

# Coventry City Council

Statement of Accounts

2015/16

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## 1 Overview

### 1.1 Explanatory Foreword

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

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

#### Operational Performance

The Council Plan approved in June 2015 sets out the Council's ambition for Coventry to be a top ten city where everybody can share in the benefits of growth including our most vulnerable residents. It is important for the Council to ensure that it lets Coventry residents know how well it is doing in delivering its key targets and it will do this in a performance report that will be considered by the Council's Cabinet in July 2016.

In 2015/16 the city has continued to make good progress in attracting new enterprises to the city, creating more jobs and growing the local economy. This is supported by increased retail footfall and various initiatives to increase the profile of the city, such as the City of Culture bid. Locally, there are many areas where the city is continuing to perform well such as primary education and the reduction in crime, despite significant challenges in terms of funding. However, there are challenges that remain, such as outcomes in secondary education and high numbers of looked after children. The Council is continuing to make savings through developing solutions for people to access services differently, such as through online channels and reductions in the overall workforce. It is against this background that the Council's financial performance is examined below.

#### Financial Performance - Revenue

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

| Funding Type               | Budget<br>£m   |
|----------------------------|----------------|
| Council Tax                | (102.2)        |
| Local Business Rates       | (58.0)         |
| General Government Grant   | (78.2)         |
| Specific Government Grants | (400.3)        |
| Fees and Charges           | (80.0)         |
| <b>Total Funding</b>       | <b>(718.7)</b> |

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

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

\*Including the Chief Executive's Directorate

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

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

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

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

### Financial Performance - Capital

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

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

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

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

### **Reserve Balances**

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

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

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

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

### **Other Issues within the Accounts**

This section considers the two most material areas of the Council's accounts by value, asset valuations and pensions accounting. It also looks at the Council's going concern status plus other issues that are important due to their financial materiality or their wider public interest.

The Council's Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the authority. This is summarised below and analysed in full in section 2.4. The Council's property assets represent £673m or 63% of the Long Term Assets figure. Its pension liabilities are 59% of its Long-Term Liabilities.

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

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

### Pensions Accounting

The Council's pension deficit represents the most striking single factor within these accounts as it does for many other local authorities. The balance sheet shows a shortfall of £554m between the current value of amounts paid into the pension fund and the forecast cost of pensions that will need to be paid out in future. Although this is £33m lower than the deficit recorded in the 2014/15 accounts, when compared with the total value of everything the Council owns (£1,233m) the overall pension deficit is a significant matter for consideration.

There are a number of contributory reasons for recent increases in local government pension deficits but the two key factors are that people are living longer and that changes in financial conditions have led to reductions in investment returns. The overall position on pensions has required increases in Local Government Pension Scheme pension contributions from employers and employees nationally. Coventry City Council has made year-on-year increases in employer pension contributions since 2014/15 and these will be looked at again as part of the current three yearly review of the pension scheme. Although these increases continue to represent extra costs to the Council, these are being managed within its overall budget and mean that the financial position of the authority remains sound.

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

### Assets and Asset Valuations

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

A total of twelve schools transferred to academy status in 2015/16. The day to day costs and funding of the schools are included up to the day on which they transferred. Their budget shares of c£24m will not be included in the Council's accounts in future. Eight of these were voluntary aided schools whose assets were already excluded from the Council's balance sheet. However, £20m of asset value for the remaining four academy converters has been removed from the Council's accounts in the year which forms the great majority of the £21m impairment figure shown in the Capital Adjustment Account and Revaluation Reserve movement table within note 3.6 Usable and Unusable Reserves.

### **Going Concern**

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

### **The Better Care Fund**

The Better Care Fund (BCF) has required Local Authorities and Clinical Commissioning Groups to pool budgets from 1st April 2015 with the intention of driving improvement through the integration of services and resources. The Council's has spent £32m in this area as part of an overall pooled budget of £52m. These arrangements will become increasingly important in future years as the government channels more and more funding through this mechanism. The overall pooled budget relationship is set out in note 3.38.

### **Walsgrave Hospital Business Rates Appeal**

The Council received a request in February 2016 for mandatory Business Rates relief for Walsgrave Hospital, replicating similar claims made across the country. If the relief is granted this would represent a significant on-going impact on the Council's Business Rates revenue as well as representing a risk that the appeal could be back-dated. The Council's view is that the claim is not valid and it has not been reflected as a provision in these accounts. However, because it remains possible that the claim is upheld and because the costs could potentially be large, this has led the Council to recognise this as a contingent liability in note 3.25.

### **Arena Coventry Limited**

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

### **Significant Changes in Accounting Policies**

Changes to accounting policies affecting the 2015/16 accounts are covered in section 5.1 although these are relatively minor. More significant is a change that will affect 2016/17 which is outlined in the same note. This will see a change in the way the Council's highways are valued which will substantially increase the net worth of the City Council's assets by around £1.6 billion (or £1,600 million). Given that the value of the Council's Balance Sheet net worth is £220.9m this represents a massive accounting change. The reality is however that this change will not have any impact on the Council's underlying financial position or day to day budgetary situation.



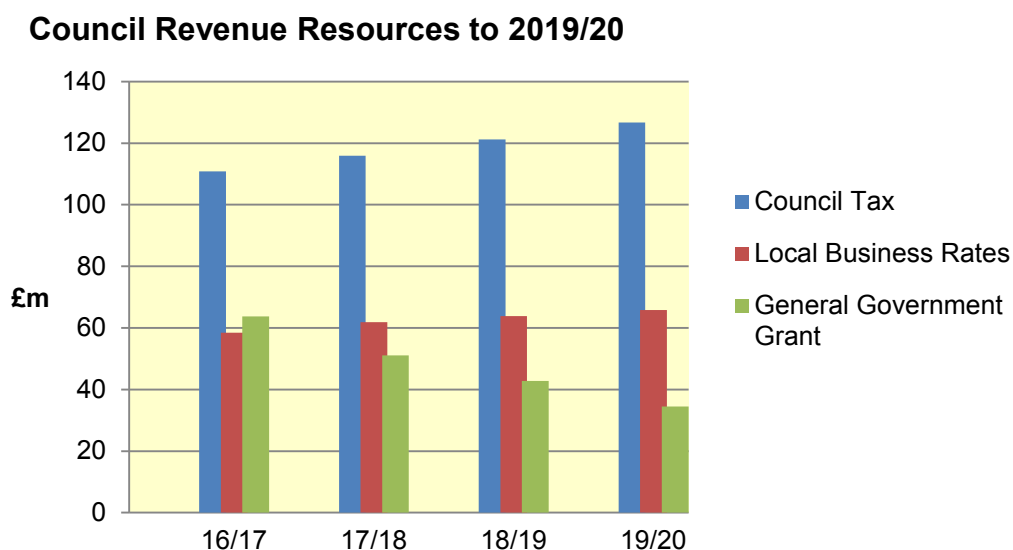
## Future Plans

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

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

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

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



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

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

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

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

## 1.3 Statement of Responsibilities

### Coventry City Council's Responsibilities

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

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

### The Executive Director of Resources' Responsibilities

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

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

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

The Executive Director of Resources has also:

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

### Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31<sup>st</sup> March 2016 and its income and expenditure for the year ended 31<sup>st</sup> March 2016, and that the accounts are authorised for issue.



**Chris West, CPFA**

Executive Director of Resources  
27th May 2016

## 1.4 Annual Governance Statement

### Scope of Responsibility

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

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

Coventry City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available on our website at [http://www.coventry.gov.uk/downloads/download/1181/code\\_of\\_corporate\\_governance](http://www.coventry.gov.uk/downloads/download/1181/code_of_corporate_governance) or can be obtained from Democratic Services.

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

### The Purpose of the Governance Framework

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

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

The governance framework has been in place at Coventry City Council for the year ended 31<sup>st</sup> March 2016 and up to the date of approval of the Statement of Accounts.

### The Governance Framework

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

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

Coventry's Council Plan "Coventry open for business" was adopted in January 2014. It was subsequently revised and updated in July 2015 and is now called "Coventry: A Top Ten City". The plan sets out the Council's long term vision and priorities for the city for the next ten years. To deliver the vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active citizens and strong and involved communities. The Council Plan is part of the Council's performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way.

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

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

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

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

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

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

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

An Audit and Procurement Committee provides independent assurance to the Council on various issues, including risk management and control and the effectiveness of the arrangements the Council has for these matters. The Committee's terms of reference were developed in conjunction

with CIPFA guidance, and the Committee carries out an annual self-assessment to measure its effectiveness, based on recommended CIPFA practice.

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

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

The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31<sup>st</sup> March 2016:

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

## Review of Effectiveness

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

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

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

The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls/governance arrangements by each Director.
- The work of the Internal Audit Service during 2015-16. The Service works to a risk based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Acting Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
- A review of the effectiveness of the Council's system of Internal Audit.

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

## Significant Governance Issues

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

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

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

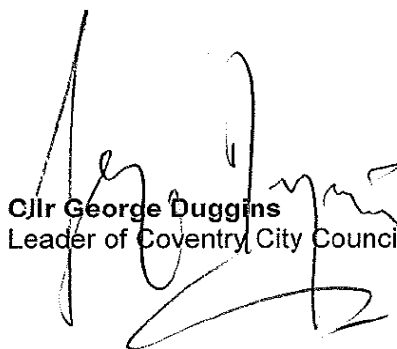
The review of internal control has also highlighted a number of areas for improvement. In each case, work is planned to address the issues identified and, where appropriate, audit reviews are planned to assess progress made. These are:

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

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



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



**Cllr George Duggins**  
Leader of Coventry City Council



## 2 Main Financial Statements

### 2.1 Overview of the Main Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

**The Collection Fund (section 2.6)**

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

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

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

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

## 2.2 COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

| 2014/15           |                  |                  |   | 2015/16           |                  |                  |
|-------------------|------------------|------------------|---|-------------------|------------------|------------------|
| Gross Expenditure | Gross Income     | Net Expenditure  | SERVICE ANALYSIS  | Gross Expenditure | Gross Income     | Net Expenditure  |
| £000              | £000             | £000             |   | £000              | £000             | £000             |
| 100,737           | (28,584)         | 72,153           | Adult Social Care   | 107,078           | (33,220)         | 73,858           |
| 25,342            | (7,350)          | 17,992           | Central Services to the Public  | 203               | (7,355)          | (7,152)          |
| 364,423           | (253,147)        | 111,276          | Children's & Education Services *                                       | 349,489           | (237,243)        | 112,246          |
| 28,293            | (2,694)          | 25,599           | Cultural & Related Services   | 21,176            | (2,222)          | 18,954           |
| 26,352            | (5,425)          | 20,927           | Environmental & Regulatory Services                                     | 28,504            | (5,619)          | 22,885           |
| 22,888            | (5,696)          | 17,192           | Planning Services   | 27,352            | (5,173)          | 22,179           |
| 59,977            | (13,796)         | 46,181           | Highways and Transport Services   | 69,454            | (14,277)         | 55,177           |
| 142,567           | (135,060)        | 7,507            | Housing services  | 129,763           | (130,104)        | (341)            |
| 23,558            | (19,977)         | 3,581            | Public Health   | 22,796            | (20,293)         | 2,503            |
| 15,565            | (2,043)          | 13,522           | Corporate and democratic core   | 13,457            | (3,159)          | 10,298           |
| 10,436            | (479)            | 9,957            | Non-distributed costs   | 5,031             | (11,440)         | (6,409)          |
| <b>820,138</b>    | <b>(474,251)</b> | <b>345,887</b>   | <b>Cost of Services</b>   | <b>774,303</b>    | <b>(470,105)</b> | <b>304,198</b>   |
|                   |                  | 0                | (Profit) / Loss on Disposal of Fixed Assets                             |                   |                  | 223              |
|                   |                  | 16,311           | Levy Payments to Other Bodies   |                   |                  | 15,656           |
|                   |                  | 2                | Contribution of Housing Capital Receipts to Gov. Pool                   |                   |                  | 4                |
|                   |                  | 6                | Precepts of Local Precepting Authorities                                |                   |                  | 5                |
|                   |                  | <b>16,319</b>    | <b>Other Operating Expenditure</b>                                      |                   |                  | <b>15,888</b>    |
|                   |                  | 21,815           | Interest Payable and Similar Charges                                    |                   |                  | 21,018           |
|                   |                  | (2,392)          | External Investment Income  |                   |                  | (2,288)          |
|                   |                  | 19,518           | Net interest on the net defined benefit liability (section 3.19)        |                   |                  | 17,963           |
|                   |                  | (11,770)         | Net (Surplus)/Deficit from Trading Operations (section 3.5)             |                   |                  | (10,078)         |
|                   |                  | (1,941)          | Dividends and Interest Receivable                                       |                   |                  | (6,779)          |
|                   |                  | <b>25,230</b>    | <b>Finance and Investment Income and Expenditure</b>                    |                   |                  | <b>19,836</b>    |
|                   |                  | (101,387)        | Council Tax   |                   |                  | (106,832)        |
|                   |                  | (58,535)         | Retained Business Rates   |                   |                  | (58,247)         |
|                   |                  | (15,489)         | Business Rates Top-up   |                   |                  | (16,311)         |
|                   |                  | (87,241)         | Revenue Support Grant   |                   |                  | (61,851)         |
|                   |                  | (8,480)          | General Government Grants   |                   |                  | (10,623)         |
|                   |                  | (80,126)         | Capital Grants (section 3.30)   |                   |                  | (78,656)         |
|                   |                  | <b>(351,258)</b> | <b>Taxations and Non-Specific Grant Income</b>                          |                   |                  | <b>(332,520)</b> |
|                   |                  | <b>36,178</b>    | <b>(Surplus)/Deficit on the Provision of Services</b>                   |                   |                  | <b>7,402</b>     |
|                   |                  | (23,799)         | (Surplus)/Deficit on revaluation of non current assets                  |                   |                  | 2,294            |
|                   |                  | (2,845)          | (Surplus)/Deficit on revaluation of available for sale financial assets |                   |                  | (832)            |
|                   |                  | 103,420          | Remeasurement of the net defined benefit liability (section 3.19)       |                   |                  | (38,928)         |
|                   |                  | <b>76,776</b>    | <b>Sub-total of other comprehensive Income &amp; Expenditure</b>        |                   |                  | <b>(37,466)</b>  |
|                   |                  | <b>112,954</b>   | <b>Total Comprehensive Income &amp; Expenditure</b>                     |                   |                  | <b>(30,064)</b>  |

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

| Gross Expenditure | Gross Income | Net Expenditure | MATERIAL ITEMS   | Gross Expenditure | Gross Income | Net Expenditure |
|-------------------|--------------|-----------------|--|-------------------|--------------|-----------------|
| £000              | £000         | £000            |  | £000              | £000         | £000            |
|                   |              |                 | Included within Children's & Education Services                  |                   |              |                 |
| 0                 | 0            | 0               | Impairment as a result of schools transferring to academy status | 20,287            | 0            | 20,287          |

## 2.3 MOVEMENT IN RESERVES STATEMENT

### USABLE RESERVES AND OVERALL POSITION 2015/16

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

### UNUSABLE RESERVES 2015/16

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

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

**USABLE RESERVES AND OVERALL POSITION 2014/15 COMPARATIVES**

|  | General Fund Balance<br>£000 | Earmarked Reserves<br>£000 | Capital Grants Unapplied Account<br>£000 | Usable Capital Receipts Reserve | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|------------------------------|----------------------------|--|---------------------------------|-------------------------------|---------------------------|----------------------------------|
| <b>31st March 2014</b>   | <b>(7,328)</b>               | <b>(72,910)</b>            | <b>(756)</b>                             | <b>0</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  | 0                               | 36,178                        | 0                         | 36,178                           |
| Other Comprehensive Income and Expenditure                               | 0                            | 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>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                                      | 0                               | (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>0</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>(Increase) / Decrease in Year</b>                                     | <b>2,168</b>                 | <b>(6,145)</b>             | <b>372</b>                               | <b>0</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>0</b>                        | <b>(84,599)</b>               | <b>(106,203)</b>          | <b>(190,802)</b>                 |

**UNUSABLE RESERVES 2014/15 COMPARATIVES**

|  | Capital Adjustment Account<br>£000 | Revaluation Reserve<br>£000 | Deferred Capital Receipts Reserve<br>£000 | Financial Instruments Adjustment Account<br>£000 | Collection Fund Adjustment Account<br>£000 | Pensions Reserve<br>£000 | Accumulated Absences Account<br>£000 | Available for Sale<br>£000 | Total Unusable Reserves<br>£000 |
|--|------------------------------------|-----------------------------|---|--|--|--------------------------|--------------------------------------|----------------------------|---------------------------------|
| <b>31st March 2014</b>   | <b>(463,030)</b>                   | <b>(172,031)</b>            | <b>0</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                          | 0                               |
| Other Comprehensive Income and Expenditure                               | 0                                  | (23,799)                    | 0   | 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>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                       | 0   | (104)  | (1,312)                                    | 16,760                   | 1,000                                | 0                          | 39,783                          |
| <b>Net (Increase) / Decrease</b>   | <b>17,064</b>                      | <b>(17,424)</b>             | <b>0</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>0</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>                |

## 2.4 BALANCE SHEET

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

The unaudited accounts were authorised for issue on 27th May 2016.

## 2.5 CASH FLOW STATEMENT

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

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

## 2.6 COLLECTION FUND

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

### Income and Expenditure Account

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

### Income from Business Rates

The City Council collects rates from local businesses on behalf of Central Government. The level of in-year recovery of the Business Rates billed in 2015/16 was 97.8%. The Government



determines the level of rates payable, which was 48.0p per £ of rateable value (47.1p in 2014/15). The Valuation Office Agency sets the rateable value of each property and the total was £300,002,421 at 31st March 2016 (£299,165,370 at 31st March 2015). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. In addition to a bad debt provision, to meet the anticipated impact of debts being written off, there is also a provision for the estimated future liability amendments due to appeals. Details of the movement in these provisions are provided within the tables later in this section.

### Calculation of the Council Tax Base

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

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.5%. The total number of dwellings on the valuation list is 137,465 of which 5,735 are exempt. Details of the Tax Base calculation are shown in the table below:

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

## Provisions and Write Offs

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

|                                      | Business Rates<br>£000 | Council Tax<br>£000 |
|--------------------------------------|------------------------|---------------------|
| <b>Gross Debtors brought forward</b> | <b>8,222</b>           | <b>12,806</b>       |
| <b>Gross Debtors carried forward</b> | <b>5,917</b>           | <b>12,448</b>       |

## Precepts and Demands on the Collection Fund

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

### Council Tax

| 2014/15        |                            | 2015/16                      |              |                |
|----------------|----------------------------|------------------------------|--------------|----------------|
| Total          | Precept / Demand           | Share of surplus / (deficit) | Total        |                |
| £000           | £000                       | £000                         | £000         |                |
| 101,387        | Coventry City Council      | 102,171                      | 4,661        | 106,832        |
| 4,047          | West Midlands Fire Service | 7,916                        | 363          | 8,279          |
| 7,848          | West Midlands Police       | 4,082                        | 184          | 4,266          |
| <b>113,282</b> | <b>Total</b>               | <b>114,169</b>               | <b>5,208</b> | <b>119,377</b> |

### Business Rates

| 2014/15        |                                 | 2015/16                      |              |               |                |
|----------------|---------------------------------|------------------------------|--------------|---------------|----------------|
| Total          | Precept                         | Share of surplus / (deficit) | Top Up       | Total         |                |
| £000           | £000                            | £000                         | £000         | £000          |                |
| 59,730         | Central Government (50%)        | 58,770                       | 665          | 0             | 59,435         |
| 74,024         | Coventry City Council (49%)     | 57,595                       | 652          | 16,311        | 74,558         |
| 1,195          | West Midlands Fire Service (1%) | 1,175                        | 13           | 0             | 1,188          |
| <b>134,949</b> | <b>Total</b>                    | <b>117,540</b>               | <b>1,330</b> | <b>16,311</b> | <b>135,181</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 items in the Authority's Balance Sheet for which there is a significant risk are:

##### **Pensions Liability**

This liability stands at £553.6m, at the end of the 2015/16 financial year. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. During 2015/16, the updating of data and assumptions by the Council's actuaries has led to an decrease in the net pension liability of £32.5m. A 0.1% increase in the discount rate would decrease the pension liability by £24m, with a corresponding increase in the level of unusable reserves. Further details can be found in note 3.18.

##### **Asset Valuations**

Valuations are undertaken on the basis of a five year rolling programme, which is supplemented by annual reviews to reflect significant changes in market values. The valuations are heavily assumption sensitive and are influenced by economic and financial circumstances which can change significantly from year to year. An increase of 1% in the average valuation of assets would have the effect of increasing the carrying value of these assets by approximately £10m with a corresponding increase in the level of unusable reserves.

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

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

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

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

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

### **The Better Care Fund**

Coventry City Council and Coventry and Rugby Clinical Commissioning Group (CCG) drew up an agreement to operate a Better Care Fund (BCF) pooled budget from 1st April 2015, with the purpose of further integrating the health and social care services within Coventry. Note 3.38 details the respective contributions to the pooled budget during 2015/16 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were envisaged at the time, including management and control of expenditure decisions. However, the details of the expenditure identified in note 3.38 have been determined by applying principles of 'substance over form' in which the level of expenditure allocated to each partner reflects the actual degree of control and influence over that spend during the year (the 'substance') rather than allocating it on the basis of the control and influence outlined in the BCF agreement (the 'form').

### 3.4 Amounts Reported for Resource Allocation Decisions

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

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

#### Amounts Reported for Resource Allocation Decisions 2015/16

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

## Reconciliation to Subjective Analysis

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

| Reconciliation to Subjective Analysis     | Service Analysis | Not Reported to Mgmt. | Not Included in Net COS | Allocation of Recharges | Net Cost of Services | Corporate Amounts | Total            |
|---|------------------|-----------------------|-------------------------|-------------------------|----------------------|-------------------|------------------|
| 2015/16                                   | £000             | £000                  | £000                    |                         | £000                 | £000              | £000             |
| Fees, charges & other service income      | (184,879)        | (3,235)               | 25,779                  | 94,365                  | (67,970)             | (10,078)          | <b>(78,048)</b>  |
| Interest & Investment Income              | (9,067)          | 0                     | 9,067                   | 0                       | 0                    | (9,067)           | <b>(9,067)</b>   |
| Council Tax                               | (4,661)          | 0                     | 4,661                   | 0                       | 0                    | (106,832)         | <b>(106,832)</b> |
| Business Rates including Top-up           | (653)            | 0                     | 653                     | 0                       | 0                    | (74,558)          | <b>(74,558)</b>  |
| Government grants and contributions       | (415,837)        | (78,656)              | 89,279                  | 0                       | (405,214)            | (151,130)         | <b>(556,344)</b> |
| Reserves contributions to/(from)          | 18,665           | 0                     | (15,586)                | 0                       | 3,079                | 0                 | <b>3,079</b>     |
| <b>Total Income</b>                       | <b>(596,432)</b> | <b>(81,891)</b>       | <b>113,853</b>          | <b>94,365</b>           | <b>(470,105)</b>     | <b>(351,665)</b>  | <b>(821,770)</b> |
| Employee Expenses                         | 301,647          | 4,470                 | (17,963)                | 0                       | 288,154              | 17,963            | <b>306,117</b>   |
| Other Service Expenses                    | 403,435          | 26,868                | (16,461)                | 0                       | 413,842              | 223               | <b>414,065</b>   |
| Recharges                                 | 94,365           | 0                     | 0                       | (94,365)                | 0                    | 0                 | <b>0</b>         |
| Depreciation, Amortisation & Impairment   | 0                | 72,307                | 0                       | 0                       | 72,307               | 0                 | <b>72,307</b>    |
| Interest Payments                         | 21,018           | 0                     | (21,018)                | 0                       | 0                    | 21,018            | <b>21,018</b>    |
| Precepts & Levies                         | 15,661           | 0                     | (15,661)                | 0                       | 0                    | 15,661            | <b>15,661</b>    |
| Payments to Housing Capital Receipts Pool | 0                | 4                     | (4)                     | 0                       | 0                    | 4                 | <b>4</b>         |
| <b>Total Expenditure</b>                  | <b>836,126</b>   | <b>103,649</b>        | <b>(71,107)</b>         | <b>(94,365)</b>         | <b>774,303</b>       | <b>54,869</b>     | <b>829,172</b>   |
| (Surplus) or Deficit                      | <b>239,694</b>   | <b>21,758</b>         | <b>42,746</b>           | <b>0</b>                | <b>304,198</b>       | <b>(296,796)</b>  | <b>7,402</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.

| 2014/15           | Trading Accounts                                 | Expenditure   | 2015/16         | (Surplus)/Deficit |
|-------------------|--|---------------|-----------------|-------------------|
| (Surplus)/Deficit |  | £000          | Income          | (Surplus)/Deficit |
| £000              |  |               | £000            | £000              |
| (10,760)          | Commercial Property                              | 5,731         | (16,596)        | (10,865)          |
| (518)             | Highways Maintenance                             | 12,300        | (12,868)        | (568)             |
| (103)             | Construction & Property Services                 | 4,635         | (4,080)         | 555               |
| 548               | Building Cleaning                                | 3,235         | (2,682)         | 553               |
| (1,035)           | Fleet & Workshop                                 | 9,691         | (10,255)        | (564)             |
| 295               | Catering Services                                | 2,152         | (1,333)         | 819               |
| 739               | Monitoring Response Unit                         | 1,456         | (691)           | 765               |
| (791)             | Commercial Waste Services                        | 5,607         | (6,363)         | (756)             |
| (73)              | School Finance Services                          | 390           | (371)           | 19                |
| (72)              | Advertising                                      | 29            | (65)            | (36)              |
| <b>(11,770)</b>   | <b>(Surplus)/Deficit from Trading Operations</b> | <b>45,226</b> | <b>(55,304)</b> | <b>(10,078)</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<br>31st March<br>2015 | Contributions<br>from reserves<br>2015/16 | Contributions<br>to reserves<br>2015/16 | Balance at<br>31st March<br>2016 |
|--|----------------------------------|---|---|----------------------------------|
|  | £000                             | £000                                      | £000                                    | £000                             |
| <b>General Fund Balance</b>                  | <b>(5,160)</b>                   | <b>1,336</b>                              | <b>0</b>                                | <b>(3,824)</b>                   |
| <b>Earmarked Reserves:</b>                   |                                  |   |   |                                  |
| Private Finance Initiatives                  | (11,061)                         | 188                                       | (898)                                   | (11,771)                         |
| Potential Loss of Business Rates Income      | (7,100)                          | 4,430                                     | 0                                       | (2,670)                          |
| Early Retirement and Voluntary Redundancy    | (5,109)                          | 2,379                                     | (9,770)                                 | (12,500)                         |
| Achievement of Future Savings                | (3,424)                          | 2,532                                     | 0                                       | (892)                            |
| Birmingham Airport Dividend                  | 0                                | 0   | (4,400)                                 | (4,400)                          |
| Children's Social Care                       | (3,000)                          | 2,000                                     | (1,000)                                 | (2,000)                          |
| Leisure Development                          | (1,459)                          | 1,096                                     | (513)                                   | (876)                            |
| Public Health                                | (1,402)                          | 521                                       | (156)                                   | (1,037)                          |
| Health and Social Care Schemes               | (1,417)                          | 1,137                                     | 0                                       | (280)                            |
| Vehicle Purchase Programme                   | (1,547)                          | 3,094                                     | (1,547)                                 | 0                                |
| Troubled Families                            | (710)                            | 15  | (6)                                     | (701)                            |
| Schools (specific to individual schools)     | (18,050)                         | 0   | (1,933)                                 | (19,983)                         |
| Schools (for centrally retained expenditure) | (6,471)                          | 2,119                                     | (1,489)                                 | (5,841)                          |
| Insurance Fund                               | (2,912)                          | 4,473                                     | (3,963)                                 | (2,402)                          |
| Management of Capital                        | (2,112)                          | 5,443                                     | (5,668)                                 | (2,337)                          |
| Other Corporate                              | (2,369)                          | 2,070                                     | (1,150)                                 | (1,449)                          |
| Other Directorate                            | (6,434)                          | 7,143                                     | (7,630)                                 | (6,921)                          |
| Other Directorate funded by Grant            | (4,478)                          | 2,847                                     | (1,470)                                 | (3,101)                          |
| <b>Total Earmarked Reserves</b>              | <b>(79,055)</b>                  | <b>60,643</b>                             | <b>(60,749)</b>                         | <b>(79,161)</b>                  |
| <b>Other Usable Reserves:</b>                |                                  |   |   |                                  |
| Useable Capital Receipts Reserve             | 0                                | 50,546                                    | (57,206)                                | (6,660)                          |
| Capital Grant Unapplied Account              | (384)                            | 384                                       | (5,736)                                 | (5,736)                          |
| <b>Total Other Usable Reserves</b>           | <b>(384)</b>                     | <b>50,930</b>                             | <b>(62,942)</b>                         | <b>(12,396)</b>                  |
| <b>Total Usable Reserves</b>                 | <b>(84,599)</b>                  | <b>112,909</b>                            | <b>(123,691)</b>                        | <b>(95,381)</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

| 2014/15                               |                               |                        | Category of Reserve Movement                | 2015/16                               |                               |                        |
|---------------------------------------|-------------------------------|------------------------|---|---------------------------------------|-------------------------------|------------------------|
| Capital Adjustment Account [CAA] £000 | Revaluation Reserve [RR] £000 | CAA & RR Combined £000 |   | Capital Adjustment Account [CAA] £000 | Revaluation Reserve [RR] £000 | CAA & RR Combined £000 |
| <b>(463,030)</b>                      | <b>(172,031)</b>              | <b>(635,061)</b>       | <b>Opening Balance</b>                      | <b>(445,966)</b>                      | <b>(189,455)</b>              | <b>(635,421)</b>       |
| 25,204                                | 0                             | 25,204                 | Depreciation                                | 29,166                                | 0                             | 29,166                 |
| 10,359                                | 0                             | 10,359                 | Impairment                                  | 13,738                                | 7,408                         | 21,146                 |
| 36,872                                | 0                             | 36,872                 | Derecognitions                              | 50,875                                | 0                             | 50,875                 |
| 26,316                                | (23,799)                      | 2,517                  | Revaluations                                | (557)                                 | (5,114)                       | (5,671)                |
| 656                                   | 0                             | 656                    | Investment Property Revaluations            | (23,248)                              | 0                             | (23,248)               |
| 1,760                                 | 0                             | 1,760                  | Intangibles                                 | 2,333                                 | 0                             | 2,333                  |
| (80,498)                              | 0                             | (80,498)               | Capital grants and contributions applied    | (73,304)                              | 0                             | (73,304)               |
| 25,269                                | 0                             | 25,269                 | Revenue Expenditure funded from Capital     | 26,645                                | 0                             | 26,645                 |
| (14,394)                              | 0                             | (14,394)               | Capital receipts applied                    | (29,832)                              | 0                             | (29,832)               |
| 9,099                                 | 1,406                         | 10,505                 | Disposal of Assets                          | 25,809                                | 0                             | 25,809                 |
| 1,687                                 | 0                             | 1,687                  | Repayment of Loans                          | 13,608                                | 0                             | 13,608                 |
| 2,200                                 | 0                             | 2,200                  | Other Capital Receipts                      | 2,950                                 | 0                             | 2,950                  |
| 0                                     | 0                             | 0                      | Loss on Deferred Capital Receipt            | 223                                   | 0                             | 223                    |
| 2                                     | 0                             | 2                      | Housing Pooling                             | 4                                     | 0                             | 4                      |
| (6,917)                               | 0                             | (6,917)                | Capital Expenditure funded from Revenue     | (1,143)                               | 0                             | (1,143)                |
| (854)                                 | 0                             | (854)                  | Issue of Loans                              | (940)                                 | 0                             | (940)                  |
| (4,969)                               | 4,969                         | 0                      | Written out of the Revaluations Reserve     | (9,810)                               | 9,810                         | 0                      |
| (14,117)                              | 0                             | (14,117)               | Revenue provision for the Repayment of Debt | (13,605)                              | 0                             | (13,605)               |
| (485)                                 | 0                             | (485)                  | Reversal of Equal Pay Provision             | 0                                     | 0                             | 0                      |
| (126)                                 | 0                             | (126)                  | Other Gains and Losses                      | (131)                                 | 0                             | (131)                  |
| <b>(445,966)</b>                      | <b>(189,455)</b>              | <b>(635,421)</b>       | <b>Closing Balance</b>                      | <b>(433,185)</b>                      | <b>(177,351)</b>              | <b>(610,536)</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.

**Deferred Capital Receipts Reserve**

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

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

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

| 2014/15         |   | 2015/16         |
|-----------------|---|-----------------|
| £000            | Adjustments made to Comprehensive Income and Expenditure Statement (CIES)   | £000            |
|                 | <b>Reversal of items debited or credited to the CIES Usable Reserves</b>  |                 |
| (372)           | <b>Capital grants &amp; contributions unapplied movement to CIES</b>  | <b>5,352</b>    |
|                 | <b>Unusable Reserves</b>  |                 |
| (2)             | Contribution from the Capital Receipts Reserve to finance the payments to the Housing Pool                            | (4)             |
| (25,204)        | Charges for depreciation of non-current assets  | (29,166)        |
| (10,359)        | Charges for impairment of non-current assets  | (13,738)        |
| (36,872)        | Charges for derecognition of non-current assets   | (50,875)        |
| (26,972)        | Revaluation of Property, Plant & Equipment & Assets Held for sale   | 23,805          |
| (1,760)         | Amortisation of intangible assets   | (2,333)         |
| 80,498          | Capital grants and contributions applied  | 73,304          |
| (25,269)        | Revenue expenditure funded from capital under statute   | (26,645)        |
| 96              | Proportion of premiums incurred in previous years   | 95              |
| 9               | Reversal of impact of Soft Loans and Stepped Loans  | 9               |
| (16,760)        | Retirement benefit adjustments debited or credited to the CIES  | (6,391)         |
| 1,312           | Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)             | 2,902           |
| (1,000)         | Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year) | 1,921           |
| 121             | Finance Lease Principal Receipt   | 127             |
| 0               | Loss on Deferred Capital Receipt  | (223)           |
| 485             | Equal Pay Claim Reversal of Provision   | 0               |
| 98              | Other movements   | 102             |
|                 | <b>Inclusion of items not debited or credited to the CIES</b>   |                 |
| 14,117          | Statutory provision for the financing of capital investment   | 13,605          |
| 762             | Repayment of Transferred Debt Principal   | 838             |
| 6,917           | Capital expenditure charged against the General Fund balance.   | 1,143           |
| <b>(39,783)</b> | <b>Subtotal of adjustments affecting Unusable Reserves</b>  | <b>(11,524)</b> |
| <b>(40,155)</b> | <b>Total Adjustments</b>  | <b>(6,172)</b>  |

### 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<br>& Buildings<br>£000 | Vehicles,<br>Plant &<br>Equip't<br>£000 | Infra-<br>structure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Surplus<br>Assets<br>£000 | Under<br>Constructi<br>on<br>£000 | Total<br>£000    |
|--|-----------------------------------|---|---------------------------------------|-----------------------------|---------------------------|-----------------------------------|------------------|
| <b>Cost or Valuation</b>   |                                   |   |                                       |                             |                           |                                   |                  |
| <b>1st April 2015</b>  | <b>898,196</b>                    | <b>38,350</b>                           | <b>331,200</b>                        | <b>15,276</b>               | <b>0</b>                  | <b>21,316</b>                     | <b>1,319,614</b> |
| Additions  | 15,142                            | 2,398                                   | 46,672                                | 949                         | 0                         | 11,404                            | 76,565           |
| Revaluation increase/(decreases) to<br>Revaluation Reserve                             | 2,086                             | 0                                       | 0                                     | 0                           | 0                         | 0                                 | 2,086            |
| Revaluation increase/(decrease) to the<br>Surplus/Deficit on the Provision of Services | 525                               | 0                                       | 0                                     | 0                           | 0                         | 0                                 | 525              |
| Disposals  | (2,250)                           | 0                                       | 0                                     | 0                           | 0                         | 0                                 | (2,250)          |
| Derecognition  | (9,197)                           | (49)                                    | (41,141)                              | (488)                       | 0                         | 0                                 | (50,875)         |
| Reclassifications  | (1,496)                           | 1,616                                   | 20,765                                | 0                           | 164                       | (22,381)                          | (1,332)          |
| <b>31st March 2016</b>   | <b>903,006</b>                    | <b>42,315</b>                           | <b>357,496</b>                        | <b>15,737</b>               | <b>164</b>                | <b>10,339</b>                     | <b>1,344,333</b> |
| <b>Depreciation and Impairment</b>   |                                   |   |                                       |                             |                           |                                   |                  |
| <b>1st April 2015</b>  | <b>380,854</b>                    | <b>25,469</b>                           | <b>91,468</b>                         | <b>0</b>                    | <b>0</b>                  | <b>0</b>                          | <b>497,791</b>   |
| Depreciation Charge  | 20,722                            | 2,066                                   | 6,368                                 | 0                           | 0                         | 0                                 | 29,156           |
| Disposals  | 0                                 | 0                                       | 0                                     | 0                           | 0                         | 0                                 | 0                |
| Depreciation written out to the Revaluation<br>Reserve                                 | (2,485)                           | 0                                       | 0                                     | 0                           | 0                         | 0                                 | (2,485)          |
| Depreciation written out to the<br>Surplus/Deficit on the Provision of Services        | (19)                              | 0                                       | 0                                     | 0                           | 0                         | 0                                 | (19)             |
| Impairment losses/reversals to Revaluation<br>Reserve                                  | 7,408                             | 0                                       | 0                                     | 0                           | 0                         | 0                                 | 7,408            |
| Impairment losses/reversals to<br>Surplus/Deficit on the Provision of Services         | 13,738                            | 0                                       | 0                                     | 0                           | 0                         | 0                                 | 13,738           |
| Reclassifications  | 0                                 | 0                                       | 0                                     | 0                           | 0                         | 0                                 | 0                |
| <b>31st March 2016</b>   | <b>420,218</b>                    | <b>27,535</b>                           | <b>97,836</b>                         | <b>0</b>                    | <b>0</b>                  | <b>0</b>                          | <b>545,589</b>   |
| <b>Net Book Value</b>  |                                   |   |                                       |                             |                           |                                   |                  |
| <b>31st March 2016</b>   | <b>482,788</b>                    | <b>14,780</b>                           | <b>259,660</b>                        | <b>15,737</b>               | <b>164</b>                | <b>10,339</b>                     | <b>783,468</b>   |
| <b>1st April 2015</b>  | <b>517,342</b>                    | <b>12,881</b>                           | <b>239,732</b>                        | <b>15,276</b>               | <b>0</b>                  | <b>21,316</b>                     | <b>806,547</b>   |

Revaluation of Fixed Assets is undertaken within a 5 year rolling programme. This is a re-assessment of asset valuations and has been undertaken by qualified City Council staff in accordance with the "Royal Institute of Chartered Surveyors Appraisal and Valuation Manual". A key objective of the valuation process is to ensure that the overall carrying value of the Council's assets is not materially different to their fair value. The measurement bases used for the fixed asset classifications are detailed in the accounting policies, see section 5.5.

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

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

The basis upon which depreciation is charged for the different asset types is detailed in the accounting policies, see section 5.5.

### 3.9 Heritage Assets

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. The table provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2015 and the carried forward balance on 31st March 2016. There have been no significant or material additions or disposals over the last five years that warrant any further disclosure.

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

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

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

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

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

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

| Property,<br>Plant &<br>Equipment<br>Total | Non-<br>Operational<br>Assets<br>Total | Total            |   | Property,<br>Plant &<br>Equipment<br>Total | Non-<br>Operational<br>Assets<br>Total | Total            |
|--|--|------------------|---|--|--|------------------|
| 2014/15                                    |  |                  |   | 2015/16                                    |  |                  |
| £000                                       | £000                                   | £000             | Cost or Valuation   | £000                                       | £000                                   | £000             |
| <b>1,327,145</b>                           | <b>316,671</b>                         | <b>1,643,816</b> | <b>1st April 2015</b>   | <b>1,304,338</b>                           | <b>308,963</b>                         | <b>1,613,301</b> |
| 81,747                                     | 73                                     | <b>81,820</b>    | Additions   | 76,565                                     | 3,316                                  | <b>79,881</b>    |
| (13,430)                                   | 499                                    | <b>(12,931)</b>  | Revaluation increase/(decreases) to Revaluation Reserve                             | 2,086                                      | 552                                    | <b>2,638</b>     |
| (51,322)                                   | (705)                                  | <b>(52,027)</b>  | Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services | 525  | 23,242                                 | <b>23,767</b>    |
| (3,072)                                    | (7,433)                                | <b>(10,505)</b>  | Disposals   | (2,250)                                    | (23,559)                               | <b>(25,809)</b>  |
| (36,872)                                   | 0                                      | <b>(36,872)</b>  | Derecognitions  | (50,875)                                   | 0                                      | <b>(50,875)</b>  |
| 142  | (142)                                  | <b>0</b>         | Reclassifications   | (1,332)                                    | 1,331                                  | <b>(1)</b>       |
| <b>1,304,338</b>                           | <b>308,963</b>                         | <b>1,613,301</b> | <b>31st March 2016</b>  | <b>1,329,057</b>                           | <b>313,845</b>                         | <b>1,642,902</b> |
|  |  |                  | <b>Depreciation and Impairment</b>  |  |  |                  |
| <b>534,293</b>                             | <b>113,593</b>                         | <b>647,886</b>   | <b>1st April 2015</b>   | <b>497,791</b>                             | <b>123,724</b>                         | <b>621,515</b>   |
| 25,179                                     | 25                                     | <b>25,204</b>    | Depreciation Charge   | 29,156                                     | 9                                      | <b>29,165</b>    |
| 0  | 0                                      | <b>0</b>         | Disposals   | 0  | 0                                      | <b>0</b>         |
| (36,899)                                   | 169                                    | <b>(36,730)</b>  | Depreciation written out to the Revaluation Reserve                                 | (2,485)                                    | 10                                     | <b>(2,475)</b>   |
| (24,804)                                   | (250)                                  | <b>(25,054)</b>  | Depreciation written out to the Surplus/Deficit on the Provision of Services        | (19)                                       | (20)                                   | <b>(39)</b>      |
| 0  | 0                                      | <b>0</b>         | Impairment losses/reversals to Revaluation Reserve                                  | 7,408                                      | 0                                      | <b>7,408</b>     |
| 0  | 10,209                                 | <b>10,209</b>    | Impairment losses/reversals to Surplus/Deficit on the Provision of Services         | 13,738                                     | 0                                      | <b>13,738</b>    |
| 22   | (22)                                   | <b>0</b>         | Reclassifications   | 0  | 0                                      | <b>0</b>         |
| <b>497,791</b>                             | <b>123,724</b>                         | <b>621,515</b>   | <b>31st March 2016</b>  | <b>545,589</b>                             | <b>123,723</b>                         | <b>669,312</b>   |
|  |  |                  | <b>Net Book Value</b>   |  |  |                  |
| 806,547                                    | 185,239                                | <b>991,786</b>   | <b>31st March 2016</b>  | 783,468                                    | 190,122                                | <b>973,590</b>   |
| 792,852                                    | 203,078                                | <b>995,930</b>   | <b>1st April 2015</b>   | 806,547                                    | 185,239                                | <b>991,786</b>   |

### 3.12 Long Term Investments

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

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

A valuation exercise undertaken jointly with BDO LLP in 2012 valued Coventry City Council's shareholding in Birmingham Airport Holdings Ltd at £22.9m. Subsequent valuation exercises have indicated that there is no material change in this valuation. A further such review is

underway currently and any change in valuation will be reflected in the Council's final audited accounts.

During 2015/16 £2.95m of preference shares in the Coventry and Solihull Waste Disposal Company were redeemed at par. A valuation exercise relating to the Council's remaining shareholding is currently being undertaken and any change in valuation will be reflected in the Council's final audited accounts.

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

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

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

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

### 3.13 Long Term Debtors

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

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



### 3.14 Short Term Debtors

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

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

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

### 3.15 Short Term Creditors

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

| 31st March 2015 |                     |                 | Creditors Classification         | 31st March 2016 |                     |                 |
|-----------------|---------------------|-----------------|----------------------------------|-----------------|---------------------|-----------------|
| Creditors       | Receipts in Advance | Total           |                                  | Creditors       | Receipts in Advance | Total           |
| £000's          | £000's              | £000's          |                                  | £000's          | £000's              | £000's          |
| (6,547)         | (376)               | (6,923)         | Central Government Bodies        | (6,980)         | (2,362)             | (9,342)         |
| (1,618)         | (37)                | (1,655)         | Other Local Authorities          | (1,363)         | (140)               | (1,503)         |
| (1,479)         | 0                   | (1,479)         | NHS Bodies                       | (1,568)         | (36)                | (1,604)         |
| (11)            | 0                   | (11)            | Public Corporations              | (6)             | 0                   | (6)             |
| (45,250)        | (8,441)             | (53,691)        | All Other Bodies                 | (34,674)        | (13,470)            | (48,144)        |
| (3,278)         | (3,142)             | (6,420)         | Debts Relating to Local Taxation | (3,474)         | (3,515)             | (6,989)         |
| <b>(58,183)</b> | <b>(11,996)</b>     | <b>(70,179)</b> | <b>Total Creditors</b>           | <b>(48,065)</b> | <b>(19,523)</b>     | <b>(67,588)</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 2015/16 is explained below:

| Provisions              | Self-Insurance | Business Rates Appeals | Other        | Total           |
|-------------------------|----------------|------------------------|--------------|-----------------|
|                         | £000           | £000                   | £000         | £000            |
| <b>1st April 2015</b>   | <b>(5,902)</b> | <b>(3,896)</b>         | <b>(914)</b> | <b>(10,712)</b> |
| Increase in provision   | 0              | (2,315)                | 0            | <b>(2,315)</b>  |
| Amounts used            | 59             | 914                    | 0            | <b>973</b>      |
| Unused amounts reversed | 33             | 1,073                  | 0            | <b>1,106</b>    |
| <b>31st March 2016</b>  | <b>(5,810)</b> | <b>(4,224)</b>         | <b>(914)</b> | <b>(10,948)</b> |

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

| Provisions            | Self-Insurance | Business Rates Appeals | Other        | Total           |
|-----------------------|----------------|------------------------|--------------|-----------------|
|                       | £000           | £000                   | £000         | £000            |
| Short Term Provisions | 0              | (1,909)                | (157)        | <b>(2,066)</b>  |
| Long Term Provisions  | (5,810)        | (2,315)                | (757)        | <b>(8,882)</b>  |
| <b>Total</b>          | <b>(5,810)</b> | <b>(4,224)</b>         | <b>(914)</b> | <b>(10,948)</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 £92k in 2015/16 and now stands at £5,810k. The Council also maintains an insurance earmarked reserve that is set aside for claims that have been incurred but not yet received as detailed within the usable reserves table in section 3.6.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2014/15 and earlier financial years. As a result, the Council has estimated that a provision of £4,224k is required relating to Business Rates appeals, although the amount and timing of future payments are uncertain. This represents a reduction of £328k in 2015/16.

### 3.17 Financial Instruments

The Balance Sheet includes the following categories of financial instruments:

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

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

|   |               |
|---|---------------|
| Short Term Debtors                          |               |
| Debtors included in Financial Instruments   | 34,859        |
| Other Debtors                               | 28,471        |
| <b>Total Short Term Debtors</b>             | <b>63,330</b> |
| Short Term Creditors                        |               |
| Creditors included in Financial Instruments | 34,674        |
| Other Creditors                             | 32,914        |
| <b>Total Short Term Creditors</b>           | <b>67,588</b> |

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

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

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

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value, whilst financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For most assets, including bonds, shares in money market funds and other collective investment funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following methods and assumptions:

- for Public Works Loan Board (PWLB) and other local authority loans using the appropriate market rate for such loans as at 31<sup>st</sup> March 2016
- for "Lenders Option Borrower's Option" market loans (LOBOs) and Stock Issue loans, using the appropriate interest rate swap added to the value of any embedded options
- for PFI and finance leases using the appropriate corporate bond rate
- for other long term loans and investments using market rates for similar instruments and with similar maturity terms
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, including trade payables and receivables, the carrying amount is assumed to approximate fair value

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

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

|   | Fair Value Level | 31st March 2015         |                    | 31st March 2016         |                    |
|---|------------------|-------------------------|--------------------|-------------------------|--------------------|
|   |                  | Carrying amount<br>£000 | Fair value<br>£000 | Carrying amount<br>£000 | Fair value<br>£000 |
| Financial Liabilities at amortised cost |                  |                         |                    |                         |                    |
| ▪ PWLB                                  | 2                | 224,431                 | 333,853            | 211,712                 | 281,383            |
| ▪ Market Loans                          | 2                | 65,506                  | 91,439             | 60,492                  | 91,338             |
| ▪ Stock Issue                           | 1                | 12,245                  | 19,009             | 12,248                  | 18,681             |
| ▪ Other Local Authorities               | 2                | 17,411                  | 21,183             | 16,471                  | 19,946             |
| ▪ PFI                                   | 3                | 70,720                  | 139,565            | 74,919                  | 130,959            |
| ▪ Short Term Creditors                  | n/a              | 45,261                  | 45,261             | 34,674                  | 34,674             |
| ▪ Other                                 | n/a              | 473                     | 473                | 541                     | 541                |
| <b>Total Liabilities</b>                |                  | <b>436,047</b>          | <b>650,783</b>     | <b>411,057</b>          | <b>577,522</b>     |
| Financial Assets at fair value:         |                  |                         |                    |                         |                    |
| ▪ Money Market Funds                    | 1                | 8,200                   | 8,200              | 8,250                   | 8,250              |
| ▪ Collective Investment Funds           | 1                | 23,721                  | 23,721             | 28,868                  | 28,868             |
| ▪ Corporate and Government Bonds        | 2                | 7,163                   | 7,163              | 6,701                   | 6,701              |
| ▪ Certificates of Deposits              | 2                | 16,002                  | 16,002             | 8,014                   | 8,014              |
| ▪ Shares in Unlisted Companies          | 3                | 75,233                  | 75,233             | 72,989                  | 72,989             |
| Financial Assets at amortised cost:     |                  |                         |                    |                         |                    |
| ▪ Short Term Cash Deposits              | n/a              | 55,411                  | 55,411             | 41,066                  | 41,066             |
| ▪ Long Term Debtors                     | 3                | 29,514                  | 32,463             | 20,199                  | 23,018             |
| ▪ Short Term Debtors                    | n/a              | 20,763                  | 20,763             | 34,859                  | 34,859             |
| ▪ Bank Accounts                         | n/a              | 2,020                   | 2,020              | 9,400                   | 9,400              |
| <b>Total Financial Assets</b>           |                  | <b>238,027</b>          | <b>240,976</b>     | <b>230,346</b>          | <b>233,165</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.

Financial assets and liabilities categorised as Level 3 are:

- Shares in unlisted companies, as included in note 3.12. Fair value is calculated by applying a market based discount rate or multiplier to the forecast earnings set out in the financial plans of the companies. A 5% variation in earnings would alter the value of the shares by £4.3m
- Long term loans to companies, as included in note 3.13. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2016. A 1% variation in the discount rate would alter the value of the loans by £1.1m.
- Long term PFI liabilities, as included in note 3.21. Fair value is calculated by discounting the future value of cashflows under the contracts at the market rate as at 31st March 2016. A 1% variation in the discount rate would alter the value of the PFI liabilities by £10.4m.

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

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

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

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

### Credit risk

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

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

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

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

| Country        | £000          |
|----------------|---------------|
| United Kingdom | 60,719        |
| Germany        | 8,019         |
| Singapore      | 8,011         |
| Ireland        | 16,013        |
| <b>Total</b>   | <b>92,762</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. £3,369k of the £34,859k trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                               | <b>£000</b>  |
|-------------------------------|--------------|
| <b>Less than three months</b> | 2,644        |
| Three to six months           | 137          |
| Six months to one year        | 84           |
| More than one year            | 504          |
| <b>Total</b>                  | <b>3,369</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:

| <b>Maturity of Financial Liabilities</b> | <b>2015<br/>£000</b> | <b>2016<br/>£000</b> |
|--|----------------------|----------------------|
| Less than one year                       | 18,274               | 1,033                |
| Between one and two years                | 1,033                | 7,637                |
| Between two and five years               | 23,762               | 17,638               |
| Between six and ten years                | 18,979               | 31,907               |
| More than ten years                      | 253,159              | 238,718              |
| <b>Total</b>                             | <b>315,207</b>       | <b>296,933</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 £59m of such loans are held, £31m of which the lenders have interest review options at up to annual intervals, and £28m at 5 yearly intervals, from May 2015.

All trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest rate risk

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

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

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

Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

The authority has a number of strategies for managing interest rate risk. Prudential Indicators, as set out in the Treasury Management Strategy, are used to manage interest rate risk by limiting the value of variable interest rate exposure to £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 £34m. This movement would be equal and opposite for a 1% fall in interest rates.

#### **Price Risk**

The authority does not generally invest in equity shares but does have shareholdings to the value of £79m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value of shares.

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

All movements in the value of shares will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general value of shares (positive or negative) would thus have resulted in a £4m gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 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

### Officers

In 2015/16 the City Council paid an employer's contribution of £29,734k, (£26,863k in 2014/15), representing 22.9% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. Projected employer contributions for 2016/17 are estimated to be £32,417k. This fund is administered by Wolverhampton Metropolitan Borough Council and provides members with defined benefits related to pay and service. The contributions were set in line with local government pension regulations, following the actuarial review by Mercer Human Resource Consulting as at 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 2015/16, this amounted to £5,170k (£3,838k in 2014/15).

Further details on pension liabilities are provided in note 3.19.

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

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

### Teaching Staff

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

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

### NHS Staff

Staff who work for the public health service which transferred to the City Council on 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 2015/16 the City Council paid £92k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, which represents 14.3% of pensionable pay.

### 3.19 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.

Barnett Waddingham LLP, 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:

| 2014/15          |                 |                  | 2015/16                  |                 |                  |
|------------------|-----------------|------------------|--------------------------|-----------------|------------------|
| LGPS             | Teachers        | Total            | LGPS                     | Teachers        | Total            |
| £000             | £000            | £000             | £000                     | £000            | £000             |
| (431,381)        | (34,528)        | <b>(465,909)</b> | (550,080)                | (36,009)        | <b>(586,089)</b> |
| (27,457)         | 0               | <b>(27,457)</b>  | (33,097)                 | 0               | <b>(33,097)</b>  |
| 30,676           | 2,638           | <b>33,314</b>    | 35,613                   | 2,604           | <b>38,217</b>    |
| 0                | 0               | <b>0</b>         | 0                        | 0               | <b>0</b>         |
| 36,906           | 0               | <b>36,906</b>    | 30,460                   | 0               | <b>30,460</b>    |
| (54,996)         | (1,428)         | <b>(56,424)</b>  | (47,347)                 | (1,076)         | <b>(48,423)</b>  |
| (100,729)        | (2,691)         | <b>(103,420)</b> | 40,295                   | (1,367)         | <b>38,928</b>    |
| (2,699)          | 0               | <b>(2,699)</b>   | 6,862                    | 0               | <b>6,862</b>     |
| (400)            | 0               | <b>(400)</b>     | (410)                    | 0               | <b>(410)</b>     |
| <b>(550,080)</b> | <b>(36,009)</b> | <b>(586,089)</b> | <b>(517,704)</b>         | <b>(35,848)</b> | <b>(553,552)</b> |
|                  |                 |                  | <b>Surplus/(Deficit)</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 reduction in the LGPS deficit is largely accounted for by an increase 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:

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

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

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

| <b><u>Local Government Pension Scheme</u></b> | <b>2014/15</b> | <b>2015/16</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Opening balance at 1st April                  | 838,661        | 957,316        |
| Expected rate of return                       | 36,906         | 30,460         |
| Actuarial gains and losses                    | 91,371         | (33,601)       |
| Employer contributions                        | 30,676         | 35,613         |
| Contributions by scheme participants          | 8,618          | 8,357          |
| Benefits paid                                 | (48,506)       | (54,200)       |
| Settlements                                   | (10)           | (618)          |
| Administration Expenses                       | (400)          | (410)          |
| Closing balance at 31st March                 | <b>957,316</b> | <b>942,917</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. There was a loss on scheme assets in the year of £3m (compared to a £128m gain in 2014/15). This is due to poor performance of equities as a result of the economic slowdown in China.

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

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

### Basis for Estimating Assets and Liabilities

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

| <b>The main assumptions used in the actuarial calculation are:</b> | <b>31st March<br/>2015</b> | <b>31st March<br/>2016</b> |
|--|----------------------------|----------------------------|
| Rate of CPI inflation  | 2.00%                      | 2.00%                      |
| Rate of increase in salaries                                       | 3.75%                      | 3.75%                      |
| Rate of increase in pensions                                       | 2.00%                      | 2.00%                      |
| Discount rate  | 3.20%                      | 3.50%                      |
| <b>Mortality Assumptions</b>                                       |                            |                            |
| <b>Longevity at 65 for current pensioners</b>                      |                            |                            |
| Men  | 23.0                       | 23.0                       |
| Women  | 25.6                       | 25.7                       |
| <b>Longevity at 65 for future pensioners in 20 years time</b>      |                            |                            |
| Men  | 25.2                       | 25.2                       |
| Women  | 28.0                       | 28.0                       |

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

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

**History of experience gains and losses**

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

|                       | 2010/11 | 2011/12 | 2012/13 | 2014/15 | 2015/16 |
|-----------------------|---------|---------|---------|---------|---------|
| LGPS                  |         |         |         |         |         |
| Asset Gain/(Loss)     | (4.5%)  | 5.6%    | 0.2%    | 9.5%    | (3.6%)  |
| Liability Gain/(Loss) | (3.3%)  | (10.6%) | 6.4%    | (12.7%) | 5.1%    |
| Unfunded Teachers     |         |         |         |         |         |
| Liability Gain/(Loss) | 3.3%    | 11.8%   | 0.0%    | (7.5%)  | (3.8%)  |

|                                     | 2010/11          | 2011/12          | 2012/13          | 2014/15          | 2015/16          |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <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                                | (1,128,598)      | (1,309,245)      | (1,270,042)      | (1,507,396)      | (1,460,621)      |
| Teachers                            | (32,842)         | (35,900)         | (34,528)         | (36,009)         | (35,848)         |
| <b>Fair value of assets</b>         |                  |                  |                  |                  |                  |
| LGPS                                | 736,658          | 816,341          | 838,661          | 957,316          | 942,917          |
| Teachers                            | 0                | 0                | 0                | 0                | 0                |
| <b>Surplus/(deficit) in scheme</b>  |                  |                  |                  |                  |                  |
| LGPS                                | (391,940)        | (492,904)        | (431,381)        | (550,080)        | (517,704)        |
| Teachers                            | (32,842)         | (35,900)         | (34,528)         | (36,009)         | (35,848)         |
| <b>TOTAL (deficit)</b>              | <b>(424,782)</b> | <b>(528,804)</b> | <b>(465,909)</b> | <b>(586,089)</b> | <b>(553,552)</b> |

### 3.20 Notes to the Cash Flow Statement

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

| 2014/15<br>£000  | Adjust Net Surplus/Deficit on the Provision of Services for Non Cash Movements    | 2015/16<br>£000 |
|------------------|---|-----------------|
| (25,204)         | Depreciation  | (29,166)        |
| (10,359)         | Impairment  | (13,738)        |
| (36,872)         | Derecognition of Non-current Assets   | (50,875)        |
| (26,972)         | Revaluation of Non-current Assets   | 23,805          |
| (1,760)          | Amortisation  | (2,333)         |
| 1,766            | (Increase)/ Decrease in Impairment Provision for Bad Debts                        | (2,896)         |
| (5,785)          | (Increase)/ Decrease in Creditors and Provisions                                  | 1,967           |
| (7,270)          | Increase/ (Decrease) in Debtors   | 15,619          |
| (135)            | Increase/ (Decrease) in Inventory   | 117             |
| (16,760)         | Pension Liability   | (6,391)         |
| 747              | Non Cash items charged to the Net Surplus or Deficit on the Provision of Services | 10,609          |
| <b>(128,604)</b> | <b>Total</b>  | <b>(53,282)</b> |

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

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

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

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

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

| 2014/15<br>£000 | Breakdown of Cash and Cash Equivalents | 2015/16<br>£000 |
|-----------------|--|-----------------|
| (144)           | Cash held by the council               | (131)           |
| (1,876)         | Bank current accounts                  | (9,269)         |
| (8,200)         | On call deposits                       | (8,250)         |
| <b>(10,220)</b> | <b>Total</b>                           | <b>(17,650)</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 2015/16 expenditure on unitary charge payments to the contractor was £3,177k, compared with £3,229k in 2014/15. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

| Year              | Service Charge<br>£000 | Repayment of Liability<br>£000 | Interest Charge<br>£000 | Total Unitary Charge<br>£000 |
|-------------------|------------------------|--------------------------------|-------------------------|------------------------------|
| 2016/17           | 1,228                  | 761                            | 869                     | 2,858                        |
| 2017/18 - 2020/21 | 5,671                  | 2,751                          | 2,820                   | 11,242                       |
| 2021/22 - 2025/26 | 8,247                  | 3,274                          | 2,207                   | 13,728                       |
| 2026/27 - 2030/31 | 9,971                  | 3,109                          | 473                     | 13,553                       |
| 2031/32 - 2034/35 | 7,321                  | 3,112                          | (263)                   | 10,170                       |
| <b>Total</b>      | <b>32,438</b>          | <b>13,007</b>                  | <b>6,106</b>            | <b>51,551</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 2015/16 are shown in the table below.

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

### New Homes for Old PFI Contract

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

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

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

In 2015/16 expenditure on unitary charge payments to the contractor was £6,648k, compared with £6,556k in 2014/15. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.



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

| Year              | Service Charge<br>£000 | Repayment of Liability<br>£000 | Interest Charge<br>£000 | Total Unitary Charge<br>£000 |
|-------------------|------------------------|--------------------------------|-------------------------|------------------------------|
| 2016/17           | 4,485                  | 608                            | 1,843                   | 6,936                        |
| 2017/18 - 2020/21 | 19,993                 | 2,627                          | 6,994                   | 29,614                       |
| 2021/22 - 2025/26 | 27,611                 | 5,345                          | 8,651                   | 41,607                       |
| 2026/27 - 2030/31 | 33,835                 | 6,694                          | 6,833                   | 47,362                       |
| 2031/32 - 2032/33 | 8,949                  | 2,284                          | 1,551                   | 12,784                       |
| <b>Total</b>      | <b>94,873</b>          | <b>17,558</b>                  | <b>25,872</b>           | <b>138,303</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 2015/16 are shown in the tables below.

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

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

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

### Street Lighting PFI Contract

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

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

In 2015/16 expenditure on unitary charge payments to the contractor was £7,286k, compared with £6,605k in 2014/15. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

| Year              | Service Charge<br>£000 | Repayment of Liability<br>£000 | Interest Charge<br>£000 | Total Unitary Charge<br>£000 |
|-------------------|------------------------|--------------------------------|-------------------------|------------------------------|
| 2016/17           | 1,995                  | 749                            | 4,537                   | 7,281                        |
| 2017/18 - 2020/21 | 7,604                  | 4,627                          | 17,548                  | 29,779                       |
| 2021/22 - 2025/26 | 11,955                 | 7,767                          | 19,112                  | 38,834                       |
| 2026/27 - 2030/31 | 13,560                 | 12,594                         | 14,688                  | 40,842                       |
| 2031/32 - 2035/36 | 13,235                 | 18,617                         | 7,596                   | 39,448                       |
| <b>Total</b>      | <b>48,349</b>          | <b>44,354</b>                  | <b>63,481</b>           | <b>156,184</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 2015/16 are shown in the tables below.

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

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

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

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

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

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

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

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

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

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

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

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

\* There were two holders of the post of Executive Director (People) during 2015/16. The table shows the part year remuneration for both post holders.

\*\*2014/15 pension contribution figures have been restated. Pension contributions reflect the Council's future service pension rate of 12.5% for 2014/15 and 13% for 2015/16.

### Exit Packages

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

| Exit package cost band | Number of Compulsory Redundancies |           | Number of other departures agreed |            | Total number of exit packages by cost band |            | Total cost of exit packages in each band |              |
|------------------------|-----------------------------------|-----------|-----------------------------------|------------|--|------------|--|--------------|
|                        | 2014/15                           | 2015/16   | 2014/15                           | 2015/16    | 2014/15                                    | 2015/16    | 2014/15                                  | 2015/16      |
| 2015/16                |                                   |           |                                   |            |  |            | £000                                     | £000         |
| £0 - £20,000           | 5                                 | 15        | 361                               | 156        | 366  | 171        | 3,117                                    | 1,137        |
| £20,001 - £40,000      | 4                                 | 4         | 87                                | 25         | 91   | 29         | 2,512                                    | 803          |
| £40,001 - £60,000      | 1                                 | 0         | 30                                | 14         | 31   | 14         | 1,549                                    | 693          |
| £60,001 - £80,000      | 0                                 | 0         | 8                                 | 3          | 8  | 3          | 533                                      | 220          |
| £80,001 - £100,000     | 0                                 | 0         | 6                                 | 7          | 6  | 7          | 545                                      | 636          |
| £100,000 - £150,000    | 0                                 | 0         | 13                                | 10         | 13   | 10         | 1,508                                    | 1,223        |
| £150,001 - £200,000    | 0                                 | 0         | 3                                 | 2          | 3  | 2          | 513                                      | 346          |
| £200,001 - £250,000    | 0                                 | 0         | 0                                 | 2          | 0  | 2          | 0  | 429          |
| £250,001 - £300,000    | 1                                 | 0         | 1                                 | 1          | 2  | 1          | 592                                      | 295          |
| <b>Total</b>           | <b>11</b>                         | <b>19</b> | <b>509</b>                        | <b>220</b> | <b>520</b>                                 | <b>239</b> | <b>10,869</b>                            | <b>5,782</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   | 2014/15    | 2015/16    |
|------------------|------------|------------|
|                  | £000's     | £000's     |
| Basic Allowances | 704        | 716        |
| Other Allowances | 262        | 264        |
| Expenses         | 5          | 4          |
| <b>Total</b>     | <b>971</b> | <b>984</b> |

Members are required to declare any interests that they hold in organisations that may have a relationship with the Council. During 2015/16 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 & Crime Commissioner 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 companies with which there is judged to be a Related Party relationship

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

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

### Coventry North Regeneration Ltd (CNR)

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

## 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 and CNR (with transaction details given above).

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

| Related Party                              | 31st March 2015 |           | 31st March 2016 |           | 2015/16       |             |
|--|-----------------|-----------|-----------------|-----------|---------------|-------------|
|  | Debtors         | Creditors | Debtors         | Creditors | Receipts from | Payments to |
|  | £               | £         | £               | £         | £             | £           |
| Cov. & Warks. Local Enterprise Partnership | 42              | 0         | 0               | (2,450)   | (99,425)      | 1,854,382   |
| Centre for Cities                          | 0               | (478)     | 0               | 0         | 0             | 0           |
| Citizens Advice Bureau                     | 2,315           | (90,405)  | 4,326           | 51,413    | (8,491)       | 1,250,515   |
| Coventry University                        | 16,344          | 0         | 70,365          | 0         | (2,551,339)   | 121,992     |
| Holy Trinity PCC                           | 0               | 0         | 0               | 0         | (8)           | 1,705       |
| IDP Group; Spon Street, Coventry.          | 0               | 0         | 0               | 0         | (843)         | 21,650      |
| Old Coventrians Rugby Club                 | 499             | 0         | 433             | 0         | (656)         | 0           |
| Solace Enterprises Ltd                     | 0               | 0         | 0               | 0         | 0             | 203         |
| The Living Environment Trust               | 422             | 0         | 153             | 0         | (379)         | 30          |
| Espo                                       | 0               | 0         | 0               | 20,563    | 0             | 124,223     |

## 3.25 Contingent Liabilities and Assets

### Contingent Liabilities

#### Council Loan to Arena Coventry Limited

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

#### Walsgrave Hospital Mandatory Business Rates Relief

The Council received a letter in February 2016 sent on behalf of University Hospitals Coventry and Warwickshire NHS Trust requesting mandatory Business Rates relief for Walsgrave Hospital. The appeal for relief replicates similar claims made to other local authorities across the country. If the relief were to be granted this would represent an on-going impact on the Council's locally retained Business Rates revenue in excess of £1m with potential for a back-dated element, the local impact of which could be over £5m. At a national level, the total level of claims are thought to be sufficient to represent a significant impact on the wider funding model for local government, especially if there was a risk that claims could be extended to other similar or related properties.

The Council has taken legal advice, organised through the Local Government Association and following this has responded to the claim, stating that it does not regard there to be an entitlement to relief. Given the current nature of the proceedings the Council believes that there are very strong grounds for rejecting the claim and it has not been reflected as a provision in these accounts. However, because it remains possible that the claim is upheld and because the potential costs are so large, it is appropriate to record the matter as a contingent liability.

### 3.26 Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the school Finance and Early Years (England) regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

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

#### Notes

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

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

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

D: Figure brought forward from 2014/15 should be as agreed with the Department. Details of the exercise to obtain this agreement were contained in the Financial Monitoring Team's e-mail circulated in May 2016.

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

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

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

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

I: Actual amount of central expenditure items in 2015/16- amounts not actually spent.

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



K: Any contribution from the local authority in 2015/16 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2016/17, i.e.:

- For central expenditure, difference between budgeted distribution of DSG and actual expenditure, plus any local authority contribution.
- For ISB, difference between final budgeted distribution and amount actually deployed to schools, plus any local authority contribution.
- Total is carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2016/17 already agreed.

### 3.27 Capital Expenditure and Capital Financing

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

| 31st March<br>2015<br>£000 |   | 31st March<br>2016<br>£000 |
|----------------------------|---|----------------------------|
| <b>407,737</b>             | Opening Capital Financing Requirement                       | <b>400,370</b>             |
|                            | <b>Capital Investment</b>                                   |                            |
| 81,747                     | Property, Plant and Equipment                               | 76,565                     |
| 73                         | Investment Properties                                       | 3,317                      |
| 1,760                      | Intangible Assets   | 2,333                      |
| 25,269                     | Revenue Expenditure Funded from Capital Under Statute       | 26,645                     |
| 1,049                      | Debtors   | 1,204                      |
| <b>109,898</b>             | Total Capital Investment                                    | <b>110,064</b>             |
|                            | <b>Sources of Finance</b>                                   |                            |
| (14,392)                   | Capital Receipts  | (29,609)                   |
| (80,498)                   | Government Grants and Other Contributions                   | (73,304)                   |
| (6,917)                    | Revenue Contributions                                       | (1,143)                    |
| (14,117)                   | Revenue Provision for Debt Repayment                        | (13,605)                   |
| (1,341)                    | Other Adjustments   | (940)                      |
| <b>(117,265)</b>           | Total from Sources of Finance                               | <b>(118,601)</b>           |
| <b>400,370</b>             | Closing Capital Financing Requirement                       | <b>391,833</b>             |
|                            | <b>Explanation of movement in year</b>                      |                            |
| (14,117)                   | Revenue Provision for Debt Repayment                        | (13,605)                   |
| (762)                      | Repayment of Transferred Debt Principal                     | (838)                      |
| 301                        | Capital Investment funded by borrowing                      | 0                          |
| (1,000)                    | Capital Receipts Applied to Repay Debt                      | 0                          |
| 8,789                      | Assets acquired under PFI/PPP contracts                     | 6,008                      |
| (485)                      | Reduction of Capitalised Provision                          | 0                          |
| (93)                       | Restatement of Historic Debt Liability                      | (102)                      |
| <b>(7,367)</b>             | <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>(8,537)</b>             |

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

### 3.28 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2010/11 to 2015/16. The valuations were carried out by Graham Stephens MRICS, from the Property Division – Place Directorate. The basis for valuation is set out in the statement of accounting policies. The effective date of each revaluation is the date that the revaluation was produced.

| Year of revaluation            | Other Land & Buildings<br>£000 | Vehicles, Plant & Equipment<br>£000 | Infra-structure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under Construction<br>£000 | Total<br>£000  |
|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------|------------------------|-----------------------------------|----------------|
| Carried at Historical Cost     | 0                              | 14,780                              | 259,660                        | 15,737                   | 0                      | 10,339                            | 300,516        |
| Valued at current value as at: |                                |                                     |                                |                          |                        |                                   |                |
| 31st March 2012                | 29,056                         | 0                                   | 0                              | 0                        | 0                      | 0                                 | 29,056         |
| 31st March 2013                | 23,023                         | 0                                   | 0                              | 0                        | 0                      | 0                                 | 23,023         |
| 31st March 2014                | 5,119                          | 0                                   | 0                              | 0                        | 0                      | 0                                 | 5,119          |
| 31st March 2015                | 393,777                        | 0                                   | 0                              | 0                        | 0                      | 0                                 | 393,777        |
| 31st March 2016                | 31,813                         | 0                                   | 0                              | 0                        | 164                    | 0                                 | 31,977         |
| <b>Total cost or Valuation</b> | <b>482,788</b>                 | <b>14,780</b>                       | <b>259,660</b>                 | <b>15,737</b>            | <b>164</b>             | <b>10,339</b>                     | <b>783,468</b> |

### 3.29 Capital Commitments

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

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

### 3.30 Analysis of Capital Grants

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

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

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

### 3.31 Analysis of Revenue Grants

| 2014/15<br>£000 | Grant  | 2015/16<br>£000 |
|-----------------|--|-----------------|
| 194,570         | Dedicated Schools Grant (DSG) *                  | 181,644         |
| 131,209         | Housing Benefit Subsidy                          | 127,213         |
| 87,241          | Revenue Support Grant (Formula Grant element)    | 61,851          |
| 6,253           | EFA School Sixth Form Grant                      | 4,834           |
| 6,384           | Skills Funding Agency Grants                     | 6,272           |
| 8,607           | Private Finance Initiative Grants                | 8,607           |
| 14,771          | Pupil Premium Grant                              | 13,382          |
| 5,076           | Education Support Grant                          | 3,848           |
| 7,855           | Primary Care Trust Contribution                  | 528             |
| 19,615          | Public Health Grant                              | 20,903          |
| 5,712           | New Homes Bonus                                  | 7,084           |
| 81              | Better Care Fund                                 | 10,792          |
| 21,249          | Other revenue grants & contributions (Govt.)     | 22,431          |
| 1,414           | Other revenue grants & contributions (Non-Govt.) | 1,716           |
| <b>510,037</b>  | <b>Total</b>                                     | <b>471,105</b>  |

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

## 3.32 Leases

### Authority as Lessee

#### Finance Leases

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

|  | 31st March 2015<br>£000 | 31st March 2016<br>£000 |
|--|-------------------------|-------------------------|
| Other Land and Buildings                 | 1,634                   | 1,232                   |
| Vehicles, Plant, Furniture and Equipment | 14                      | 8                       |
|  | <b>1,648</b>            | <b>1,240</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 2015<br>£000 | 31st March 2016<br>£000 |
|---------------------------------------|-------------------------|-------------------------|
| Finance lease liabilities :           |                         |                         |
| - current                             | 0                       | 0                       |
| - non-current                         | 0                       | 0                       |
| Finance costs payable in future years | 260                     | 242                     |
| <b>Minimum Lease Payments</b>         | <b>260</b>              | <b>242</b>              |

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

|   | 31st March 2015<br>£000 | 31st March 2016<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 0                       | 0                       |
| Later than one year and not later than five years | 24                      | 24                      |
| Later than five years                             | 236                     | 218                     |
|   | <b>260</b>              | <b>242</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 2015/16 there were no contingent rents payable by the Authority.

#### Operating Leases

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

|   | 31st March 2015<br>£000 | 31st March 2016<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 474                     | 238                     |
| Later than one year and not later than five years | 289                     | 391                     |
| Later than five years                             | 163                     | 0                       |
|   | <b>926</b>              | <b>629</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 2015<br>£000 | 31st March 2016<br>£000 |
|---|-------------------------|-------------------------|
| Finance lease debtor (net present value of minimum lease payments): |                         |                         |
| - current   | 0                       | 0                       |
| - non-current   | 4,656                   | 4,783                   |
| Unearned finance income   | 3,611                   | 3,378                   |
| Unguaranteed residual value of property                             | 0                       | 0                       |
| <b>Gross Investment in the lease</b>                                | <b>8,267</b>            | <b>8,161</b>            |

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

|   | 31st March 2015<br>£000 | 31st March 2016<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 105                     | 105                     |
| Later than one year and not later than five years | 1,395                   | 1,719                   |
| Later than five years                             | 6,767                   | 6,337                   |
|   | <b>8,267</b>            | <b>8,161</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 2015/16, no contingent rents were receivable by the Authority.

### Operating Leases

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

|   | 31st March 2016<br>£000 |
|---|-------------------------|
| Not later than one year                           | 4,243                   |
| Later than one year and not later than five years | 4,104                   |
| Later than five years                             | 4,586                   |
| <b>Total</b>                                      | <b>12,933</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>Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)</b>  |                                   | <b>31st March 2015</b> | <b>31st March 2016</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 :<br>5.8% of the 324m ordinary shares<br>£1.8 million preference shares<br>6% of the 1000 C Class shares of 0.01p   |                                   |                        |                        |
|  | Net Assets                        | 178,640                | Not Available          |
|  | Profit before taxation            | 16,164                 |                        |
|  | Profit after taxation             | 10,492                 |                        |
| <b>Coventry North Regeneration Ltd (Company Registration Number: 4523598)</b>  |                                   | <b>31st March 2015</b> | <b>31st March 2016</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 sports stadium, conference and exhibition space, hotel, casino and other leisure and community facilities.   |                                   |                        |                        |
| Copies of CNR's accounts can be acquired from: Company Secretary, Coventry North Regeneration Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR  |                                   |                        |                        |
| 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 2015</b> | <b>31st March 2016</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.  |                                   |                        |                        |
| The City Council owns:<br>66% of the ordinary share capital  |                                   |                        |                        |
|  | Net Assets                        | 17,127                 | 21,607                 |
|  | Profit before taxation            | 6,983                  | 7,557                  |
|  | Profit (loss) after taxation      | 5,500                  | 6,206                  |
| Preference shares to the value of £4.4m were redeemed by the company in 2015/6 meaning that the company no longer has any preference shares  |                                   |                        |                        |
| <b>Culture Coventry (Registration Number: 08359113)</b>  |                                   | <b>31st March 2015</b> | <b>31st March 2016</b> |
| The merger of Coventry Transport Museum and The Herbert Art Gallery Museum was completed in August 2013. Culture Coventry is the new Charitable Trust set up to run both museums and is also responsible for running the Lunt Roman Under IFRS10 Culture Coventry now meets the three elements under the definition of control for Group Account purposes. On this basis Culture Coventry is treated as an associate of the Council but has not been included within the Group Accounts on the grounds of materiality. |                                   |                        |                        |
|  | Net Assets                        | 6,476                  | Not Available          |
|  | Net incoming/(outgoing) resources | 5,330                  |                        |

| <b>North Coventry Holdings Ltd (Company Registration Number: 4931967)</b>  |                        | <b>31st March<br/>2015</b> | <b>31st March<br/>2016</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             | 2,703                      | 2,708                      |
|  | Profit before taxation | 2,703                      | 7                          |
|  | Profit after taxation  | 2,703                      | 5                          |

NCH's only activity is to hold 100% shares in Coventry North Regeneration (CNR) . NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.

Copies of NCH's accounts can be acquired from: Company Secretary, North Coventry Holdings Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR

| <b>University of Warwick Science Park Business Innovation Centre Ltd (Company Registration Number: 03616665)</b>  |                               | <b>31st Jul 2014</b> | <b>31st Jul 2015</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)      | (1,682)              | (1,278)              |
|   | Profit (loss) before taxation | (12)                 | (6)                  |
|   | Profit (loss) after taxation  | (12)                 | (6)                  |

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 2016 was £10,061k (£9,726k as at 31st March 2015) and is held on the balance sheet as a creditor. The main funds held relate to:

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

### 3.35 Audit Note

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

| 2014/15<br>£000 | Audit Fees   | 2015/16<br>£000 |
|-----------------|--|-----------------|
| 231             | Fees payable in respect of external audit services                   | 173             |
| 21              | Fees payable in respect of certification of grant claims and returns | 14              |
| 21              | Fees payable in relation to other services                           | 8               |
| (24)            | Fee rebate from the Audit Commission                                 | 0               |
| <b>273</b>      | <b>Total Fees</b>  | <b>195</b>      |

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



### 3.36 Prior Period Restatements

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

### 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.

### 3.38 Pooled Budgets

#### Better Care Fund

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

The BCF agreement identified 8 separate work-streams. These work-streams, together with the respective contributions from the two partner organisations and the relevant expenditure made, are outlined in the table below.

| Better Care Fund<br>Workstreams | Coventry        | Coventry and    | Total           | Coventry      | Coventry and  | Total         | (Surplus<br>/ Deficit |
|---------------------------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|-----------------------|
|                                 | City Council    | Rugby CCG       |                 | City Council  | Rugby CCG     |               | Total                 |
|                                 | Contribution    | Contribution    |                 | Expenditure   | Expenditure   |               | Expenditure           |
|                                 | 2015/16         | 2015/16         | 2015/16         | 2015/16       | 2015/16       | 2015/16       | 2015/16               |
|                                 | £000            | £000            | £000            | £000          | £000          | £000          | £000                  |
| Urgent Care                     | 0               | (6,294)         | <b>(6,294)</b>  | 0             | 6,294         | <b>6,294</b>  | <b>0</b>              |
| Long Term Care                  | (5,142)         | (7,971)         | <b>(13,113)</b> | 9,043         | 4,314         | <b>13,357</b> | <b>244</b>            |
| Short Term Care                 | (3,260)         | (6,058)         | <b>(9,318)</b>  | 3,967         | 4,806         | <b>8,773</b>  | <b>(545)</b>          |
| Dementia                        | (6,953)         | (3,960)         | <b>(10,913)</b> | 6,953         | 3,960         | <b>10,913</b> | <b>0</b>              |
| Care Act Implementation         | (311)           | (844)           | <b>(1,155)</b>  | 932           | 0             | <b>932</b>    | <b>(223)</b>          |
| Disabled Facility Grants        | (2,078)         | 0               | <b>(2,078)</b>  | 2,078         | 0             | <b>2,078</b>  | <b>0</b>              |
| Acceleration Fund               | 0               | (2,000)         | <b>(2,000)</b>  | 1,453         | 547           | <b>2,000</b>  | <b>0</b>              |
| Protecting Social Care          | 0               | (7,108)         | <b>(7,108)</b>  | 7,108         | 0             | <b>7,108</b>  | <b>0</b>              |
| <b>Total</b>                    | <b>(17,744)</b> | <b>(34,235)</b> | <b>(51,979)</b> | <b>31,534</b> | <b>19,921</b> | <b>51,455</b> | <b>(524)</b>          |

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

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

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

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

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

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

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

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

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

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

IFRS require that the financial statements of the reporting authority (Coventry City Council) and its subsidiaries, associates and jointly controlled entities shall be prepared as of the same date. Where this does not happen, for consolidation purposes, additional financial statements, as of the same date as the reporting authority shall be prepared unless it is impracticable to do so. For consolidation purposes draft accounts as at 31<sup>st</sup> March 2016 for NCH, CNR and CSWDC have been used.

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

## 4.2 GROUP COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

| 2014/15           |                  |                 | 2015/16  |                   |                  |                 |
|-------------------|------------------|-----------------|--|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income     | Net Expenditure | SERVICE ANALYSIS   | Gross Expenditure | Gross Income     | Net Expenditure |
| £000              | £000             | £000            |  | £000              | £000             | £000            |
| 100,737           | (28,584)         | 72,153          | Adult Social Care  | 107,078           | (33,220)         | 73,858          |
| 25,339            | (7,345)          | 17,994          | Central Services to the Public   | 203               | (7,355)          | (7,152)         |
| 364,423           | (253,147)        | 111,276         | Children's & Education Services  | 349,489           | (237,243)        | 112,246         |
| 28,293            | (2,694)          | 25,599          | Cultural & Related Services  | 21,180            | (2,226)          | 18,954          |
| 22,217            | (5,420)          | 16,797          | Environmental & Regulatory Services  | 28,504            | (5,619)          | 22,885          |
| 22,888            | (5,696)          | 17,192          | Planning Services  | 27,352            | (5,173)          | 22,179          |
| 59,977            | (13,796)         | 46,181          | Highways and Transport Services  | 69,454            | (14,277)         | 55,177          |
| 142,567           | (135,060)        | 7,507           | Housing Services   | 129,763           | (130,104)        | (341)           |
| 23,558            | (19,977)         | 3,581           | Public Health  | 22,796            | (20,293)         | 2,503           |
| 15,565            | (2,043)          | 13,522          | Corporate and democratic core  | 13,457            | (3,159)          | 10,298          |
| 10,436            | (479)            | 9,957           | Non-Distributed Costs  | 5,031             | (11,440)         | (6,409)         |
| 0                 | (14,481)         | (14,481)        | Turnover Joint Venture   | 0                 | (17,296)         | (17,296)        |
| 13,607            | 0                | 13,607          | Cost of Sales Joint Venture  | 12,208            | 0                | 12,208          |
| <b>829,607</b>    | <b>(488,722)</b> | <b>340,885</b>  | <b>Cost of Services</b>  | <b>786,515</b>    | <b>(487,405)</b> | <b>299,110</b>  |
|                   |                  | 16,381          | Other Operating Expenditure  |                   |                  | 15,892          |
|                   |                  | 25,555          | Finance and Investment Income and Expenditure                                      |                   |                  | 19,894          |
|                   |                  | 0               | Profit or Loss on Discontinued Operations  |                   |                  | 0               |
|                   |                  | (351,258)       | Taxations and Non-Specific Grant Income  |                   |                  | (332,520)       |
|                   |                  | <b>31,563</b>   | <b>(Surplus) / Deficit on the Provision of Services</b>                            |                   |                  | <b>2,376</b>    |
|                   |                  | 106             | Associates and JV's accounted for on Equity Basis                                  |                   |                  | (24)            |
|                   |                  | 1,004           | Tax Expenses   |                   |                  | 902             |
|                   |                  | <b>32,673</b>   | <b>Group (Surplus) or Deficit</b>  |                   |                  | <b>3,254</b>    |
|                   |                  | (23,799)        | (Surplus)/Deficit on revaluation of non current assets                             |                   |                  | 2,294           |
|                   |                  | (2,845)         | (Surplus)/Deficit on revaluation of available for sale financial assets            |                   |                  | (832)           |
|                   |                  | 103,420         | Actuarial (gains) or losses on pension assets and liabilities                      |                   |                  | (38,928)        |
|                   |                  | 5,221           | Share of other comprehensive income and expenditure of associates & joint ventures |                   |                  | 4,311           |
|                   |                  | <b>81,997</b>   | <b>Sub-total of other comprehensive Income and Expenditure</b>                     |                   |                  | <b>(33,155)</b> |
|                   |                  | <b>114,670</b>  | <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>                |                   |                  | <b>(29,901)</b> |

## 4.3 GROUP MOVEMENT IN RESERVES STATEMENT

### GROUP USABLE RESERVES AND OVERALL POSITION 2015/16

|  | General Fund Reserves<br>£000 | Earmarked Reserves<br>£000 | Capital Grants Unapplied Account<br>£000 | Usable Capital Receipts Reserve<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Reserves of the Authority<br>£000 |
|--|-------------------------------|----------------------------|--|---|-------------------------------|---------------------------------|---|
| <b>31st March 2015</b>   | <b>(5,160)</b>                | <b>(79,055)</b>            | <b>(384)</b>                             | <b>0</b>                                | <b>(84,599)</b>               | <b>(82,001)</b>                 | <b>(166,600)</b>                        |
| (Surplus) or Deficit on Provision of Services (Accounting Basis)         | 7,402                         | 0                          | 0  | 0                                       | 7,402                         | (4,148)                         | 3,254                                   |
| Other Comprehensive Income and Expenditure                               | 0                             | 0                          | 0  | 0                                       | 0                             | (33,155)                        | (33,155)                                |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>7,402</b>                  | <b>0</b>                   | <b>0</b>                                 | <b>0</b>                                | <b>7,402</b>                  | <b>(37,303)</b>                 | <b>(29,901)</b>                         |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (6,172)                       | 0                          | (5,352)                                  | (6,660)                                 | (18,184)                      | 18,184                          | 0                                       |
| <b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>  | <b>1,230</b>                  | <b>0</b>                   | <b>(5,352)</b>                           | <b>(6,660)</b>                          | <b>(10,782)</b>               | <b>(19,119)</b>                 | <b>(29,901)</b>                         |
| Transfers (to) / from Earmarked Reserves                                 | 107                           | (107)                      |  |   |                               |                                 |   |
| <b>(Increase) / Decrease in Year</b>                                     | <b>1,337</b>                  | <b>(107)</b>               | <b>(5,352)</b>                           | <b>(6,660)</b>                          | <b>(10,782)</b>               | <b>(19,119)</b>                 | <b>(29,901)</b>                         |
| <b>31st March 2016</b>   | <b>(3,823)</b>                | <b>(79,162)</b>            | <b>(5,736)</b>                           | <b>(6,660)</b>                          | <b>(95,381)</b>               | <b>(101,120)</b>                | <b>(196,501)</b>                        |

### GROUP UNUSABLE RESERVES 2015/16

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

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

|  | General Fund Reserves | Earmarked Reserves | Capital Grants Unapplied Account | Usable Capital Receipts Reserve | Total Usable Reserves | Total Unusable Reserves * restated | Total Reserves of the Authority * restated |
|--|-----------------------|--------------------|----------------------------------|---------------------------------|-----------------------|------------------------------------|--|
|  | £000                  | £000               | £000                             | £000                            | £000                  | £000                               | £000                                       |
| <b>31st March 2014</b>   | <b>(7,328)</b>        | <b>(72,910)</b>    | <b>(756)</b>                     | <b>0</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                                | 0                               | 36,178                | (3,505)                            | <b>32,673</b>                              |
| Other Comprehensive Income and Expenditure                               | 0                     | 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>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                              | 0                               | (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>0</b>                        | <b>(3,605)</b>        | <b>118,275</b>                     | <b>114,670</b>                             |
| Transfers (to) / from Earmarked Reserves                                 | 6,145                 | (6,145)            |                                  |                                 |                       |                                    |  |
| <b>(Increase) / Decrease in Year</b>                                     | <b>2,168</b>          | <b>(6,145)</b>     | <b>372</b>                       | <b>0</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>0</b>                        | <b>(84,599)</b>       | <b>(82,001)</b>                    | <b>(166,600)</b>                           |

## GROUP UNUSABLE RESERVES 2014/15 COMPARATIVES

|  | Capital Adjustment Account | Revaluation Reserve | Deferred Capital Receipts Reserve | Financial Instruments Adjustment Account | Collection Fund Adjustment Account | Pensions Reserve | Accumulated Absences Account | Available for Sale | Profit & Loss | Total Unusable Reserves |
|--|----------------------------|---------------------|-----------------------------------|--|------------------------------------|------------------|------------------------------|--------------------|---------------|-------------------------|
|  | £000                       | £000                | £000                              | £000                                     | £000                               | £000             | £000                         | £000               | £000          | £000                    |
| <b>31st March 2014</b>   | <b>(496,219)</b>           | <b>(172,031)</b>    | <b>0</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                            | 0                  | (3,505)       | <b>(3,505)</b>          |
| Other Comprehensive Income and Expenditure                               | 0                          | (23,799)            | 0                                 | 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>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               | 0                                 | (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>0</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>0</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>         |

## 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<br>31st March<br>2015<br>£000 | Group Balance Sheet                         | As at<br>31st March<br>2016<br>£000 | Section<br>Ref. |
|-------------------------------------|---|-------------------------------------|-----------------|
| 806,547                             | Property, Plant and Equipment               | 783,468                             |                 |
| 25,893                              | Heritage Assets                             | 25,893                              |                 |
| 0                                   | Surplus Assets                              | 0                                   |                 |
| 154,350                             | Investment Property                         | 161,771                             |                 |
| 22,913                              | Long Term Investments                       | 29,144                              |                 |
| 28,134                              | Investment in Associates and Joint Ventures | 25,011                              | 4.9             |
| 29,514                              | Long Term Debtors                           | 20,199                              |                 |
| <b>1,067,351</b>                    | <b>Long Term Assets</b>                     | <b>1,045,486</b>                    |                 |
| 102,297                             | Short Term Investments                      | 79,123                              |                 |
| 364                                 | Inventories                                 | 480                                 |                 |
| 48,082                              | Short Term Debtors                          | 63,332                              |                 |
| 10,220                              | Cash and Cash Equivalents                   | 17,650                              |                 |
| 4,996                               | Assets held for Sale                        | 2,458                               |                 |
| <b>165,959</b>                      | <b>Current Assets</b>                       | <b>163,043</b>                      |                 |
| (24,063)                            | Short Term Borrowing                        | (6,797)                             |                 |
| (70,182)                            | Short Term Creditors                        | (67,596)                            |                 |
| (1,555)                             | Short Term Provisions                       | (2,066)                             |                 |
| 0                                   | Liabilities in Disposal Groups              | 0                                   |                 |
| <b>(95,800)</b>                     | <b>Current Liabilities</b>                  | <b>(76,459)</b>                     |                 |
| (9,157)                             | Long Term Provisions                        | (8,882)                             |                 |
| (366,728)                           | Long Term Borrowing                         | (369,586)                           |                 |
| (586,089)                           | Other Long Term Liabilities                 | (553,552)                           |                 |
| (8,936)                             | Capital Grants Receipts in Advance          | (3,549)                             |                 |
| <b>(970,910)</b>                    | <b>Long Term Liabilities</b>                | <b>(935,569)</b>                    |                 |
| <b>166,600</b>                      | <b>Net Assets</b>                           | <b>196,501</b>                      |                 |
| (84,599)                            | Usable Reserves                             | (95,381)                            |                 |
| (82,001)                            | Unusable Reserves                           | (101,120)                           | 4.9             |
| <b>(166,600)</b>                    | <b>Total Reserves</b>                       | <b>(196,501)</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.

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



## 4.6 RECONCILIATION OF SINGLE ENTITY TO GROUP ACCOUNTS

### Income and Expenditure Surplus/Deficit

| 2014/15<br>£000 | Reconciliation of Single Entity to Group (Surplus)/Deficit   | 2015/16<br>£000 |
|-----------------|--|-----------------|
| 36,178          | (Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year   | 7,402           |
| (6)             | Less: Subsidiary and Associate dividend income and any other distributions from Group Entities included in the Single Entity (Surplus)/Deficit on the Income & Expenditure Account | (10)            |
| <b>36,172</b>   | (Surplus)/Deficit in the Group Income & Expenditure attributable to the Authority  | <b>7,392</b>    |
|                 | Add: (Surplus)/Deficit arising from other entities included in the Group Accounts  |                 |
|                 | 6 Subsidiaries   | 10              |
| (3,505)         | Joint Ventures   | (4,148)         |
| <b>32,673</b>   | <b>Group Account (Surplus)/Deficit for the year</b>  | <b>3,254</b>    |

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

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

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

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 did not reduce the value of these Preference Shares, nor did it create any additional Preference Shares. However, during 2015/16 CSWDC redeemed the remainder of their preference shares at par with a value of £4.425m.

### Financial Liabilities

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

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

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

### North Coventry Holdings Limited (NCH)

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

### Coventry North Regeneration Limited (CNR)

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

### Related Party Transactions

Details of related party transactions are provided in section 3.24.

## 4.9 Notes to the Group Balance Sheet

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

The group 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 2016                              | CSWDC<br>£000 | ACL<br>£000 | NCH<br>£000  | Total<br>£000 |
|--|---------------|-------------|--------------|---------------|
| Share in Gross Assets of Joint Ventures      | 33,053        | 0           | 2,703        | 35,756        |
| Share in Gross Liabilities of Joint Ventures | (10,746)      | 0           | (5)          | (10,751)      |
| <b>Total</b>                                 | <b>22,307</b> | <b>0</b>    | <b>2,698</b> | <b>25,005</b> |

| 31st March 2015                              | CSWDC<br>£000 | ACL<br>£000 | NCH<br>£000  | Total<br>£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> |

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

| Unusable Reserves              | 2014/15<br>£000 | 2015/16<br>£000  |
|--------------------------------|-----------------|------------------|
| Single Entity                  | (106,203)       | (125,485)        |
| CSWDC                          | 24,202          | 24,360           |
| ACL                            | 0               | 0                |
| NCH                            | 0               | 5                |
| <b>Group Unusable Reserves</b> | <b>(82,001)</b> | <b>(101,120)</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 2015/16 financial year and its position at the year-end of 31st March 2016. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 – Based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 5.2 Changes in Accounting Policies

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

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

### 5.3 Accruals of Income and Expenditure

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

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

### 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 (Existing Use)   |
| Surplus Properties          | Fair Value                  |
| Vehicles, Plant & Equipment | Depreciated Historical Cost |
| Infrastructure              | Depreciated Historical Cost |
| Community Assets            | Historical Cost             |
| Heritage Assets             | Historical Cost/Valuation   |
| Assets under Construction   | Historical Cost             |
| Investment Property         | Fair Value                  |
| Assets Held for Sale        | Fair Value                  |

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

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

- The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction (with reference to observable prices in an active market or recent market transactions on arms length terms).
- Fair value equates to market value;
- Land and Buildings other than surplus properties are valued using the Existing Use Value method;
- Specialised assets with no market-based evidence of fair value were valued using the depreciated replacement cost (DRC) method;
- For non-property assets that have short useful lives and/or low values, the depreciated historical cost has been used as a proxy for fair value;
- All assets are categorised at Level 1 within the fair value hierarchy.

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

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

### **Componentisation**

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

### **Heritage Assets**

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

have been included in the financial statements at valuation are based on external or internal insurance valuations.

### Schools Assets

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

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

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

Under UK GAAP, impairments are charged to the relevant service if it was due to the consumption of economic benefits and to the revaluation reserve (to offset previous gains) for any other reasons. Under the IFRS Code, all impairment losses are taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset. Any further losses (or if there is no balance on the revaluation reserve) are taken to the Comprehensive Income and Expenditure Account.

### Disposals

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

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

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

### Depreciation

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

Depreciation is calculated on the following basis:

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



## 5.7 Revenue Expenditure Funded from Capital Under Statute

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

## 5.8 Government Grants and Contributions

Government grants and contributions are recognised in the Comprehensive Income and Expenditure 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 Instruments

### Financial Liabilities

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

## 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).

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

## **5.12 Leases**

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

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

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

### **The Authority as Lessee**

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income & Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund

Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### Operating Leases

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

## 5.13 Employee Benefits

### Benefits Payable during Employment

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

### Post Employment Benefits - Pensions

#### Teaching Staff

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

#### Former NHS Staff

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

#### Other Staff

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

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

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

- Quoted securities – bid price
- Unquoted securities – professional estimate
- 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.

## 5.14 Professional and Other Support Services

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

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

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

## 5.15 Private Finance Initiatives (PFI)

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

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

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

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

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

## 5.16 Group Accounts

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

## 5.17 Cash and Cash Equivalents

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

## 5.18 Contingent Liabilities

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

## 5.19 Contingent Assets

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

## 5.20 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.



## **5.21 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.