waste Disposal Company (CSWDC) Ltd (Company Registration Number: 02690488)</b>		<b>31st March 2014</b>	<b>31st March 2015</b>
The company's business is the disposal of waste. It is jointly owned by CCC and Solihull Metropolitan Council with Warwickshire County Council holding a minor limited rights shareholding at nil value. The company is included in Coventry's group accounts as a joint venture as voting rights are shared equally with Solihull MBC.	Net Assets	13,290	17,101
The City Council owns:	Profit before taxation	7,085	7,090
66% of the ordinary share capital	Profit (loss) after taxation	5,614	5,584
66% of the preference share capital			
The preference shares are redeemable at the option of the company and the two Councils at their par value (£4.4m). Under Financial Reporting Standard 25 the company is required to account for redeemable preference shares as a "financial liability" rather than "share capital". Therefore the company balance sheet shows a net asset.			
<b>Culture Coventry (Registration Number: 08359113)</b>		<b>31st March 2014</b>	<b>31st March 2015</b>
The merger of Coventry Transport Museum and The Herbert Art Gallery Museum was completed in August 2013. Culture Coventry is the the new Charitable Trust set up to run both museums and is also responsible for running the Lunt Roman Fort and the Priory Visitor Centre	Net Assets	1,179	Not yet available
	Profit before taxation	191	Not yet available
	Profit after taxation	191	Not yet available
Under IFRS10 Culture Coventry now meets the three elements under the definition of control for Group Account purposes. On this basis Culture Coventry is treated as an associate of the Council but has not been included within the Group Accounts on the grounds of materiality.			
<b>North Coventry Holdings Ltd (Company Registration Number: 4931967)</b>		<b>31st March 2014</b>	<b>31st March 2015</b>
The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.	Net Assets	0	2,703
	Profit before taxation	0	2,703
	Profit after taxation	0	2,703
NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR), 50% shares in Arena Coventry Limited (ACL) and hold on trust two ordinary shares of £1 each for nil consideration representing the Council's interest in Coombe Abbey Park Limited owned by Trinityvale Ltd. NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.			
The revised net assets position reflects repayment of the loan to Arena Coventry Limited which is discussed in section 1.2, Overview of the Council's Financial Performance.			
Copies of NCH's accounts can be acquired from: Company Secretary, North Coventry Holdings Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			
<b>University of Warwick Science Park Business Innovation Centre Ltd (Company Registration Number: 03616665)</b>		<b>31st Jul 2013</b>	<b>31st Jul 2014</b>
This company was established by the University of Warwick Science Park, CCC and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.	Net Assets/(liabilities)	(2,045)	(1,682)
	Profit (loss) before taxation	(296)	(12)
	Profit (loss) after taxation	(296)	(12)
The City Council holds: Just under 20% (value £2,000) of the ordinary share capital. £152,166 of preference share capital and £1,066,471 of 7% debentures.			

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

### 3.34 Other Funds

The City Council administers a number of funds that have been established from donations, contributions and bequests. The funds are set up to achieve specific objectives and purposes. The balance on these funds as at 31st March 2015 was £9,726k (£9,771k as at 31st March 2014) and is held on the balance sheet as a creditor. The main funds held relate to:

- Developers contributions of £7,579k (£7,673k as at 31st March 2014) - e.g. Section 106 amounts;
- Tenants contributions of £1,672k (£1,640k as at 31st March 2014) - towards essential repair and maintenance of common areas in multi occupied buildings;
- Social Services Clients Funds of £127k (£129k as at 31st March 2014) – funds held on behalf of Social Services clients;
- Other funds of £348k (£329k as at 31st March 2014), including bequests/donations for maintenance of gardens, landscape works, education and environmental services and charity donations.

### 3.35 Audit Note

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

2013/14 £000	Audit Fees	2014/15 £000
235	Fees payable in respect of external audit services	231
18	Fees payable in respect of certification of grant claims and returns	21
0	Fees payable in relation to other services	21
0	Fee rebate from the Audit Commission	(24)
<b>253</b>	<b>Total Fees</b>	<b>249</b>

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

### 3.36 Prior Period Restatements

A prior period restatement has been required as a result of change to the accounting treatment of particular groups of Local Authority Maintained Schools. As a result of this the values of VC and Trust schools have now been brought onto the Councils balance sheet.

This has resulted in a change to the accounting treatment for financial years starting on or after 1st January 2014. The impact of this issue on the main financial statements for prior periods is detailed below:

Requirements are the restatement of the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement, Cash Flow Statement, Balance sheet and the associated disclosure notes (i.e PPE). The restatement resulting from this issue is exemplified in the following table:

Extract from the Comprehensive Income and Expenditure Statement.		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
<b>Childrens and Education Services</b>	Original amounts	368,237	(253,034)	115,203
	Impact	(1,092)	0	(1,092)
	<b>Restated amounts</b>	<b>367,145</b>	<b>(253,034)</b>	<b>114,111</b>
<b>Cost of Services (sub-total)</b>	Original amounts	783,427	(476,486)	306,941
	Impact	(1,092)	0	(1,092)
	<b>Restated amounts</b>	<b>782,335</b>	<b>(476,486)</b>	<b>305,849</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	Original amounts			37,476
	Impact			(1,092)
	<b>Restated amounts</b>			<b>36,384</b>
<b>Total Comprehensive Income and Expenditure</b>	Original amounts			(96,637)
	Impact			(1,092)
	<b>Restated amounts</b>			<b>(97,729)</b>
Extract from Movement in Reserves Statement (MiRS)		Capital Adjustment Account	Revaluation Reserve	Total Unusable Reserves
<b>31st March 2013</b>	Original amounts	(439,529)	(176,070)	(92,127)
	Impact	(30,558)	(12,077)	(42,635)
	Restated Amount	(470,087)	(188,147)	(134,762)
<b>Total Comprehensive Income And Expenditure</b>		0	(3,869)	(134,113)
<b>Adjustments between Accounting Basis and Funding Basis under Regulations</b>	Original amount	8,079	20,055	47,205
	Impact	(1,022)	(70)	(1,092)
	<b>Restated amount</b>	<b>7,057</b>	<b>19,985</b>	<b>46,113</b>
<b>Net (Increase)/Decrease 31st March 2014</b>		<b>7,057</b>	<b>16,116</b>	<b>(88,000)</b>
		<b>(463,030)</b>	<b>(172,031)</b>	<b>(222,762)</b>



<b>Extract from Balance Sheets</b>		<b>31st March 2013</b>	<b>31st March 2014</b>
<b>Property, Plant and Equipment</b>	Original amount	787,498	749,125
	Impact	42,635	43,727
	<b>Restated amount</b>	<b>830,133</b>	<b>792,852</b>
<b>Unusable Reserves</b>	Original amount	(92,127)	(179,035)
	Impact	(42,635)	(43,727)
	<b>Restated amount</b>	<b>(134,762)</b>	<b>(222,762)</b>

<b>Extract from Cash Flow Statement (CFS)</b>		<b>2013/14</b>
<b>Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b>	Original amount	<b>(85,680)</b>
	Impact	<b>1,092</b>
	<b>Restated amount</b>	<b>(84,588)</b>

### 3.37 Accounting standards issued, but not yet adopted

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

The accounting changes introduced in the 2015/16 Code involve the following:

- IFRS 13 Fair Value Measurement. This provides a consistent definition of fair value for different asset categories and some additional disclosure requirements.
- IFRIC 21 Levies. This provides clarification of when a levy becomes payable in different situations.

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

## **4 Additional Financial Statements – Group Accounts**

### **4.1 Overview of Group Accounts**

The Group Accounts have been prepared in accordance with IFRS and where material, the accounts of other group entities have been adjusted to align their accounting policies with that of the Local Authority parent.

Note 3.33 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. North Coventry Holding (NCH) and Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and Coventry & Solihull Waste Disposal Company (CSWDC) is included as a joint venture. As described in Section 1.2 Overview of the Council's Performance in 2014/15, the Council sold its interest in ACL in October 2014 and as a consequence only income and expenditure items up to 30th September 2014 have been included in the Council's Group Accounts.

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

IFRS require that the financial statements of the reporting authority (Coventry City Council) and its subsidiaries, associates and jointly controlled entities shall be prepared as of the same date. Where this does not happen, for consolidation purposes, additional financial statements, as of the same date as the reporting authority shall be prepared unless it is impracticable to do so. For consolidation purposes management accounts for ACL as at 30th September 2014 have been used and draft accounts as at 31st March 2015 for NCH, CNR and CSWDC.

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

## 4.2 GROUP COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

2013/14			2014/15			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	SERVICE ANALYSIS	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
104,153	(27,859)	76,294	Adult Social Care	100,737	(28,584)	72,153
28,461	(6,817)	21,644	Central Services to the Public	25,339	(7,345)	17,994
367,145	(253,034)	114,111	Children's & Education Services	364,423	(253,147)	111,276
22,133	(2,027)	20,106	Cultural & Related Services	28,293	(2,694)	25,599
28,078	(5,051)	23,027	Environmental & Regulatory Services	22,217	(5,420)	16,797
13,009	(4,267)	8,742	Planning Services	22,888	(5,696)	17,192
38,067	(13,503)	24,564	Highways and Transport Services	59,977	(13,796)	46,181
149,991	(137,403)	12,588	Housing Services	142,567	(135,060)	7,507
23,826	(18,314)	5,512	Public Health	23,558	(19,977)	3,581
15,818	(1,284)	14,534	Corporate and democratic core	15,565	(2,043)	13,522
(8,346)	(6,927)	(15,273)	Non-Distributed Costs	10,436	(479)	9,957
0	(20,669)	(20,669)	Turnover Joint Venture	0	(14,481)	(14,481)
15,964	0	15,964	Cost of Sales Joint Venture	13,607	0	13,607
<b>798,299</b>	<b>(497,155)</b>	<b>301,144</b>	<b>Cost of Services</b>	<b>829,607</b>	<b>(488,722)</b>	<b>340,885</b>
		16,952	Other Operating Expenditure			16,381
		23,498	Finance and Investment Income and Expenditure			25,555
		0	Profit or Loss on Discontinued Operations			0
		(309,893)	Taxations and Non-Specific Grant Income			(351,258)
		<b>31,701</b>	<b>(Surplus) / Deficit on the Provision of Services</b>			<b>31,563</b>
		277	Associates and JV's accounted for on Equity Basis			106
		981	Tax Expenses			1,004
		<b>32,959</b>	<b>Group (Surplus) or Deficit</b>			<b>32,673</b>
		(3,869)	(Surplus)/Deficit on revaluation of non current assets			(23,799)
		(137)	(Surplus)/Deficit on revaluation of available for sale financial assets			(2,845)
		(83,440)	Actuarial (gains) or losses on pension assets and liabilities			103,420
		1,608	Share of other comprehensive income and expenditure of associates & joint ventures			5,221
		<b>(85,838)</b>	<b>Sub-total of other comprehensive Income and Expenditure</b>			<b>81,997</b>
		<b>(52,879)</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>114,670</b>

## 4.3 GROUP MOVEMENT IN RESERVES STATEMENT

### GROUP USABLE RESERVES AND OVERALL POSITION 2014/15

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

### GROUP UNUSABLE RESERVES 2014/15

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

**GROUP USABLE RESERVES AND OVERALL POSITION 2013/14 COMPARATIVES**

	General Fund Reserves	Earmarked Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Total Unusable Reserves * restated	Total Reserves of the Authority * restated
	£000	£000	£000	£000	£000	£000
<b>31st March 2013</b>	<b>(7,304)</b>	<b>(63,059)</b>	<b>(902)</b>	<b>(71,265)</b>	<b>(157,126)</b>	<b>(228,391)</b>
(Surplus) or Deficit on Provision of Services (Accounting Basis)	36,384	0	0	36,384	(3,425)	<b>32,959</b>
Other Comprehensive Income and Expenditure	0	0	0	0	(85,838)	<b>(85,838)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>36,384</b>	<b>0</b>	<b>0</b>	<b>36,384</b>	<b>(89,263)</b>	<b>(52,879)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(46,259)	0	146	(46,113)	46,113	<b>0</b>
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>(9,875)</b>	<b>0</b>	<b>146</b>	<b>(9,729)</b>	<b>(43,150)</b>	<b>(52,879)</b>
Transfers (to) / from Earmarked Reserves	9,851	(9,851)	0	0	0	<b>0</b>
<b>(Increase) / Decrease in Year</b>	<b>(24)</b>	<b>(9,851)</b>	<b>146</b>	<b>(9,729)</b>	<b>(43,150)</b>	<b>(52,879)</b>
<b>31st March 2014</b>	<b>(7,328)</b>	<b>(72,910)</b>	<b>(756)</b>	<b>(80,994)</b>	<b>(200,276)</b>	<b>(281,270)</b>

\* Restated 2013/14 figures as per section 3.36

**GROUP UNUSABLE RESERVES 2013/14 COMPARATIVES**

	Capital Adjustment Account * restated	Revaluation Reserve * restated	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Profit & Loss	Total Unusable Reserves * restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>31st March 2013</b>	<b>(503,276)</b>	<b>(188,147)</b>	<b>2,192</b>	<b>(1,323)</b>	<b>528,804</b>	<b>5,116</b>	<b>(11,317)</b>	<b>10,825</b>	<b>(157,126)</b>
(Surplus) or Deficit on Provision of Services (Accounting Basis)	0	0	0	0	0	0	0	(3,425)	<b>(3,425)</b>
Other Comprehensive Income and Expenditure	0	(3,869)	0	0	(83,440)	0	(137)	1,608	<b>(85,838)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(3,869)</b>	<b>0</b>	<b>0</b>	<b>(83,440)</b>	<b>0</b>	<b>(137)</b>	<b>(1,817)</b>	<b>(89,263)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	7,057	19,985	(104)	(701)	20,545	(820)	151	0	<b>46,113</b>
<b>(Increase) / Decrease in Year</b>	<b>7,057</b>	<b>16,116</b>	<b>(104)</b>	<b>(701)</b>	<b>(62,895)</b>	<b>(820)</b>	<b>14</b>	<b>(1,817)</b>	<b>(43,150)</b>
<b>31st March 2014</b>	<b>(496,219)</b>	<b>(172,031)</b>	<b>2,088</b>	<b>(2,024)</b>	<b>465,909</b>	<b>4,296</b>	<b>(11,303)</b>	<b>9,008</b>	<b>(200,276)</b>

\* Restated 2013/14 figures as per section 3.36

## 4.4 GROUP BALANCE SHEET

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

As at 31st March 2014 £000	Balance Sheet	As at 31st March 2015 £000	Section Ref.
792,852	Property, Plant and Equipment	806,547	
25,893	Heritage Assets	25,893	
167,198	Investment Property	154,350	
22,918	Long Term Investments	22,913	
29,331	Investment in Associates and Joint Ventures	28,134	4.9
30,466	Long Term Debtors	29,514	
<b>1,068,658</b>	<b>Long Term Assets</b>	<b>1,067,351</b>	
57,313	Short Term Investments	102,297	
499	Inventories	364	
52,467	Short Term Debtors	48,082	
39,393	Cash and Cash Equivalents	10,220	
9,987	Assets held for Sale	4,996	
<b>159,659</b>	<b>Current Assets</b>	<b>165,959</b>	
(22,596)	Short Term Borrowing	(24,063)	
(63,013)	Short Term Creditors	(70,182)	
(2,972)	Short Term Provisions	(1,555)	
0	Liabilities in Disposal Groups	0	
<b>(88,581)</b>	<b>Current Liabilities</b>	<b>(95,800)</b>	
(9,922)	Long Term Provisions	(9,157)	
(372,866)	Long Term Borrowing	(366,728)	
(465,909)	Other Long Term Liabilities	(586,089)	
(9,769)	Capital Grants Receipts in Advance	(8,936)	
<b>(858,466)</b>	<b>Long Term Liabilities</b>	<b>(970,910)</b>	
<b>281,270</b>	<b>Net Assets</b>	<b>166,600</b>	
(80,994)	Usable Reserves	(84,599)	
(200,276)	Unusable Reserves	(82,001)	4.9
<b>(281,270)</b>	<b>Total Reserves</b>	<b>(166,600)</b>	

## 4.5 GROUP CASH FLOW STATEMENT

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

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

2013/14 £000's	Cash Flow Statement	2014/15 £000's
32,959	Net (Surplus) or Deficit on the Provision of Services	32,673
(81,163)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(125,099)
19,005	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	53,930
<b>(29,199)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(38,496)</b>
(7,051)	Investing Activities	8,258
36,554	Financing Activities	59,411
<b>304</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>29,173</b>
(39,697)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(39,393)
(39,393)	Cash and Cash Equivalents at the End of the Reporting Period	(10,220)

## 4.6 RECONCILIATION OF SINGLE ENTITY TO GROUP ACCOUNTS

### Income and Expenditure Surplus/Deficit

2013/14 £000	Reconciliation of Single Entity to Group (Surplus)/Deficit	2014/15 £000
36,384	(Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year*	36,178
(7)	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)
<b>36,377</b>	(Surplus)/Deficit in the Group Income & Expenditure attributable to the Authority*	<b>36,172</b>
	Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
7	Subsidiaries	6
(3,425)	Joint Ventures	(3,505)
<b>32,959</b>	<b>Group Account (Surplus)/Deficit for the year*</b>	<b>32,673</b>

### Adjustment for Non Cash Items in the Cash Flow Statement

2013/14 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non-Cash Items	2014/15 £000
(84,588)	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements*	(128,604)
3,425	Total Non Cash Adjustments included in the Group Accounts	3,505
<b>(81,163)</b>	Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements*	<b>(125,099)</b>



## 4.7 GROUP TAX EXPENSE

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

2013/14 £000	Group Tax Expense	2014/15 £000
<b>CURRENT TAX:</b>		
1,093	Current Tax Expense / (Income)	1,038
<u>(8)</u>	Adjustment Recognised in the Period for Current Tax of Prior Periods	<u>(131)</u>
<b>1,085</b>	<b>Total Current Tax</b>	<b>907</b>
<b>DEFERRED TAX:</b>		
27	Origination and Reversal of Temporary Differences	94
(131)	Changes in Tax Rates or the Imposition of New Taxes	3
<u>0</u>	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	<u>0</u>
<b>(104)</b>	<b>Total Deferred Tax</b>	<b>97</b>
<b>981</b>	<b>Total Tax Expense</b>	<b>1,004</b>

## 4.8 Group Companies Disclosure

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

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

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

Plans have been discussed to maximise the operational capacity of the company and to meet the waste disposal needs of one of the company's largest existing customers, Warwickshire County Council (WCC).

As a consequence, and with the agreement of CCC and SMBC, CSWDC raised a new class of share (Class C). In July 2014 one Class C share was issued to CCC which was immediately sold to WCC at nil value. This Class C share confers no dividend rights, no rights to appoint its own director to the shareholder panel and only limited voting rights at the shareholders panel on matters relating to the control of the Company.

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

In addition to the primary shares, CCC and SMBC also hold Preference Shares to secure their original investment in CSWDC. Both CCC and SMBC have allowed CSWDC to redeem these preference shares in exchange for dividend payments over the last two years. The creation of the Class C share does not reduce the value of these Preference Shares, nor does it create any additional Preference Shares. CSWDC redeemed preference shares at par with a value of £3.3m during the year.

### Financial Liabilities

As at 31st March 2015 the Company had Capital Commitments of £295,000.

Preference Share holdings of £1 each	2013/14 £000	2014/15 £000
A Class Coventry	5,150	2,950
B Class Solihull	2,575	1,475
<b>Total</b>	<b>7,725</b>	<b>4,425</b>

Despite the issue of the C Class share and a change to the Shareholders Agreement during 2014/15 the fundamental status of CSWDC has not changed. CCC & SMBC will continue to work together to arrive at mutually agreed decisions which are voted on accordingly at the Shareholder Panel. As a result of this, the existing treatment of CSWDC in the group accounts of both Coventry and Solihull, is for the Company to be treated as a Joint Venture. This position implies that no shareholder has ultimate control.

### Arena Coventry Ltd (ACL)

Prior to October 2014, ACL was a joint venture company between North Coventry Holdings Ltd, a wholly owned subsidiary of Coventry City Council and Football Investors Ltd, a subsidiary of The Alan Edward Higgs Charity. As described in Section 1.2 Overview of the Council's

Performance in 2014/15, the Council sold its interest in ACL in October 2014 and therefore will not form part of the Council's Group Company arrangements beyond 2014/15.

The figures in the Group Account statements are based on Income & Expenditure items from Arena Coventry Ltd (ACL) management accounts as at 30th September 2014.

#### Related Party Transactions

Details of related party transactions are provided in section 3.24.

#### North Coventry Holdings Limited (NCH)

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

NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR) and hold on trust two ordinary shares of £1 each for nil consideration representing the Council's interest in Coombe Abbey Park Limited

#### Coventry North Regeneration Limited (CNR)

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

#### Related Party Transactions

Details of related party transactions are provided in section 3.24.

## 4.9 Notes to the Group Balance Sheet

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

The group accounts exclude the long term investment of £51,817k in CSWDC as included in the single entity accounts. The associated gain on revaluation of available for sale financial assets of £46,667k is excluded from the Group Comprehensive Income and Expenditure Account.

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

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

<b>31st March 2014</b>	<b>CSWDC</b>	<b>ACL</b>	<b>NCH</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Share in Gross Assets of Joint Ventures	38,501	10,407	0	48,908
Share in Gross Liabilities of Joint Ventures	(9,917)	(9,660)	0	(19,577)
<b>Total</b>	<b>28,584</b>	<b>747</b>	<b>0</b>	<b>29,331</b>

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

<b>Unusable Reserves</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Single Entity	(222,762)	(106,203)
CSWDC	23,233	24,202
ACL	(747)	0
NCH	0	0
<b>Group Unusable Reserves</b>	<b>(200,276)</b>	<b>(82,001)</b>

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

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 5.2 Changes in Accounting Policies

The accounting policies for School Assets (within section 5.6) have been amended to reflect the test for asset recognition set out in the Local Authority Accounting Panel Bulletin 101 and those for Group Accounts (section 5.17) amended to reflect changes in the criteria for the consolidation of group entities, in line with the 2014/15 Code of Practice. This has resulted in the assets for Voluntary Controlled and Foundation schools being brought onto the Council's single entity Balance Sheet. Changes to the criteria tests have not led to any new entities being consolidated into the Council's group accounts.

### 5.3 Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as assets under construction on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 5.4 Provisions

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

Provisions are charged as an expense to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes

more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

## **5.5 Reserves**

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

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

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

### **Property, Plant & Equipment**

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

### **Investment Property**

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

### **Assets Held for Sale**

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

### **Recognition**

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

### **Measurement**

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

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

Property valuations have been performed by RICS (Royal Institute of Chartered Surveyors) qualified internal valuers in accordance with RICS valuation standards.

The methods and significant assumptions applied in estimating the value of assets included in the balance sheet at fair value are:

- The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction (with reference to observable prices in an active market or recent market transactions on arms length terms).
- Fair value equates to market value;
- Land and Buildings were valued using the Existing Use Value method;
- Specialised assets with no market-based evidence of fair value were valued using the depreciated replacement cost (DRC) method.
- For non-property assets that have short useful lives and/or low values, the depreciated historical cost has been used as a proxy for fair value.

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

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

### **Componentisation**

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

### **Heritage Assets**

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

## Schools Assets

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

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

\* Voluntary Controlled and Foundation school fixed assets are recognised on the basis that overall control, and the associated economic benefits, can ultimately flow to the City Council. These assets have been recognised for the first time in 2014/15.

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as an impairment to nil value on the date that the school converts rather than as a disposal of the asset for nil consideration.

## Impairment

The values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of significant reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, with the exception of Investment Property and Assets Held For Sale where impairments are taken directly to Surplus or Deficit on the Provision of Services, impairment for other fair value assets is 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.

## Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is recognised in Surplus or Deficit on the Provision of Services as part of the gain or loss on disposal. Receipts from disposals are credited to Surplus or Deficit on the Provision of Services 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).

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

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

## Depreciation

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

Depreciation is calculated on the following basis:

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



## 5.7 Revenue Expenditure Funded from Capital Under Statute

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

## 5.8 Government Grants and Contributions

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

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

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

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

## 5.9 Value Added Tax (VAT)

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

## 5.10 Investments

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

## 5.11 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account 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 Account 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 Account 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 Account 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 Account, 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 Account 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.

## 5.12 Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Account.

### **Available-for-sale Assets**

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

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

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

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

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

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

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

## **5.13 Leases**

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

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

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

### **The Authority as Lessee**

#### **Finance Leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present

value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income & Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in

the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### Operating Leases

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

## 5.14 Employee Benefits

### Benefits Payable during Employment

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

### Post Employment Benefits - Pensions

#### Teaching Staff

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

#### Former NHS Staff

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

#### Other Staff

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

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

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

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

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

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

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

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

**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 Account.

**Gains/losses on settlements and curtailments** – settlements which relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees and curtailments which increase the liabilities in respect of past service – included within the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

**Remeasurements** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – included within Other Comprehensive Income and Expenditure, and transferred to the Pension Reserve.

**Employer contributions paid to the West Midlands Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

**Administration Expenses** - debited to the Cost of Services in the Comprehensive Income and Expenditure Statement

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

### Discretionary Benefits

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



## 5.15 Professional and Other Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## 5.16 Private Finance Initiatives (PFI)

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

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

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

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

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

## 5.17 Group Accounts

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

## 5.18 Cash and Cash Equivalents

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

## 5.19 Contingent Liabilities

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

## 5.20 Contingent Assets

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

## 5.21 Events after the Balance Sheet Date

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

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

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

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

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

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

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

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



## 6 Glossary of Terms

### **Accruals**

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

### **Actuarial Assumptions**

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

### **Amortisation**

The gradual write off of initial costs of intangible assets.

### **Bad Debt Provision**

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

### **Business Rates**

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

### **Capital Contract**

This is a contract the Council has with a company to carry out major building or construction work that will take a significant amount of time.

### **Capital Adjustment Account**

The account which reflects the extent to which the City Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

### **Capital Receipts**

Income received from selling fixed assets.

### **CIPFA**

This is the Chartered Institute of Public Finance and Accountancy. This is an institute that represents accounting in the Public Sector.

### **Contingent Liabilities**

These are amounts that the Council may be, but is not definitely, liable for.

### **Council Tax**

A tax paid by residents of the city that is based on the value of the property lived in and is paid to the Council and spent on local services.

### **Creditors**

These are people or organisations which the Council owes money to for work, goods or services which have not been paid for by the end of the financial year.

### **Current Assets**

These are assets that are held for a short period of time, for example cash in the bank, stocks and debtors.

### **Debtors**

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

### **Depreciation**

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

### **Earmarked Reserves**

Money set aside for a specific purpose.

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instrument**

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

### **Financial Year**

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

### **Fixed Assets**

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

### **Heritage assets**

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

### **IFRS**

International Financial Reporting Standards

### **Impairment**

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

### **Intangible Assets**

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

### **Inventories**

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

### **Investment Properties**

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

### **Liabilities**

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Liquid Resources**

Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

**Levy**

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

**Market Value of Assets**

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

**Materiality**

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

**Movement in Reserves Statement (MIRS)**

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

**Net asset value**

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

**Net Book Value (NBV)**

The value of an asset after depreciation has been deducted.

**Operating Leases**

A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. If the person paying the lease does not own the asset then this is known as an operating lease. In this case the person is paying to borrow an asset (see also Finance Leases).

**Precept**

A payment to the Council's General fund, or another Local Authority, from the Council's Collection Fund.

**Prior Year Adjustments**

These are changes made to the previous year's accounts to show things that were not known until after the prior year accounts were produced.

**Provisions**

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

**Revaluation Reserve**

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

**Revenue Expenditure Funded From Capital Under Statute**

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

**Revenue Support Grant (RSG)**

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

**Specific Revenue Grants**

Grants received from Central Government in respect of specific services.

**Work in Progress**

If the Council is in the process of constructing an asset at the time when the accounts are prepared the value of this work is shown in the accounts as 'Assets Under Construction'.

## **7 Audit Certificate**

To be added on the completion of the audit.