



# **Coventry City Council's 2016-2017 Statement of Accounts**

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

<b>1</b>	<b>An Overview of the Council's Performance .....</b>	<b>4</b>	3.15	Heritage Assets .....	48
1.1	Introduction .....	4	3.16	Non-Operational Assets .....	50
1.2	Narrative Report .....	4	3.17	Capital Expenditure and Capital Financing .....	52
1.3	Statement of Responsibilities .....	13	3.18	Revaluation of Property, Plant and Equipment .....	53
1.4	Annual Governance Statement .....	14	3.19	Capital Commitments .....	54
<b>2</b>	<b>Main Financial Statements .....</b>	<b>21</b>	3.20	Long Term Investments .....	55
2.1	Overview of Main Financial Statements .....	21	3.21	Long Term Debtors .....	56
2.2	Comprehensive Income & Expenditure Statement .....	22	3.22	Short Term Debtors .....	57
2.3	Movement in Reserves Statement .....	23	3.23	Short Term Creditors .....	57
2.4	Balance Sheet .....	25	3.24	Provisions .....	58
2.5	Cash Flow Statement .....	26	3.25	Other Funds .....	59
<b>3</b>	<b>Notes to the Main Financial Statements .....</b>	<b>27</b>	3.26	Notes to the Cash Flow .....	60
3.1	Expenditure and Funding Analysis .....	27	3.27	Private Finance Initiative (PFI) .....	62
3.2	Note to the Expenditure and Funding Analysis .....	28	3.28	Leases .....	66
3.3	Revenue Outturn .....	29	3.29	Pension Costs .....	69
3.4	Segmental Analysis .....	30	3.30	Retirement Benefits .....	70
3.5	Income and Expenditure Analysis .....	31	3.31	Officers' Remuneration (including exit packages) .....	75
3.6	Analysis of Capital Grants .....	32	3.32	Members' Allowances .....	77
3.7	Analysis of Revenue Grants .....	33	3.33	Financial Instruments .....	78
3.8	Deployment of Dedicated Schools Grant .....	34	3.34	Associated Company Interests & Holdings .....	84
3.9	Related Party Transactions .....	36	3.35	Prior Period Restatements .....	86
3.10	Pooled Budgets .....	38	3.36	Events after the Balance Sheet Date .....	88
3.11	Audit Note .....	40	3.37	Contingent Liabilities and Assets .....	88
3.12	Usable and Unusable Reserves .....	41	3.38	Collection Fund .....	90
3.13	Adjustments between Accounting Basis & Funding Basis under Regulations .....	44	<b>4</b>	<b>Additional Financial Statements - Group Accounts .....</b>	<b>93</b>
3.14	Property, Plant and Equipment .....	45	4.1	Overview of Group Accounts .....	93
			4.2	Group Comprehensive Income and Expenditure Account .....	94

4.3	Group Movement in Reserves Statement.....	95
4.4	Group Balance Sheet.....	97
4.5	Group Cash Flow Statement.....	98
4.6	Reconciliation of Single Entity to Group Accounts.....	98
4.7	Group Companies Disclosure.....	100
4.8	Notes to the Group Balance Sheet.....	101
<b>5</b>	<b>Statement of Accounting Policies.....</b>	<b>102</b>
5.1	General.....	102
5.2	Significant Assumptions made in estimating Assets and Liabilities 102	
5.3	Significant Judgements Made Regarding Accounting Policies.....	102
5.4	Accounting standards issued, but not yet adopted.....	103
5.5	Changes in Accounting Policies.....	103
5.6	Accounting Policies – Categories.....	104
5.7	Accounting Policies.....	105
<b>6</b>	<b>Glossary of Terms.....</b>	<b>117</b>
<b>7</b>	<b>Audit Certificate.....</b>	<b>121</b>

# 1 An Overview of the Council's Performance

## 1.1 Introduction

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

## 1.2 Narrative Report

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

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

are generally worse than the England average based on measures such as life expectancy at birth and overall rates of school readiness.

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

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

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

strong links with manufacturing and business organisations.

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

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

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

## The Council's Operational Performance

The Council has previously announced its plans to promote the growth of a sustainable Coventry economy and improve the quality of life for Coventry people. In relation to this key information about the city and measures of the Council's overall performance are provided separately in the 2016/17 End of Year Performance Report due to be considered by the Council's Cabinet in August.

The Council has recently undergone an Ofsted (Office for Standards in Education, Children's Services and Skills) inspection. The outcome of the inspection has moved the Council from its previous "Inadequate" rating three years ago to one of "Requires Improvement". The Council has vowed to continue its journey to improve the services it provides to protect and support the most vulnerable children and young people in the city.

Other indicators show that Coventry's primary schools are better than average and that its

secondary schools, although below the national average, have achieved better Ofsted results this year. The Council has seen increased public satisfaction with the speed and quality of its highways repairs, although it has also seen a large increase in reported instances of fly-tipping. The city has been successful in areas such as attracting foreign investments and increasing evening footfall in the city centre over the past year but the productivity of the residential population (a broad measure of economic activity) has fallen during the same period.

Looking forward, there are a range of positive activities that indicate the city's ambitions and the Council has played a fundamental role in supporting the bid for UK City of Culture status and facilitating the Whitley South infrastructure scheme to support Jaguar's expansion plans. Other City Council led or supported developments include the near completion of the Council's new Friargate administrative offices, the start of work on a new leisure and swimming facility,

regeneration of the 'City Centre South' area of the city and redevelopment of Coventry Railway Station through the Coventry Station Masterplan. The Council is also in the early stages of progressing a Strategic Transport Investment Programme which will see massive investment in the city's road and transport infrastructure over the coming years.

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

## The Council's Financial Performance – Revenue

In February 2016, the Council set an overall budget for its revenue expenditure of £693m. 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 3.7 *Analysis of Revenue Grants*.

	<b>Budget</b>
	<b>£m</b>
Council Tax	(110.8)
Local Business Rates	(58.4)
General Government Grant	(64.1)
Specific Government Grants	(380.2)
Fees and Charges	(79.1)
<b>Total Funding</b>	<b>(692.6)</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, representing a net budget of £233m. Using this measure the Council overspent its budget for 2016/17 by £0.7m as set out in the table to the right and set out more fully in note 3.3 *Revenue Outturn*.

The Council changed its management structure in February 2017 moving to a structure with two main service directorates. The functions of the previous Resources Directorate have been absorbed across the remaining People and Place directorates. However, these accounts have been prepared to reflect the previous structure that existed for the majority of the year. Within 2016/17 the two main areas of budgetary overspend were social care services for adults and older people (£3.4m) and social care services for children (£3.5m), both within the People Directorate. The main causes of budgetary pressure were common to both areas, inability to achieve budgetary savings that had been assumed previously, higher numbers of service users and higher costs of individual care packages.

In adults' social care, service pressures have been experienced by other councils across the country and the Government has taken steps to try and manage the costs. Councils have been allowed to increase Council Tax by an additional 3% for 2017/18 to pay specifically for social care

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

services, a specific 2017/18 Adult Social Care grant has been made available and further amounts were allocated in the 2017 Spring Budget. Together, these resources should enable the Council to balance its adult social care budgets in 2017/18.

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

Other Council services spent less than budget, in particular in relation to the interest on and

repayment of outstanding debt resulting from capital scheme delays.

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

## **The Council's Financial Performance – Capital**

The Council had set a Capital Programme budget of £117m for the year. Final expenditure was £72m and the schemes that have made slower progress than expected in 2016/17 are now expecting to spend the relevant sums in later years. Virtually all of this expenditure has been funded from external grants, as set out in note 3.17 *Capital Expenditure and Capital Financing*. The most significant scheme undertaken in the year was the Council's new administrative office building and its surroundings within the Friargate Business District, with continued significant

### **Reserve Balances**

The total level of reserves owned and controlled by the Council to support its revenue spending activities has gone down by £5m in 2016/17 and now stands at £48m. A further £23m of reserve balances either belong to or have been set aside to support the city's schools, a decrease of £3m in the year. These are not available for the Council to use for other purposes. In addition, there has been an increase of £18m in capital resources for one-off capital schemes. The underlying level of reserves has been subject to a

investment into the city's Highways and Public Realm infrastructure representing the next largest area of expenditure.

As part of its overall financial plans, the Council had set itself targets for the achievement of capital receipts from the sale of assets. This, and the use of external grants (rather than receipts) to fund 2016/17 capital expenditure has enabled the Council to carry forward capital resources to fund future expenditure plans. This is set out in note 3.12 on reserves.

review undertaken by the Council's Finance and Corporate Services Scrutiny Board in the year to gain assurance that reserves were held at appropriate levels and for justifiable purposes.

The revenue reserves are held for a number of reasons. Several of the largest balances relate to: £8m held to help the Council to restructure its workforce so that it can balance future budgets; £11m set aside to deliver the Council's long-term Private Finance Initiative specific projects and

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

£4m set aside to manage specific risks relating to insurance claims and Business Rates appeals.

Given the financial challenges facing the Council and its position compared with the rest of local government, the evidence is that the Council does not hold excessive reserves. Those that it does maintain have been set aside for specific purposes and further detail is set out in note 3.12 *Usable and Unusable Reserves*.

## **Other Issues within the Accounts**

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

The Council's Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the authority. This is summarised in the table to the right and set out in full in section 2.4. The Council's property assets represent £664m or 63% of the Long Term Assets figure. Its pension liabilities are 62% of its Long-Term Liabilities.

Note 5.3 *Significant Judgements Made Regarding Accounting Policies* captures any areas within the accounts that have a significant risk of material adjustment within the next financial year. The sections below give an indication of the complexity and volatility of both pensions and asset accounting and demonstrate why the Council has included these as the two areas within this categorisation.

## **Pensions Accounting**

The Council's pension deficit represents the most striking single factor within these accounts as it does for many other local authorities. The balance sheet shows a shortfall of £613m between the current value of amounts paid into the pension fund and the forecast cost of pensions that will need to be paid out in future. This is £60m higher than the deficit recorded in

the 2015/16 accounts and when compared with the total value of everything the Council owns (£) the overall pension deficit remains a significant matter for consideration.

There are a number of contributory reasons for increases in local government pension deficits over recent years. The two main factors are that

people are living longer and that changes in financial conditions have led to reductions in the pensions discount rate. Both of these increase the estimated future costs of pensions. The overall position on pensions has required increases in Local Government Pension Scheme pension contributions from employers and employees nationally. Coventry City Council has

<b>Balance Sheet Category</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>
Long-Term Assets	1,070	1,046
Net-Current Assets (Current Assets less Current Liabilities)	87	107
Long-Term Liabilities	(936)	(990)
<b>Net Assets</b>	<b>221</b>	<b>163</b>
Represented By Useable Reserves	(95)	(104)
Represented By Non-Useable Reserves	(125)	(59)



made year-on-year increases in employer pension contributions since 2014/15 and these have been looked at again as part of the latest three yearly review of the pension scheme that has just concluded. Although these increases

### **Asset and Asset Valuations**

The Council's assets (its land, property, vehicles and heritage assets) are assessed on a regular basis to ensure that their value is reflected accurately in the accounts. The land and property valuations in particular are always subject to the external economic climate and in some previous years wider financial uncertainty has caused some downward pressure on these values. However, more stable economic conditions in recent years have meant significantly less

### **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

### **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

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.

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

A total of five schools transferred to academy status in 2016/17. The day to day costs and funding of the schools are included up to the day

expressed about whether some local authorities will be able to deliver their full range of service commitments given the financial pressures they face. In the opinion of the Director of Finance and Corporate Services, Coventry City Council remains in a sound financial position taking into account its medium term financial plans, the

integration of services and resources. The Council has spent £32m in this area as part of an overall pooled budget of £56m. These arrangements will become increasingly important

The detailed effects of pensions' accounting for the local government and teachers' unfunded pension schemes are shown in notes 3.30 *Retirement Benefits* and 3.31 *Officers' Remuneration (including exit packages)*.

on which they transferred. Their budget shares of £12m will not be included in the Council's accounts in future and £27m of asset value has been removed from the Council's accounts in the year. This forms the majority of the £47m de-recognition within note *Property, Plant & Equipment and Non-Operational Assets Summary*.

statutory position held by local authorities and the relative strength of its sources of revenue. On this basis the Council remains a going concern.

in future years as the government channels more and more funding through this mechanism. The overall pooled budget relationship is set out in note 3.10.

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

The Council received a request in February 2016 for mandatory Business Rates relief for University Hospital, replicating similar claims made across the country. If the relief is granted this would represent a significant on-going impact on the Council's Business Rates revenue as well as representing a risk that the appeal could be back-

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



### **Arena Coventry Limited (ACL)**

A Judicial Review (JR1) into the original decision by the Council to make a loan to ACL, which was repaid in 2015/16, found in the Council's favour in June 2014. The Court of Appeal gave permission in July 2015 for the original ruling to be appealed and this took place in February 2016. On 13th May 2016, appeal court judges announced their decision, rejecting the appeal and ordering the complainants to pay the Council's legal costs around the hearing. In December 2016 the Supreme Court refused permission for an appeal on the Court of Appeal's decision.

Following the successful conclusion of JR1 the Council has received notification of a Judicial Review claim (JR2) relating to the sale of the Council's shares in ACL and the lease extension on the Ricoh Arena to London Wasps Holdings Ltd. The Council's view is that it has acted lawfully in all respects and it will continue to strongly defend any further claim. A contingent liability has been recorded separately in note 3.37



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

Changes to accounting policies affecting the 2016/17 accounts are covered in section 5.5. The key difference this year relates to changes in the presentation of several key statements. The segmental analysis in the Comprehensive Income and Expenditure Statement is now based on the

Council's management structure rather than Service Reporting Code of Practice.

The Council had previously expected a change to the way in which we account for our highways assets which would have seen these added to the

net worth of the Council's Balance Sheet. However, the accounting authorities have decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities so this change will not now occur.

## Future Plans

The Council's key priorities incorporate a need for the city to become more prosperous and for the Council to lead the drive for economic growth and stimulate the local economy. The Council has been progressing its plans to regenerate the city for several years including the planned Friargate business district next to Coventry railway station. The first stage of this is represented by construction of the Council's new administrative centre building which is nearing completion and will be occupied by Council staff during 2017/18 and those of the Financial Ombudsman Service which is re-locating part of its operations from London to Coventry. It has always been the Council's intention that this will kick-start wider development of the area, and work has begun on the construction phase of the city's new swimming and leisure facility. These are two tangible signs of the action that the Council is taking to improve the attractiveness of Coventry as a destination for people to live, work and do business.

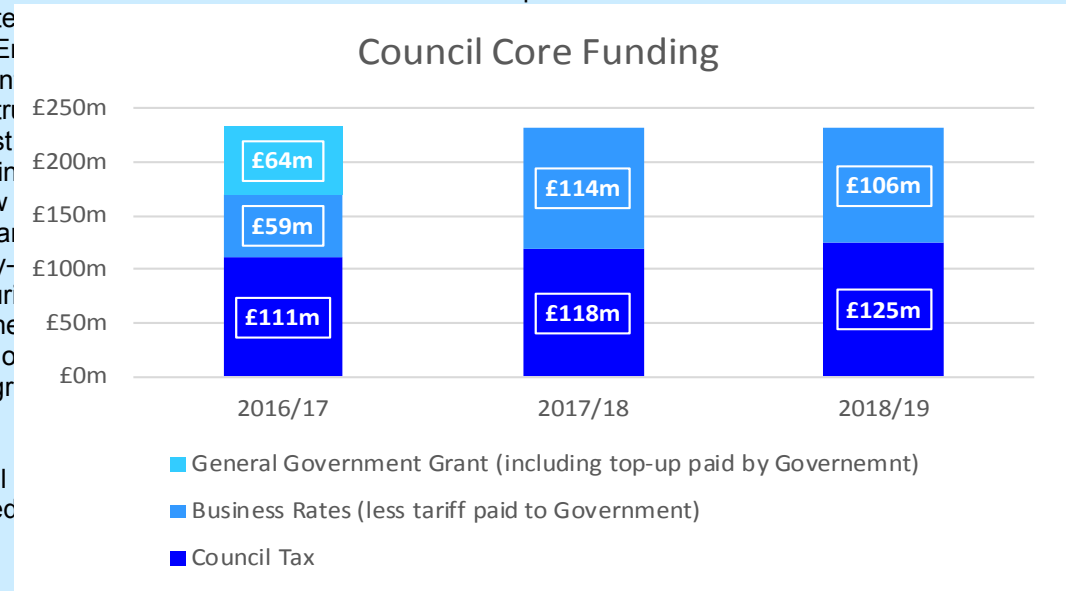
Within 2016/17 the Council formally joined the West Midlands Combined Authority (WMCA) alongside the other six West Midlands councils. The purpose of the WMCA is to draw together strategic work across transport, economic development, employment and skills, improving outcomes for the region. The WMCA has established a Devolution Deal which represents a funding package totalling £8bn to deliver major projects across the West Midlands. These will affect some of the financial arrangements of the member authorities such as the inclusion of schemes within individual authorities' capital programmes. The 2016/17 accounts include £4.9m of capital spend in relation to Devolution Deal related schemes and £0.2m of on-going

costs related to the Council's membership of the WMCA in 2016/17.

The Council, supported by Warwickshire Local Enterprise Partnership, helped to secure grant funding for the Whitley South Infrastructure project, one of the City's most significant regeneration projects. The project will help Jaguar Land Rover, in Coventry, to expand its city and open up new opportunities for local manufacturers and businesses in the supply chain, creating highly-advanced manufacturing jobs. The project is a demonstration of the operation of a range of regeneration schemes to generate economic growth within Coventry.

Coventry's general fund and Government have received

and the Council's medium term financial plans include projections based on this trend. However, it is anticipated that these reductions will be



*Date*, the government will need to make a decision on whether to continue with the devolution and financing plans for local government.

The balance of revenue resources and a need to manage spending pressures has meant that the achievement of savings programmes and the identification of ways in which the Council can balance future budgets remains a key focus in the future. The fundamental way in which the Council has been able to balance its budget in recent years has been through a reduction in its workforce. The Council's non-schools workforce now stands at less than 5,500 individuals, a reduction of more than 2,000 from the equivalent figure in 2010. This reduction has been required by the financial position facing the Council over this period and plans continue to be made for this trend to continue for the next few years as the Council seeks to manage with lower levels of resources.

As indicated above, the Council's pension arrangements have been assessed during 2016/17 as part of the latest regular three yearly review. This has resulted in an increase in the pension contributions from 25.9% to 27.3% that it is obliged to make to the West Midlands Pension Fund from 2017/18 onwards. This increase was below the level that the Council had planned for

but should still enable the Council to reduce its pension deficit position over the long-term. For 2017/18 an upfront payment of £93m has been made to cover the Council's contributions for the next three years although in accounting terms the payments will be allocated across the whole period. This is a discounted amount that will enable the Council to reduce the total amount of its pension contributions.

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

In 2016/17, the Council was subject to national arrangements within which it retained 50% of the Business Rates that it collected. The previous

Government had planned to move to a 100% Business Rates retention scheme although this is now subject to considerable doubt with regard to future legislative arrangements. However, as an interim measure the Council is participating in a 100% Business Rates Retention Pilot scheme, one of a number around the country. The Council awaits further notification on these matters.

The Pilot is a significant change for the Council, emphasising the need to sustain a successful local economy and a healthy local Business Rates base. A no detriment clause will provide some protection for the Council's financial position for as long as the Pilot is in existence and the scheme will help to provide a guide as to how an equivalent national scheme could impact on the Council's financial position in the future. If they proceed these changes promise to deliver greater autonomy to local government but they also represent significant risks. It will be important that a degree of resource equalisation is maintained to protect services in more deprived areas of the country and care will also need to be taken to ensure that transfers of responsibility for funding services can be managed within the new resources made available. Until the details of these developments are worked through for the period from 2019/20 it is impossible to have any clarity on their impact.

## 1.3 Statement of Responsibilities

### **Coventry City Council's Responsibilities**

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

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

### **The Director of Finance and Corporate Services' Responsibilities**

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice on Local Authority Accounting;

The Director of Finance and Corporate Services has also:

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

### **Certification of the Accounts**

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

Barry Hastie, CPFA  
Director of Finance and Corporate Services  
11<sup>th</sup> September 2017

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council on 11<sup>th</sup> September 2017

CIlr Susha Bains  
Chair of Audit and Procurement Committee  
11<sup>th</sup> September 2017

## 1.4 Annual Governance Statement

### **Scope of responsibility**

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

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

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

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

### **The purpose of the governance framework**

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of

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

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

### **The governance framework**

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

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

Coventry's Council Plan was adopted in January 2014 and last updated in August 2016. The plan, called "Coventry: A Top Ten City", sets out the Council's long term vision and priorities for the city for the next ten years. To deliver the vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active communities and empowered citizens. The Council Plan is part of the Council's performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way.

Throughout this process, clear channels of communication exist with all sections of the community and other stakeholders, to ensure the Council considers local needs and communicates both expected and actual outcomes

for citizens and service users. This is evidenced through the Council's formal decision-making and performance management processes.

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

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

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

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

The Council has an equal opportunities policy which is available on our website at: [http://www.coventry.gov.uk/downloads/file/6999/equal\\_opportunities\\_policy](http://www.coventry.gov.uk/downloads/file/6999/equal_opportunities_policy) This sets out the Council's commitment to a diverse community and equal opportunity to contribute and benefit from society. The policy is implemented

through setting equality objectives linked to the Council Plan. : [Equality objectives | Equality and diversity | Coventry City Council](#)

Progress is monitored and reported to Cabinet Member. The latest progress reports can be found here: [Equality objectives | Equality and diversity | Coventry City Council](#). In addition, the Council carries out Equality and Consultation Analysis on all key decisions taken by Cabinet or Cabinet Member.

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

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

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

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

Resources. This assessment concluded that the Authority met the five principles in the CIPFA Statement, namely:

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

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

The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31st March 2017:

- Coventry and Solihull Waste Disposal Company is owned jointly by Coventry City and Solihull Metropolitan Borough Councils. A formal agreement sets out the operating arrangements between Coventry and Solihull. The Company is subject to the Waste Incineration Directive and the conditions of its Integrated Pollution Prevention and Control License issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2016, did not highlight any significant concerns. The Company redeemed the remaining £4.4m of preference shares held by Coventry City and Solihull Metropolitan Borough Councils in 2015/16.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. Two of the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2016. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although from 2017/18 it is engaged in providing business development services to the City Council.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. Two of the Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2016.



## **Review of effectiveness**

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

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

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

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

The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
- The work of the Internal Audit Service during 2016-17. The Service works to a risk based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Acting Chief Internal Auditor, should be considered when producing the Annual Governance Statement.

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



### **Significant governance issues**

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

<b>Governance issue</b>	<b>Actions taken / proposed to take</b>
Sustainable improvement in children's services	Building on the recent progress in Children's Services identified by Ofsted during the inspection of Children's Services in March 2017, continue to focus on securing long term sustainable improvement in Children's Services. For the immediate future this will continue to be overseen by an Improvement Board and Independent Chair.
Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy	<p>This is underpinned by the delivery of significant financial savings from new and existing strategies. The Council is part-way through delivering this stage of transformation which will be fundamental to enabling the Council to achieve the projected balanced medium term financial position set out in the 2017/18 Budget Report.</p> <p>A full meeting of the Council approves the Medium Term Financial Strategy and sets the revenue and capital Budgets each year. Members will receive regular briefings prior to them making Budget decisions. Delivery of the budget is monitored on a regular basis by the Council's Cabinet and its Audit and Procurement Committee.</p>
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	<p>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.</p> <p>The Kickstart programme, which is overseen by a Kickstart Board, is creating the enabling environment for new ways of working and culture change within the Council, leading to a more agile, digitally enabled, modern organisation which is able to deal more effectively with demand changes and service transformation.</p> <p>Kickstart and customer journey savings targets are contributing towards the Council's Medium Term Financial Strategy.</p>

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

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

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

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 Main Financial Statements

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

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

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

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

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

statutory General Fund Balance movements in the year following these adjustments. Changes have been made to improve and simplify the presentation to the Movement in Reserves Statement in accordance with recommendations in the Code of Practice. In particular the statement no longer includes separate lines for 'Surplus or Deficit on the Provision of Services' movements nor 'Other Comprehensive Income and Expenditure' movements. In addition the General Fund Balance now includes all usable revenue reserves, both earmarked and uncommitted and there is no longer a line showing movements in earmarked reserves. Details of the movements in useable revenue reserves are provided within section 3.13.

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

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

losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement of Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

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

## 2.2 Comprehensive Income & Expenditure Statement

2015/16			2016/17			
Gross Expenditure *restated £000	Gross Income *restated £000	Net Expenditure *restated £000	Directorates	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
458,997	(284,299)	174,698	People Directorate	463,500	(272,244)	191,256
151,232	(34,068)	117,164	Place Directorate**	120,811	(35,420)	85,391
148,914	(135,776)	13,138	Resources Directorate	152,768	(131,938)	20,830
1,467	(103)	1,364	Chief Executive's Directorate	1,185	(91)	1,094
723	(22,389)	(21,666)	Contingency & Central Budgets***	11,620	(17,304)	(5,684)
<b>761,333</b>	<b>(476,635)</b>	<b>284,698</b>	<b>Cost of Services</b>	<b>749,884</b>	<b>(456,997)</b>	<b>292,887</b>
		20,510	(Profit) / Loss on Disposal of Fixed Assets****			27,176
		15,656	Levy Payments to Other Bodies			15,090
		4	Contribution of Housing Capital Receipts to Government Pool			0
		5	Precepts of Local Precepting Authorities			29
		<b>36,175</b>	<b>Other Operating Expenditure</b>			<b>42,295</b>
		21,018	Interest Payable and Similar Charges			21,927
		(2,288)	External Investment Income			(2,177)
		17,963	Net interest on the net defined benefit liability (see section 3.30)			18,362
		(16,596)	Commercial Property Income			(15,832)
		5,731	Commercial Property Expenditure			5,460
		(6,779)	Dividends and Interest Receivable			(5,764)
		<b>19,049</b>	<b>Finance and Investment Income and Expenditure</b>			<b>21,976</b>
		(106,832)	Council Tax			(115,932)
		(58,247)	Retained Business Rates			(60,400)
		(16,311)	Business Rates Top-up			(16,735)
		(61,851)	Revenue Support Grant			(47,626)
		(10,623)	General Government Grants			(10,694)
		(78,656)	Capital Grants (section 3.6)			(74,473)
		<b>(332,520)</b>	<b>Taxations and Non-Specific Grant Income</b>			<b>(325,860)</b>
		<b>7,402</b>	<b>(Surplus)/Deficit on the Provision of Services</b>			<b>31,298</b>
		2,294	(Surplus)/Deficit on revaluation of non current assets			(16,438)
		(832)	(Surplus)/Deficit on revaluation of available for sale financial assets			(9,317)
		(38,928)	Remeasurement of the net defined benefit liability (section 3.30)			52,203
		<b>(37,466)</b>	<b>Sub-total of Other Comprehensive Income &amp; Expenditure</b>			<b>26,448</b>
		<b>(30,064)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>57,746</b>

\*The format of this statement has changed from that used in previous years. The reasons for this change are provided in section 5.5. As a result the figures within the 'Cost of Services' section for 2015/16 have been restated. Details of this restatement are provided in section 3.35.

\*\* The reduction in the gross expenditure for the Place Directorate is due mostly to changes in the level of capital charges, particularly derecognition, between the two years.

\*\*\* The increase in the gross expenditure for Contingency and Central Budgets is due mostly to a significant upward revaluation of investment properties that occurred in 2015/16.

\*\*\*\* The 2016/17 'Loss on Disposal of Fixed Assets' includes £26,633k of derecognition as a result of schools transferring to academy status during the year. The equivalent figure for 2015/16 was £20,287k.

## 2.3 Movement in Reserves Statement

### Usable Reserves and Overall Position 2016/17

	General Fund Balance	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>31st March 2016</b>	<b>(82,985)</b>	<b>(5,736)</b>	<b>(6,660)</b>	<b>(95,381)</b>	<b>(125,485)</b>	<b>(220,866)</b>
Total Comprehensive Income and Expenditure	31,298	0	0	31,298	26,448	57,746
Adjustments between Accounting Basis and Funding Basis under Regulations	(22,278)	(4,001)	(13,829)	(40,108)	40,108	0
<b>Net (Increase)/ Decrease</b>	<b>9,020</b>	<b>(4,001)</b>	<b>(13,829)</b>	<b>(8,810)</b>	<b>66,556</b>	<b>57,746</b>
<b>31st March 2017</b>	<b>(73,965)</b>	<b>(9,737)</b>	<b>(20,489)</b>	<b>(104,191)</b>	<b>(58,929)</b>	<b>(163,120)</b>

### Unusable Reserves 2016/17

	Capital Adjustment Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<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>
Total Comprehensive Income and Expenditure	0	(16,438)	0	0	0	52,203	0	(9,317)	26,448
Adjustments between Accounting Basis and Funding Basis under Regulations	15,646	24,303	(4,959)	(103)	(2,960)	7,481	746	(46)	40,108
<b>Net (Increase)/ Decrease</b>	<b>15,646</b>	<b>7,865</b>	<b>(4,959)</b>	<b>(103)</b>	<b>(2,960)</b>	<b>59,684</b>	<b>746</b>	<b>(9,363)</b>	<b>66,556</b>
<b>31st March 2017</b>	<b>(417,539)</b>	<b>(169,486)</b>	<b>(10,830)</b>	<b>1,777</b>	<b>(9,198)</b>	<b>613,236</b>	<b>4,121</b>	<b>(71,010)</b>	<b>(58,929)</b>

Note 3.12 presents further details of the movements in usable and unusable reserves.

### Usable Reserves and Overall Position 2015/16 Comparatives.

	General Fund Balance	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>31st March 2015</b>	<b>(84,215)</b>	<b>(384)</b>	<b>0</b>	<b>(84,599)</b>	<b>(106,203)</b>	<b>(190,802)</b>
Total Comprehensive Income and Expenditure	7,402	0	0	7,402	(37,466)	(30,064)
Adjustments between Accounting Basis and Funding Basis under Regulations	(6,172)	(5,352)	(6,660)	(18,184)	18,184	0
<b>Net (Increase)/ Decrease</b>	<b>1,230</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>(82,985)</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 Comparatives

	Capital Adjustment Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<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>
Total Comprehensive Income and Expenditure	0	2,294	0	0	0	(38,928)	0	(832)	(37,466)
Adjustments between Accounting Basis and Funding Basis under Regulations	12,781	9,810	(5,871)	(104)	(2,902)	6,391	(1,921)	0	18,184
<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>



## 2.4 Balance Sheet

31st March 2016	Balance Sheet	31st March 2017	Section Ref.
£000		£000	
783,468	Property, Plant and Equipment	748,084	3.14
25,893	Heritage Assets	25,893	3.15
161,771	Investment Property	163,877	3.16
78,514	Long Term Investments	87,391	3.20
20,199	Long Term Debtors	20,452	3.21
<b>1,069,845</b>	<b>Long Term Assets</b>	<b>1,045,697</b>	
79,123	Short Term Investments	120,001	3.33
480	Inventories	249	
63,330	Short Term Debtors	48,289	3.22
17,650	Cash and Cash Equivalents	17,169	2.5
2,458	Assets held for Sale	5,008	3.16
<b>163,041</b>	<b>Current Assets</b>	<b>190,716</b>	
(6,797)	Short Term Borrowing	(13,560)	3.33
(67,588)	Short Term Creditors	(68,183)	3.23
(2,066)	Short Term Provisions	(1,698)	3.24
<b>(76,451)</b>	<b>Current Liabilities</b>	<b>(83,441)</b>	
(8,882)	Long Term Provisions	(8,684)	3.24
(369,586)	Long Term Borrowing	(359,545)	3.33
(553,552)	Net Pension Liability	(613,236)	3.30
0	Donated Assets Account	(1,104)	3.27
(3,549)	Capital Grants Receipts in Advance	(4,605)	3.6
0	Other Long Term Liabilities	(2,678)	3.25
<b>(935,569)</b>	<b>Long Term Liabilities</b>	<b>(989,852)</b>	
<b>220,866</b>	<b>Net Assets</b>	<b>163,120</b>	
(95,381)	Usable Reserves	(104,191)	2.3
(125,485)	Unusable Reserves	(58,929)	2.3
<b>(220,866)</b>	<b>Total Reserves</b>	<b>(163,120)</b>	

The unaudited accounts were authorised for issue on 26<sup>th</sup> May 2017 and the audited accounts were authorised for issue on the 11<sup>th</sup> September 2017.

## 2.5 Cash Flow Statement

2015/16			2016/17	
		<b>Cash Flow Statement</b>		
£000's	£000's		£000's	£000's
7,402		Net (Surplus) or Deficit on the Provision of Services	31,298	
(53,282)		Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(122,782)	
51,299		Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	54,214	
	<b>5,419</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(37,270)</b>
	(10,143)	Investing Activities		(10,628)
	(2,706)	Financing Activities		48,379
	<b>(7,430)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>481</b>
	(10,220)	Cash and Cash Equivalents at the Beginning of the Reporting Period (Asset)/Liability		(17,650)
	(17,650)	Cash and Cash Equivalents at the End of the Reporting Period (Asset)/Liability		(17,169)

Section 3.26 presents an analysis of the amounts included in the provision of services for non-cash movements and items included in investing and financing activities.

### 3 Notes to the Main Financial Statements

#### 3.1 Expenditure and Funding Analysis

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

2015/16			2016/17			
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Directorate Analysis	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
165,758	8,940	174,698	People Directorate	171,601	19,655	191,256
35,823	81,341	117,164	Place Directorate	39,899	45,492	85,391
11,077	2,061	13,138	Resources Directorate	11,750	9,080	20,830
1,364	0	1,364	Chief Executive's Directorate	1,094	0	1,094
3,460	(25,126)	(21,666)	Contingency & Central Budgets	14,471	(20,155)	(5,684)
<b>217,482</b>	<b>67,216</b>	<b>284,698</b>	<b>Net Cost of Services</b>	<b>238,815</b>	<b>54,072</b>	<b>292,887</b>
(216,252)	(61,044)	(277,296)	Other Income and Expenditure	(229,795)	(31,794)	(261,589)
<b>1,230</b>	<b>6,172</b>	<b>7,402</b>	<b>Surplus or Deficit</b>	<b>9,020</b>	<b>22,278</b>	<b>31,298</b>
(84,215)			Opening General Fund	(82,985)		
1,230			Plus Surplus/(Deficit) on General Fund	9,020		
<b>(82,985)</b>			<b>Closing General Fund at 31 March</b>	<b>(73,965)</b>		

## 3.2 Note to the Expenditure and Funding Analysis

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

2015/16					2016/17				
Adjustment for Capital Purposes (Note 1) £000	Net Changes for the Pension Adjustment (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000	Directorate Analysis	Adjustment for Capital Purposes (Note 1) £000	Net Changes for the Pension Adjustment (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000	
8,940	0	0	8,940	People Directorate	19,655	0	0	19,655	
81,341	0	0	81,341	Place Directorate	45,492	0	0	45,492	
2,061	0	0	2,061	Resources Directorate	9,080	0	0	9,080	
0	0	0	0	Chief Executive's Directorate	0	0	0	0	
(29,263)	6,391	(2,254)	(25,126)	Contingency & Central Budgets	(9,636)	7,481	463	(1,692)	
<b>63,079</b>	<b>6,391</b>	<b>(2,254)</b>	<b>67,216</b>	<b>Net Cost of Services</b>	<b>64,591</b>	<b>7,481</b>	<b>463</b>	<b>72,535</b>	
(58,142)	0	(2,902)	(61,044)	Other Income and Expenditure	(47,297)	0	(2,960)	(50,257)	
<b>4,937</b>	<b>6,391</b>	<b>(5,156)</b>	<b>6,172</b>	<b>Surplus or Deficit</b>	<b>17,294</b>	<b>7,481</b>	<b>(2,497)</b>	<b>22,278</b>	

Note 1: Adjustments for Capital Purposes – This column adds in depreciation and impairment and revaluation gain and losses on the services line, and includes adjustments for the following:  
Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.  
Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Capital grant income and expenditure - these are adjusted for income not chargeable under generally accepted accounting practices  
Note 2: Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

Note 3: Other differences between amounts debited/credited to the Comprehensive Income

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

### 3.3 Revenue Outturn

The following tables provide a reconciliation between the revenue outturn position reported to management and the first column of the Expenditure and Funding Analysis tables in section 3.1.

2016/17	Net Expenditure Chargeable to the General Fund	Adjustment for elements within the Provision of Service that are not included in the Cost of Services	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position	Budget	Overspend/ (Underspend)
	£000	£000	£000	£000	£000	£000
People Directorate	171,601	2,346	(1,520)	<b>172,427</b>	166,029	6,398
Place Directorate	39,899	(6,232)	(163)	<b>33,504</b>	33,548	(44)
Resources Directorate	11,750	(514)	(568)	<b>10,668</b>	11,366	(698)
Chief Executive Directorate	1,094	0	0	<b>1,094</b>	1,117	(23)
Contingency & Central Budgets	14,471	7,986	(6,080)	<b>16,377</b>	21,321	(4,944)
<b>Net Cost of Services</b>	<b>238,815</b>	<b>3,586</b>	<b>(8,331)</b>	<b>234,070</b>	<b>233,381</b>	<b>689</b>
Other Income and Expenditure	(229,795)	(3,586)	0	<b>(233,381)</b>	(233,381)	0
<b>Surplus or Deficit</b>	<b>9,020</b>	<b>0</b>	<b>(8,331)</b>	<b>689</b>	<b>0</b>	<b>689</b>

2015/16	Net Expenditure Chargeable to the General Fund	Adjustment for elements within the Provision of Service that are not included in the Cost of Services	Contributions to/(from) revenue earmarked reserves	Revenue Outturn Position	Budget	Overspend/ (Underspend)
	£000	£000	£000	£000	£000	£000
People Directorate	165,758	2,059	104	<b>167,921</b>	162,480	5,441
Place Directorate	35,823	(5,627)	(619)	<b>29,577</b>	29,494	83
Resources Directorate	11,077	381	(2,681)	<b>8,777</b>	10,137	(1,360)
Chief Executive Directorate	1,364	226	(10)	<b>1,580</b>	1,639	(59)
Contingency & Central Budgets	3,460	25,066	3,313	<b>31,839</b>	34,607	(2,768)
<b>Net Cost of Services</b>	<b>217,482</b>	<b>22,105</b>	<b>107</b>	<b>239,694</b>	<b>238,357</b>	<b>1,337</b>
Other Income and Expenditure	(216,252)	(22,105)	0	<b>(238,357)</b>	(238,357)	0
<b>Surplus or Deficit</b>	<b>1,230</b>	<b>0</b>	<b>107</b>	<b>1,337</b>	<b>0</b>	<b>1,337</b>

### 3.4 Segmental Analysis

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

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

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

### 3.5 Income and Expenditure Analysis

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

Expenditure/ Income	31st March 2016 £000	31st March 2017 £000
<b>Income</b>		
Fees, charges and other service income	(171,801)	(161,311)
Interest and investment income	(23,806)	(22,194)
Income from council tax and non-domestic rates	(181,390)	(193,067)
Government grants and contributions	(549,761)	(520,322)
<b>Total Income</b>	<b>(926,758)</b>	<b>(896,894)</b>
<b>Expenditure</b>		
Employee benefits expenses	291,321	285,053
Other services expenses	442,560	438,342
Support service recharges	46,458	46,117
Depreciation, amortisation, impairment	78,665	76,096
Interest payments	38,981	40,289
Precept and levies	15,661	15,119
Payments to Housing Capital Receipts Pool	4	0
Gain on Disposal of Assets	20,510	27,176
<b>Total Expenditure</b>	<b>934,160</b>	<b>928,192</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>7,402</b>	<b>31,298</b>

### 3.6 Analysis of Capital Grants

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

\*The significant increase in the amount received from the Department of Business, Innovation & Skills is due to the receipt of grant to support the Whitley South infrastructure scheme.

The Capital Grant total of £70,472k is the amount of grant applied during 2016/17. This represents the total level of grant received of £74,473k net of £4,001k which has been transferred to the Capital Grants Unapplied Reserve (see section 2.3). In addition the Council's Balance Sheet (as at 31/03/2017) reflects Capital Grants received in advance of £4,605k.



### 3.7 Analysis of Revenue Grants

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

\* Section 3.8 identifies a total 2016/17 Dedicated Schools Grant (DSG) funded budget of £169,931k . This is £335k higher than the DSG figure shown in the table above, which includes additional elements retained by the Education Funding Agency in the year.

### 3.8 Deployment of Dedicated Schools Grant

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

the Schools Budget, as defined in the School Finance and Early Years (England) regulations 2015. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools

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

Details of the deployment of DSG receivable for 2016/17 are as follows:

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

#### Notes

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

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

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

D: Figure brought forward from 2015/16 should be as agreed with the Department. Details of the exercise to obtain this agreement were contained in the Financial Monitoring Team's e-mail circulated in May 2017.

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

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

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

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

I: Actual amount of central expenditure items in 2016/17- amounts not actually spent.

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

K: Any contribution from the local authority in 2016/17 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2017/18, ie:

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

## 3.9 Related Party Transactions

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

### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances is shown in note 3.34. During 2016/17, works and services to the value of £807,799 were commissioned from companies that 16 members had an interest in. Contracts were entered into in full compliance with the council's standing orders. In addition, the Council paid grants totalling £3,582,548 to voluntary organisations in which 11 members had an interest. In all instances, the grants were made with proper consideration to declarations of interest. Individual members' declarations of interest are available on the City Councils website. The sum of £1,304,668 was received from organisations with which 20 members declared an interest. There was a debtors balance of £93,666 with companies in which 13 members declared an interest; and a creditors balance of £589,638 in which 10 members declared an interest.

### **Senior Officers**

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

take part in any discussion, decision or administration relating to these payments.

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

In addition, during 2016/17, works and services to the value of £1,180,709 were commissioned from companies that 12 senior officers had an interest. Grants to the value of £351,344 were made to voluntary bodies in which 5 senior officers had an interest. Contracts were entered into in full compliance with the council's standing orders. In all instances, the payments were made with proper consideration to declarations of interest. The sum of £933,787 was received from organisations with which 9 senior officers declared an interest. There was a debtors balance of £92,700 with companies in which 6 senior officers declared an interest; and a creditors balance of £2,443,523 in which 3 senior officers declared an interest.

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

### **Central Government**

Central Government has significant influence over the general operations of the authority– it is responsible for providing the statutory framework

within which the authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the authority has with other parties. Details of the main transactions between the Council and Government departments are set out in the Comprehensive Income and Expenditure Statement (section 2.2).

### **Other Public Bodies**

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

- Pension payments are made to the West Midlands Metropolitan Authorities Pension Fund, the Teachers' Pension Agency and the NHS Business Service Authority. Further details of these payments are included in section 3.29.
- Precept payments are made to the West Midlands Crime and Police Commissioner and the West Midlands Fire Authority, and these are shown within the Collection fund Income and Expenditure Statement, see section 2.2.
- Levy payments are made to the West Midlands Combined Authority and to the Environment Agency. These are shown within the Income and Expenditure Statement, see details in section 2.2
- The authority has a pooled budget arrangement with Coventry and Rugby Clinical Commissioning group to operate a Better Care Fund (BCF). Transactions and balances are detailed in section 3.10.

### **Organisations Controlled or Significantly Influenced by the Council**

The Council has a combination of financial investment interests and/or group interest. Individual Members' declaration of interest forms are available on the City Council's website. The authority has interests in the following companies with which there is judged to be a related party relationship

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

CSWDC is a company set up by Coventry City Council and Solihull Metropolitan Borough Council for the disposal of waste arising from the two authorities. During the year, the Council made payments of £7,497,260 to the company for services received and in return provided services to the value of £108,250.

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

**Coventry North Regeneration Ltd (CNR)**

There remains a balance outstanding of £5,000 on the cash flow assistance loan provided by the City Council. During 2016/17 CNR placed a cash deposit of £2,700,000 with the City Council,

representing a cash receipt held on behalf of NCH. This was repaid to CNR including interest of £18,119 in March 2017. The company receives contributions from the City Council to cover its expenses. In 2016/17 the total was £3,632 of which £1,672 related to administrative services provided by the City Council.

**Culture Coventry Ltd**

Payment of £2,544,669 was made to Culture Coventry Trust on a long term arrangement for the provision of museum services on behalf of the authority. In addition, the authority provided services to the Trust totalling £44,743 of which £998 was unpaid as at 31st March 2017. The Trust is deemed to be influenced by the authority through its representation on the Trust Board.

## 3.10 Pooled Budgets

### **Better Care Fund**

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

The BCF agreement identified 8 separate work-streams. These work-streams, together with the respective contributions from the two partner organisations and an analysis of the expenditure made by the City Council, are outlined in the table below. The City Council's expenditure is analysed according to the nature of the resourcing and decision making involved.

Better Care Fund Workstreams	Coventry City Council	Coventry and Rugby CCG	Total	Coventry City Council Expenditure	Coventry City Council Expenditure	Coventry City Council Expenditure	Coventry City Council Expenditure
	Contribution	Contribution	Contribution	Internal <sup>1</sup>	Lead Commissioner <sup>2</sup>	Shared <sup>3</sup>	Total
	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	£000	£000	£000	£000	£000	£000	£000
Urgent Care	0	(6,456)	<b>(6,456)</b>	0	0	0	0
Long Term Care	(6,886)	(8,910)	<b>(15,796)</b>	2,437	6,769	0	<b>9,206</b>
Short Term Care	(3,039)	(6,265)	<b>(9,304)</b>	2,184	1,226	<b>861</b>	<b>4,271</b>
Dementia	(7,229)	(4,083)	<b>(11,312)</b>	7,229	0	0	<b>7,229</b>
Care Act Implementation	0	(863)	<b>(863)</b>	0	743	0	<b>743</b>
Disabled Facility Grants	(2,851)	0	<b>(2,851)</b>	2,071	0	0	<b>2,071</b>
Acceleration Fund	0	(2,046)	<b>(2,046)</b>	0	0	<b>971</b>	<b>971</b>
Protecting Social Care	0	(7,271)	<b>(7,271)</b>	0	7,271	0	<b>7,271</b>
<b>Total</b>	<b>(20,005)</b>	<b>(35,894)</b>	<b>(55,899)</b>	<b>13,921</b>	<b>16,009</b>	<b>1,832</b>	<b>31,762</b>

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

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

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

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

Better Care Fund Workstreams	Coventry	Coventry and	Total	Coventry	Coventry	Coventry	Coventry
	City Council	Rugby CCG		City Council	City Council	City Council	City Council
	Contribution	Contribution		Expenditure	Expenditure	Expenditure	Expenditure
	2015/16	2015/16		Internal 1	Lead	Shared 3	Total
£000	£000	£000	2015/16	Commissioner	2015/16	2015/16	
			£000	2	£000	£000	£000
Urgent Care	0	(6,294)	(6,294)	0	0	0	0
Long Term Care	(5,142)	(7,971)	(13,113)	1,743	7,300	0	9,043
Short Term Care	(3,260)	(6,058)	(9,318)	1,935	1,217	815	3,967
Dementia	(6,953)	(3,960)	(10,913)	6,953	0	0	6,953
Care Act Implementation	(311)	(844)	(1,155)	0	932	0	932
Disabled Facility Grants	(2,078)	0	(2,078)	2,078	0	0	2,078
Acceleration Fund	0	(2,000)	(2,000)	0	0	1,453	1,453
Protecting Social Care	0	(7,108)	(7,108)	0	7,108	0	7,108
<b>Total</b>	<b>(17,744)</b>	<b>(34,235)</b>	<b>(51,979)</b>	<b>12,709</b>	<b>16,557</b>	<b>2,268</b>	<b>31,534</b>

The following table provides details of the total contribution and expenditure made by the two partner organisations during 2016/17, with comparative information for the previous year.

(Surplus) / Deficit	Coventry	Coventry and	Total	Coventry	Coventry and	Total
	City Council	Rugby CCG		City Council	Rugby CCG	
	2016/17	2016/17		2015/16	2015/16	
	£000	£000	£000	£000	£000	£000
Contribution	(20,005)	(35,894)	(55,899)	(17,744)	(34,235)	(51,979)
Expenditure	31,762	22,504	54,266	31,534	19,921	51,455
<b>Net Position</b>	<b>11,757</b>	<b>(13,390)</b>	<b>(1,633)</b>	<b>13,790</b>	<b>(14,314)</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 2017 are outlined in the following table, together with the position as at 31<sup>st</sup> March 2016 for comparative purposes.

(Surplus) / Deficit	Coventry	Coventry and	Total	Coventry	Coventry and	Total
	City Council	Rugby CCG		City Council	Rugby CCG	
	31st March	31st March		31st March	31st March	
	2017	2017		2016	2016	
	£000	£000	£000	£000	£000	£000
Retained	(1,291)	(221)	(1,512)	227	(529)	(302)
Carried Forward	(121)	0	(121)	(222)	0	(222)
<b>Total</b>	<b>(1,412)</b>	<b>(221)</b>	<b>(1,633)</b>	<b>5</b>	<b>(529)</b>	<b>(524)</b>

### 3.11 Audit Note

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

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

*\*restated to give a consistent classification of fees*

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



### 3.12 Usable and Unusable Reserves

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

#### Usable Reserves

Usable Reserves	Balance at 31st March 2015 £000	Contributions from reserves 2015/16 £000	Contributions to reserves 2015/16 £000	Balance at 31st March 2016 £000	Contributions from reserves 2016/17 £000	Contributions to reserves 2016/17 £000	Balance at 31st March 2017 £000
<b>General Fund Balance - Uncommitted *</b>	<b>(5,160)</b>	<b>1,337</b>	<b>0</b>	<b>(3,823)</b>	<b>689</b>	<b>0</b>	<b>(3,134)</b>
<b>Earmarked Revenue Reserves:</b>							
Schools Reserves (specific to individual schools)	(18,050)	0	(1,933)	(19,983)	1,857	0	(18,126)
Schools Reserves (retained centrally)	(6,471)	2,119	(1,489)	(5,841)	2,361	(1,013)	(4,493)
<b>Total Schools Reserves</b>	<b>(24,521)</b>	<b>2,119</b>	<b>(3,422)</b>	<b>(25,824)</b>	<b>4,218</b>	<b>(1,013)</b>	<b>(22,619)</b>
Private Finance Initiatives	(11,061)	188	(898)	(11,771)	1,369	(906)	(11,308)
Potential Loss of Business Rates Income	(7,100)	4,430	0	(2,670)	700	0	(1,970)
Early Retirement and Voluntary Redundancy	(5,109)	2,379	(9,770)	(12,500)	4,239	0	(8,261)
Birmingham Airport Dividend	0	0	(4,400)	(4,400)	0	0	(4,400)
Children's Social Care	(3,000)	2,000	(1,000)	(2,000)	2,000	0	0
Leisure Development	(1,459)	1,096	(513)	(876)	811	(829)	(894)
Public Health	(1,402)	521	(156)	(1,037)	352	(55)	(740)
Health and Social Care Schemes	(1,417)	1,137	0	(280)	280	0	0
Vehicle Purchase Programme	(1,547)	3,094	(1,547)	0	0	0	0
Troubled Families	(710)	15	(6)	(701)	15	0	(686)
Insurance Fund	(2,912)	4,473	(3,963)	(2,402)	2,647	(2,031)	(1,786)
Management of Capital	(2,112)	5,443	(5,668)	(2,337)	904	(4,133)	(5,566)
Other Corporate **	(5,795)	4,602	(1,150)	(2,343)	1,692	(322)	(973)
Other Directorate	(6,432)	7,142	(7,630)	(6,920)	3,472	(5,377)	(8,825)
Other Directorate funded by Grant	(4,478)	2,847	(1,470)	(3,101)	1,603	(1,305)	(2,803)
<b>Revenue Earmarked Reserves (Non-School)</b>	<b>(54,534)</b>	<b>39,367</b>	<b>(38,171)</b>	<b>(53,338)</b>	<b>20,084</b>	<b>(14,958)</b>	<b>(48,212)</b>
<b>Total Revenue Earmarked Reserves</b>	<b>(79,055)</b>	<b>41,486</b>	<b>(41,593)</b>	<b>(79,162)</b>	<b>24,302</b>	<b>(15,971)</b>	<b>(70,831)</b>
<b>Other Usable Reserves:</b>							
Useable Capital Receipts Reserve	0	50,546	(57,206)	(6,660)	16,459	(30,288)	(20,489)
Capital Grant Unapplied Account	(384)	384	(5,736)	(5,736)	41,223	(45,224)	(9,737)
Total Other Usable Reserves	<b>(384)</b>	<b>50,930</b>	<b>(62,942)</b>	<b>(12,396)</b>	<b>57,682</b>	<b>(75,512)</b>	<b>(30,226)</b>
<b>Total Usable Reserves</b>	<b>(84,599)</b>	<b>93,753</b>	<b>(104,535)</b>	<b>(95,381)</b>	<b>82,673</b>	<b>(91,483)</b>	<b>(104,191)</b>

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

\*\* Other Corporate Reserves includes a balance brought forward of £892k, which was previously identified as 'Achievement of Future Savings'

## Unusable Reserves

2015/16			Category of Reserve Movement	2016/17		
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>(445,966)</b>	<b>(189,455)</b>	<b>(635,421)</b>	<b>Opening Balance</b>	<b>(433,185)</b>	<b>(177,351)</b>	<b>(610,536)</b>
29,166	0	29,166	Depreciation	31,377	0	31,377
859	0	859	Impairment	0	0	0
62,800	7,408	70,208	Derecognitions	46,815	0	46,815
(557)	(5,114)	(5,671)	Revaluations	13,395	(16,438)	(3,043)
(23,248)	0	(23,248)	Investment Property Revaluations	(3,370)	0	(3,370)
2,333	0	2,333	Intangibles	2,706	0	2,706
(73,304)	0	(73,304)	Capital grants and contributions applied	(70,472)	0	(70,472)
27,599	0	27,599	Revenue Expenditure funded from Capital	11,804	0	11,804
(29,832)	0	(29,832)	Capital receipts applied	0	0	0
25,809	0	25,809	Disposal of Assets	16,545	0	16,545
13,608	0	13,608	Repayment of Loans	2,787	0	2,787
2,950	0	2,950	Other Capital Receipts	0	0	0
223	0	223	Loss on Deferred Capital Receipt	0	0	0
4	0	4	Housing Pooling	0	0	0
(1,143)	0	(1,143)	Capital Expenditure funded from Revenue	(530)	0	(530)
(940)	0	(940)	Issue of Loans	(1,033)	0	(1,033)
(9,810)	9,810	0	Written out of the Revaluations Reserve	(24,303)	24,303	0
(13,605)	0	(13,605)	Revenue provision for the Repayment of Debt	(9,987)	0	(9,987)
(131)	0	(131)	Other Gains and Losses	(88)	0	(88)
<b>(433,185)</b>	<b>(177,351)</b>	<b>(610,536)</b>	<b>Closing Balance</b>	<b>(417,539)</b>	<b>(169,486)</b>	<b>(587,025)</b>

### **Capital Adjustment Account**

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

### **Revaluation Reserve**

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

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

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

### **Financial Instruments Adjustment Account**

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

### **Collection Fund Adjustment Account**

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

### **Pension Reserve**

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. A breakdown of the movements in this reserve is provided in section 3.30.

### **Accumulated Absences Account**

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

### **Available for Sale Financial Instruments Reserve**

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

### **Deferred Capital Receipts Reserve**

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

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

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

2015/16		2016/17
£000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	£000
	<b>Reversal of items debited or credited to the CIES Usable Reserves</b>	
<b>5,352</b>	<b>Capital grants &amp; contributions unapplied movement to CIES</b>	<b>4,001</b>
	<b>Unusable Reserves</b>	
(29,166)	Charges for depreciation of non-current assets	(31,377)
(859)	Charges for impairment of non-current assets	0
(62,800)	Charges for derecognition of non-current assets	(46,815)
23,805	Revaluation of Property, Plant & Equipment & Assets Held for sale	(10,025)
(2,333)	Amortisation of intangible assets	(2,706)
73,304	Capital grants and contributions applied	70,473
(27,599)	Revenue expenditure funded from capital under statute	(11,804)
(223)	Loss on Disposal funded from Capital Receipts	(543)
(6,391)	Retirement benefit adjustments debited or credited to the CIES	(7,481)
2,902	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	2,960
1,921	Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)	(746)
329	Other movements	235
	<b>Inclusion of items not debited or credited to the CIES</b>	
13,605	Statutory provision for the financing of capital investment	9,987
838	Repayment of Transferred Debt Principal	1,033
1,143	Capital expenditure charged against the General Fund balance.	530
<b>(11,524)</b>	<b>Subtotal of adjustments affecting Unusable Reserves</b>	<b>(26,279)</b>
<b>(6,172)</b>	<b>Total Adjustments</b>	<b>(22,278)</b>

### 3.14 Property, Plant and Equipment

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

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total £000
<b>Cost or Valuation</b>							
<b>1st April 2016</b>	<b>882,719</b>	<b>42,315</b>	<b>357,496</b>	<b>15,737</b>	<b>164</b>	<b>10,339</b>	<b>1,308,770</b>
Additions	3,468	2,236	18,577	285	0	31,163	55,729
Revaluation increase/(decreases) to Revaluation Reserve	13,268	(190)	0	0	0	144	13,222
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	(22,229)	(8,838)	0	0	0	0	(31,067)
Disposals	(550)	(450)	0	0	0	0	(1,000)
Derecognition	(28,664)	0	(17,963)	(188)	0	0	(46,815)
Reclassifications	(1,036)	0	0	0	0	0	(1,036)
<b>31st March 2017</b>	<b>846,976</b>	<b>35,073</b>	<b>358,110</b>	<b>15,834</b>	<b>164</b>	<b>41,646</b>	<b>1,297,803</b>
<b>Depreciation and Impairment</b>							
<b>1st April 2016</b>	<b>399,931</b>	<b>27,535</b>	<b>97,836</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>525,302</b>
Depreciation Charge	22,071	2,225	7,072	0	9	0	31,377
Disposals	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	10,674	60	0	0	0	0	10,734
Depreciation written out to the Surplus/Deficit on the Provision of Services	(14,776)	(2,896)	0	0	0	0	(17,672)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Reclassifications	(22)	0	0	0	0	0	(22)
<b>31st March 2017</b>	<b>417,878</b>	<b>26,924</b>	<b>104,908</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>549,719</b>
<b>Net Book Value</b>							
<b>31st March 2017</b>	<b>429,098</b>	<b>8,149</b>	<b>253,202</b>	<b>15,834</b>	<b>155</b>	<b>41,646</b>	<b>748,084</b>
<b>1st April 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>

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

	Other Land & Buildings £000	Vehicles, Plant & Equip't £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Under Construction £000	Total £000
<b>Cost or Valuation</b>							
<b>1st April 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>1,304,338</b>
Additions	14,188	2,398	46,672	949	0	11,404	75,611
Revaluation increase/(decreases) to Revaluation Reserve	2,086	0	0	0	0	0	2,086
Revaluation increase/(decrease) to the 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	(28,530)	(49)	(41,141)	(488)	0	0	(70,208)
Reclassifications	(1,496)	1,616	20,765	0	164	(22,381)	(1,332)
<b>31st March 2016</b>	<b>882,719</b>	<b>42,315</b>	<b>357,496</b>	<b>15,737</b>	<b>164</b>	<b>10,339</b>	<b>1,308,770</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 Reserve	(2,485)	0	0	0	0	0	(2,485)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(19)	0	0	0	0	0	(19)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus/Deficit on the Provision of Services	859	0	0	0	0	0	859
Reclassifications	0	0	0	0	0	0	0
<b>31st March 2016</b>	<b>399,931</b>	<b>27,535</b>	<b>97,836</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>525,302</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". The valuation bases used for the fixed asset classifications are detailed in the accounting policies, see section 5.7. In addition, a review is undertaken by the Council's

valuer to determine whether the carrying amount of other assets, not due for valuation as part of the rolling programme, is consistent with their current value. The valuer has considered both external factors, such as market conditions and changes in the regulatory environment, and internal factors, such as obsolescence and physical damage. The only change resulting from this review was the impairment of a small number of city centre retail

properties, with an overall reduction in value of less than £4m.

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

the asset in the balance sheet over the periods expected to benefit from their use.

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

### 3.15 Heritage Assets

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. These valuations were last updated in 2007 and have not been reassessed during 2016/17 because the cost of carrying this out is considered to outweigh the benefits to users of the financial statements.

The table provides a breakdown of the brought forward balance of Heritage Assets on 1st April 2016 and the carried forward balance on 31st March 2017. There have been no significant or material additions or disposals over the last five years that warrant any further disclosure.

Type of Heritage Assets	31st March 2016 £000	31st March 2017 £000
Transport Museum Collection	6,933	6,933
Scientific	20	20
Clocks	265	265
Arms & Armour	35	35
Textiles	5,035	5,035
Silver	375	375
General	132	132
Natural History	40	40
Works of Art	232	232
Furniture	140	140
Visual Arts	12,438	12,438
Civic Regalia	248	248
<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)).



### 3.16 Non-Operational Assets

The tables below show the movement in the City Council's Non-Operational Assets during 2016/17, followed by comparative movements for the previous year.

	Investment Property	Assets Held for Sale	Heritage Assets	Under Construction*	Total
	£000	£000	£000	£000	£000
<b>1st April 2016</b>	<b>158,794</b>	<b>2,458</b>	<b>25,893</b>	<b>2,977</b>	<b>190,122</b>
Additions	1,338	0	0	530	1,868
Revaluation increase/(decrease) to Revaluation Reserve	(17)	13,967	0	0	13,950
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	442	2,927	0	0	3,369
Disposals	(339)	(15,206)	0	0	(15,545)
Derecognition	0	0	0	0	0
Reclassifications	152	862	0	0	1,014
<b>31st March 2017</b>	<b>160,370</b>	<b>5,008</b>	<b>25,893</b>	<b>3,507</b>	<b>194,778</b>

	Investment Property	Assets Held for Sale	Heritage Assets	Under Construction*	Total
	£000	£000	£000	£000	£000
<b>1st April 2015</b>	<b>154,240</b>	<b>4,997</b>	<b>25,893</b>	<b>110</b>	<b>185,240</b>
Additions	449	0	0	2,867	3,316
Revaluation increase/(decrease) to Revaluation Reserve	0	542	0	0	542
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	9,235	14,026	0	0	23,261
Disposals	(4,033)	(19,526)	0	0	(23,559)
Derecognition	0	0	0	0	0
Reclassifications	(1,097)	2,419	0	0	1,322
<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>

\* 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 Comprehensive Income and Expenditure Account (section 2.2).

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

Type of Investment Property	31st March	31st March
	2016	2017
	£000	£000
Commercial	136,557	135,370
Office Units	14,639	16,257
Agricultural	2,890	4,137
Residential	2,774	2,774
Other	1,934	1,832
<b>Total</b>	<b>158,794</b>	<b>160,370</b>

### 3.17 Capital Expenditure and Capital Financing

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

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

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£71,002k) includes all the items recorded under capital investment above (£72,106) less new assets recorded as part of the Street Lighting PFI contract (£1,104k) see section 3.27.

### 3.18 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2012/13 to 2016/17. The valuations were carried out by Graham Stephens MRICS, from the Property Division – Place Directorate. The basis for valuation is set out in the statement of accounting policies. The effective date of each revaluation is the date that the revaluation was produced.

Year of revaluation	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	0	8,149	253,202	15,834	0	41,646	318,831
Valued at current value as at:							
31st March 2013	71,511	0	0	0	0	0	71,511
31st March 2014	3,466	0	0	0	0	0	3,466
31st March 2015	278,438	0	0	0	0	0	278,438
31st March 2016	25,658	0	0	0	155	0	25,813
31st March 2017	50,025	0	0	0	0	0	50,025
<b>Total Cost or Valuation</b>	<b>429,098</b>	<b>8,149</b>	<b>253,202</b>	<b>15,834</b>	<b>155</b>	<b>41,646</b>	<b>748,084</b>

### 3.19 Capital Commitments

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

Significant Capital Commitments 2016/17	Outstanding Commitment £000	Contract Value £000	Date for Completion
Intelligent Variable Messaging System (Siemens)	410	900	31/03/2018
Intelligent Variable Messaging System (Coventry University)	206	400	31/03/2018
Intelligent Variable Messaging System (Horiba MIRA)	183	475	31/03/2018
Intelligent Variable Messaging System (Serious Games)	135	325	31/03/2018
Growth Deal - R&D Steel (Warwick University)	850	1,000	31/03/2019
Growth Deal - Coton Arches (Warwickshire County Council)	1,845	2,000	31/03/2018
Growth Deal - A46 N-S Corridor (Stanks) (Warwickshire County Council)	3,774	4,100	31/03/2018
Growth Deal - National Transport Design Centre (Coventry University)	878	7,000	01/06/2017
Growth Deal - WMG Academy Pre-Dev (Warwick University)	320	770	31/03/2018
Tiverton School New Build (Farrans)	8,019	9,224	31/12/2017
ICT Strategy Systems & Development (Arcus Global Ltd)	167	250	31/03/2018
Friargate Council Office (Friargate LLP)	12,254	40,500	31/08/2017
Nuckle 1.1 (Buckingham)	245	7,600	31/05/2017
Warwick Road Station Access (Jacksons Civil Engineering Group Ltd)	297	1,801	31/05/2017
Nuckle 1.2 (AECOM)	358	396	05/12/2017
Coventry Station Masterplan (Network Rail)	156	311	29/09/2017
City Centre Destination Lesiure Facility (Buckingham Group)	26,874	27,745	01/04/2019
City Centre Destination Lesiure Facility (Appleyard & Trew)	257	499	01/04/2019
Alan Higgs 50m Pool (Appleyard & Trew)	199	250	28/02/2019
Alan Higgs 50m Pool (Bloom Procurement Services Ltd)	579	732	28/02/2019
	<b>58,006</b>	<b>106,277</b>	

### 3.20 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 3.34 Associated Company Interest and Holdings.

<b>31st March 2016 £000</b>	<b>Long Term Investments</b>	<b>31st March 2017 £000</b>
22,913	Birmingham Airport Holdings Ltd	29,777
46,667	Coventry Solihull Waste Disposal Co (CSWDC)	46,667
0	University of Warwick Science Park Innovation Centre Ltd	0
5,525	Coventry Building Society Secured Bond	5,294
706	Coombe Abbey Park Ltd	2,950
2,703	North Coventry Holdings Limited	2,703
<b>78,514</b>	<b>Total Long Term Investments</b>	<b>87,391</b>

The value of the Coventry City Council's shareholding in Birmingham Airport Holdings Ltd shown previously in the Council's accounts was £22.9m. A valuation exercise undertaken by BDO LLP in May 2017 valued the shareholding at £29.8m and this revised figure has now been reflected in these accounts. See section 3.33 for further details regarding this valuation.

A valuation exercise undertaken by BDO LLP in 2014 valued the Council's combined shareholding in the Coventry and Solihull Waste Disposal Company at £51.8m. Subsequent to this just over £5.1m of

preference shares in the company have been redeemed at par resulting in a revised valuation of £46.7m reflected in the Council's 2015/16 accounts. A valuation exercise undertaken jointly with BDO LLP in 2017 has indicated that there is no material change in this valuation for 2016/17. See section 3.33 for further details regarding this valuation.

The Council maintains a shareholding in the University of Warwick Science Park Innovation Centre Ltd. This has been valued at nil as at 31st March 2017.

A treasury management investment of £5.3m is currently being held in a Coventry Building Society Bond. The Bond is for longer than 1 year duration and is therefore shown within this note as a long-term investment.

The Council's interest in Coombe Abbey Park Ltd, held as a Special Share, entitles the Council to future financial returns. This has been valued at £2.95m as at 31st March 2017.

Details of the Council's investment in North Coventry Holdings Limited are provided in section 3.34.

### 3.21 Long Term Debtors

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

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



### 3.22 Short Term Debtors

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

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

### 3.23 Short Term Creditors

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

31st March 2016			Creditors Classification	31st March 2017		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
£000s	£000s	£000s		£000s	£000s	£000s
(6,980)	(2,362)	<b>(9,342)</b>	Central Government Bodies	(8,156)	(398)	<b>(8,554)</b>
(1,363)	(140)	<b>(1,503)</b>	Other Local Authorities	(1,232)	(37)	<b>(1,269)</b>
(1,568)	(36)	<b>(1,604)</b>	NHS Bodies	(3,184)	(42)	<b>(3,226)</b>
(6)	0	<b>(6)</b>	Public Corporations	0	0	<b>0</b>
(34,674)	(13,470)	<b>(48,144)</b>	All Other Bodies	(35,430)	(9,921)	<b>(45,351)</b>
(3,474)	(3,515)	<b>(6,989)</b>	Credits Relating to Local Taxation	(5,532)	(4,251)	<b>(9,783)</b>
<b>(48,065)</b>	<b>(19,523)</b>	<b>(67,588)</b>	<b>Total Creditors</b>	<b>(53,534)</b>	<b>(14,649)</b>	<b>(68,183)</b>

### 3.24 Provisions

Provisions are made for liabilities the City Council has incurred where it is more likely than not that it will have to make a payment to discharge the

liability. If it is found that a provision is no longer needed it is returned to revenue. The movement

in the City Council's provisions during 2016/17 is explained below:

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

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

Provisions	Self-Insurance £000	Business Rates Appeals £000	Other £000	Total £000
Short Term Provisions	0	(1,541)	(157)	<b>(1,698)</b>
Long Term Provisions	<b>(5,897)</b>	<b>(2,030)</b>	<b>(757)</b>	<b>(8,684)</b>
<b>Total</b>	<b>(5,897)</b>	<b>(3,571)</b>	<b>(914)</b>	<b>(10,382)</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 up by £87k in 2016/17 and now stands at £5,897k. The Council also maintains an insurance earmarked reserve that is set aside for claims that

have been incurred but not yet received as detailed within the usable reserves table in section 3.12.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is

required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2016/17 and earlier financial years. As a result, the Council has estimated that a provision of £3,571k is required relating to Business Rates appeals, although the amount and timing of future payments are uncertain. This represents a reduction of £653k in 2016/17.

### 3.25 Other Funds

The City Council administers a number of funds that have been established from donations, contributions and bequests.

The funds are set up to achieve specific objectives and purposes. The balance on these funds as at 31st March 2017 was £10,326k (£10,061k as at 31st March 2016).

Of the £10,326k balance, £2,678k is planned to be used from 2018/19 onwards and is held on the balance sheet as 'Other Long Term Liabilities'.

The remainder (£7,558k) is classified as 'Short Term Creditors'.

The main funds held relate to:

- Developers contributions of £8,015k - e.g. Section 106 amounts; (£7,888k as at 31st March 2016 )
- Tenants contributions of £1,661k - towards essential repair and maintenance of common areas in multi occupied buildings;

(£1,617k as at 31st March 2016 )

- Social Services Clients Funds of £147k (£160k as at 31st March 2016),
- Other funds of £503k including bequests/donations for maintenance of gardens, landscape works, education and environmental services and charity donations. (£396k as at 31st March 2016)

### 3.26 Notes to the Cash Flow

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

2015/16 £000	Adjust Net Surplus/Deficit on the Provision of Services for Non Cash Movements	2016/17 £000
(29,166)	Depreciation	(31,379)
6,549	Impairment	0
(70,208)	Derecognition of Non-current Assets	(46,815)
23,805	Revaluation of Non-current Assets	(10,025)
(2,333)	Amortisation	(2,706)
(2,896)	(Increase)/ Decrease in Impairment Provision for Bad Debts	2,132
1,967	(Increase)/ Decrease in Creditors and Provisions	(6,157)
15,619	Increase/ (Decrease) in Debtors	(20,120)
117	Increase/ (Decrease) in Inventory	(231)
(6,391)	Pension Liability	(7,481)
9,655	Other Non Cash items charged to the Net Surplus or Deficit on the Provision of Services *	0
<b>(53,282)</b>	<b>Total</b>	<b>(122,782)</b>

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

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

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

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

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

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

### 3.27 Private Finance Initiative (PFI)

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

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

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

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

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

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

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

In 2016/17 expenditure on unitary charge payments to the contractor was £3,123k, compared with £3,177k in 2015/16. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

<b>Year</b>	<b>Service Charge £000</b>	<b>Repayment of Liability £000</b>	<b>Interest Charge £000</b>	<b>Total Unitary Charge £000</b>
2017/18	1,323	716	798	2,837
2018/19 - 2021/22	5,972	2,646	2,554	11,172
2022/23 - 2026/27	8,529	3,264	1,886	13,679
2027/28 - 2031/32	9,991	3,285	271	13,547
2032/33 - 2034/35	5,397	2,335	(271)	7,461
<b>Total</b>	<b>31,212</b>	<b>12,246</b>	<b>5,238</b>	<b>48,696</b>

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

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

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

### New Homes for Old PFI Contract

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

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

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

In 2016/17 expenditure on unitary charge payments to the contractor was £6,876k, compared with £6,648k in 2015/16. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

Year	Service Charge £000	Repayment of Liability £000	Interest Charge £000	Total Unitary Charge £000
2017/18	4,417	806	1,895	7,118
2018/19 - 2021/22	20,930	2,618	6,844	30,392
2022/23 - 2026/27	29,473	5,226	7,999	42,698
2027/28 - 2031/32	33,863	7,804	6,937	48,604
2032/33	1,703	496	354	2,553
<b>Total</b>	<b>90,386</b>	<b>16,950</b>	<b>24,029</b>	<b>131,365</b>

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

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

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

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

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

### **Street Lighting PFI Contract**

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

In 2016/17 expenditure on unitary charge payments to the contractor was £7,479k, compared with £7,286k in 2015/16. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

<b>Year</b>	<b>Service Charge £000</b>	<b>Repayment of Liability £000</b>	<b>Interest Charge £000</b>	<b>Total Unitary Charge £000</b>
2017/18	1,987	872	4,485	7,344
2018/19 - 2021/22	7,668	5,200	17,184	30,052
2022/23 - 2026/27	12,346	8,465	18,405	39,216
2027/28 - 2031/32	14,054	13,756	13,464	41,274
2032/33 - 2035/36	10,300	15,312	5,406	31,018
<b>Total</b>	<b>46,355</b>	<b>43,605</b>	<b>58,944</b>	<b>148,904</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 are shown in the tables below.

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

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

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

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

## 3.28 Leases

### Authority as Lessee

#### Finance Leases

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

	31st March 2016 £000	31st March 2017 £000
Other Land and Buildings	1,232	1,232
Vehicles, Plant, Furniture and Equipment	8	3
	<b>1,240</b>	<b>1,235</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 2016 £000	31st March 2017 £000
Finance lease liabilities :		
- current	0	0
- non-current	0	0
Finance costs payable in future years	242	242
<b>Minimum Lease Payments</b>	<b>242</b>	<b>242</b>

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

	31st March 2016 £000	31st March 2017 £000
Not later than one year	0	0
Later than one year and not later than five years	24	24
Later than five years	218	218
	<b>242</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 2016/17 there were no contingent rents payable by the Authority.

## Operating Leases

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

	31st March 2016 £000	31st March 2017 £000
Not later than one year	238	193
Later than one year and not later than five years	391	296
Later than five years	0	0
	<b>629</b>	<b>489</b>

## Authority as Lessor

### Finance Leases

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

	31st March 2016 * restated £000	31st March 2017 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	0	184
- non-current	4,783	4,733
Unearned finance income *	27,991	27,552
Unguaranteed residual value of property	0	0
<b>Gross Investment in the lease</b>	<b>32,774</b>	<b>32,469</b>

\*The unearned finance income, as at 31<sup>st</sup> March 2016, has been restated to include the impact of a lease that was reclassified as a finance lease during 2016/17.

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

	31st March 2016 * restated £000	31st March 2017 £000
Not later than one year	305	630
Later than one year and not later than five years	2,518	2,518
Later than five years	29,951	29,321
	<b>32,774</b>	<b>32,469</b>

\*Information as at 31<sup>st</sup> March 2016 has been restated to include the impact of a lease that was reclassified as a finance lease during 2016/17.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, no contingent rents were receivable by the Authority.

### Operating Leases

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

	31st March 2016 * restated £000	31st March 2017 £000
Not later than one year	9,618	8,994
Later than one year and not later than five years	25,940	25,122
Later than five years	326,369	345,507
<b>Total</b>	<b>361,927</b>	<b>379,623</b>

\*Information as at 31<sup>st</sup> March 2016 has been restated to show cumulative payments in future years.

## 3.29 Pension Costs

The Council's pension deficit is £60m higher in 2016/17 than it was in 2015/16 & when compared to the total value of everything the Council owns the overall pension deficit remains a significant matter for consideration.

There are a number of contributory reasons for recent increases in local government pension deficits over recent years. The two main factors are that people are living longer and that changes in financial conditions have led to reductions in the pension discount rate. Both of these increase the estimated future cost of pensions.

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

### Officers

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

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

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

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

Further details on pension liabilities are provided in note 3.30.

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 1SH

### Teaching Staff

In 2016/17, the City Council paid £11,170k (£11,223k in 2015/16) to the Department for Education (DfE) for teachers' pension costs, which represents 16.4% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension contributions. In 2016/17,

these amounted to £2,509k (£2,604k in 2015/16) representing 2.4% of pensionable pay.

The Scheme is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts, it is therefore accounted for on the basis as a defined contribution scheme. It is expected that the level of contributions during the next annual reporting period will be £10.3m, although the actual level would be significantly affected in the event of transfers of schools to academy status.

### NHS Staff

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

In 2016/17 the City Council paid £73k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, which represents 14.3% of pensionable pay.

### 3.30 Retirement Benefits

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

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

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

#### Summary of Outcome

The overall increase in the deficit is analysed as follows:

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

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

The increase in the LGPS deficit within 2016/17 is largely accounted for by a decrease in the discount rate. The discount rate is the rate of interest used to discount post-employment benefits. The discount rate is based on market yields at 31st March on high quality corporate bonds.

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

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

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

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

LGPS £000	2015/16 Teachers £000	Total £000		LGPS £000	2016/17 Teachers £000	Total £000
<b><u>Net Cost of Services</u></b>						
33,097	0	33,097	Current Service Cost	30,947	0	30,947
0	0	0	Past Service Costs (Gain)	0	0	0
(6,862)	0	(6,862)	Settlements and curtailments	(4,150)	0	(4,150)
410	0	410	Administration Expenses	485	0	485
<b>26,645</b>	<b>0</b>	<b>26,645</b>	<b>Net Cost of Services sub-total</b>	<b>27,282</b>	<b>0</b>	<b>27,282</b>
<b><u>Financing and Investment Income and Expenditure</u></b>						
47,347	1,076	48,423	Interest cost	50,274	934	51,208
(30,460)	0	(30,460)	Expected return on scheme assets	(32,846)	0	(32,846)
<b>16,887</b>	<b>1,076</b>	<b>17,963</b>	<b>Net Interest Cost</b>	<b>17,428</b>	<b>934</b>	<b>18,362</b>
<b>43,532</b>	<b>1,076</b>	<b>44,608</b>	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>44,710</b>	<b>934</b>	<b>45,644</b>
<b><u>Other Post Employment Benefit Charged to CIES</u></b>						
(40,295)	1,367	(38,928)	Re-measurements	52,037	166	52,203
<b>3,237</b>	<b>2,443</b>	<b>5,680</b>	<b>Total Post Employment Benefit Charged to the CIES</b>	<b>96,747</b>	<b>1,100</b>	<b>97,847</b>
<b><u>Movement in Reserves Statement</u></b>						
(43,532)	(1,076)	(44,608)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(44,710)	(934)	(45,644)
<b><u>Actual amount charged against the General Fund for pensions in the year:</u></b>						
35,613		35,613	Employers contributions payable to scheme	35,654		35,654
	2,604	2,604	Retirement benefits payable to pensioners		2,509	2,509

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

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

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

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

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



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

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

**Basis for Estimating Assets and Liabilities**

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

The main assumptions used in the actuarial calculation are:	31st March 2016	31st March 2017
Rate of CPI inflation	2.00%	2.70%
Rate of increase in salaries	3.75%	4.20%
Rate of increase in pensions	2.00%	2.70%
Discount rate	3.50%	2.70%
<b>Mortality Assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
Men	23.0	21.8
Women	25.7	24.2
<b>Longevity at 65 for future pensioners in 20 years time</b>		
Men	25.2	23.9
Women	28.0	26.5

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

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

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

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

<b>Asset Categories</b>	<b>31st March 2016</b>		<b>31st March 2017</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Equities</b>	570,677	60.6%	771,048	64.4%
<b>Bonds</b>	117,382	12.4%	146,765	12.3%
<b>Property</b>	77,758	8.2%	92,218	7.7%
<b>Cash/Liquidity</b>	43,068	4.6%	34,166	2.9%
<b>Other</b>	134,032	14.2%	152,895	12.8%
<b>Total</b>	942,917		1,197,092	

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

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

The Council is required to disclose the number of employees whose remuneration during 2016/17 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions), car and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

2015/16				Remuneration Band	2016/17			
Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total		Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total
39	21	24	<b>84</b>	£50,000 - £54,999	39	12	26	<b>77</b>
22	13	24	<b>59</b>	£55,000 - £59,999	21	6	14	<b>41</b>
18	3	19	<b>40</b>	£60,000 - £64,999	17	5	23	<b>45</b>
13	7	12	<b>32</b>	£65,000 - £69,999	15	3	11	<b>29</b>
8	3	7	<b>18</b>	£70,000 - £74,999	6	1	7	<b>14</b>
4	0	4	<b>8</b>	£75,000 - £79,999	4	0	4	<b>8</b>
3	1	4	<b>8</b>	£80,000 - £84,999	3	0	1	<b>4</b>
2	2	8	<b>12</b>	£85,000 - £89,999	4	1	6	<b>11</b>
0	0	4	<b>4</b>	£90,000 - £94,999	0	0	1	<b>1</b>
1	1	3	<b>5</b>	£95,000 - £99,999	0	0	2	<b>2</b>
0	0	0	<b>0</b>	£100,000 - £104,999	1	0	3	<b>4</b>
0	1	2	<b>3</b>	£105,000 - £109,999	0	0	2	<b>2</b>
0	0	0	<b>0</b>	£110,000 - £114,999	0	0	3	<b>3</b>
0	0	2	<b>2</b>	£120,000 - £124,999	0	0	1	<b>1</b>
0	0	0	<b>0</b>	£125,000 - £129,999	0	0	1	<b>1</b>
0	0	1	<b>1</b>	£130,000 - £134,999	0	0	0	<b>0</b>
0	0	1	<b>1</b>	£135,000 - £139,999	0	0	1	<b>1</b>
0	0	1	<b>1</b>	£190,000 - £194,999	0	0	0	<b>0</b>
0	0	0	<b>0</b>	£205,000 - £209,999	0	0	1	<b>1</b>
0	0	0	<b>0</b>	£225,000 - £229,999	0	0	1	<b>1</b>
<b>110</b>	<b>52</b>	<b>116</b>	<b>278</b>	<b>Total</b>	<b>110</b>	<b>28</b>	<b>108</b>	<b>246</b>

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

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

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

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

During 2016/17 there were two holders of the post designated as the Council's Section 151 Officer (the Council's chief finance officer). The relevant table shows the part year remuneration for both post holders. The Executive Director Resources left the Council during the year and the loss of office amount represents the early retirement and voluntary redundancy costs of this decision to the Council.

There were also two holders of the post designated as the Council's Director of Public Health during 2016/17. The table shows the part year remuneration for both post holders. The incumbent Director of Public Health has been seconded to another organisation from 6th February 2017.

The Legal Services Manager (Place & Regulatory) is the Council's Monitoring Officer (the Council's chief legal officer). As a statutory post this has been newly added to the analysis of Senior Officers Remuneration. The 2015/16 table has been restated to include the relevant costs.

## Exit Packages

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

Exit package cost band	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£000	£000
£0 - £20,000	15	31	156	117	171	148	1,137	1,120
£20,001 - £40,000	4	14	25	25	29	39	803	1,073
£40,001 - £60,000	0	3	14	17	14	20	693	1,012
£60,001 - £80,000	0	2	3	9	3	11	220	802
£80,001 - £100,000	0	1	7	5	7	6	636	538
£100,000 - £150,000	0	0	10	7	10	7	1,223	820
£150,001 - £200,000	0	0	2	2	2	2	346	326
£200,001 - £250,000	0	1	2	3	2	4	429	906
£250,001 - £300,000	0	0	1	0	1	0	295	0
£300,001 - £350,000	0	0	0	0	0	0	0	0
£350,001 - £400,000	0	0	0	0	0	0	0	0
£400,001 - £450,000	0	0	0	1	0	1	0	448
<b>Total</b>	<b>19</b>	<b>52</b>	<b>220</b>	<b>186</b>	<b>239</b>	<b>238</b>	<b>5,782</b>	<b>7,045</b>

## 3.32 Members' Allowances

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

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

### 3.33 Financial Instruments

The Balance Sheet includes the following categories of financial instruments:

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

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

	Short Term Debtors	Short Term Creditors
Included in Financial Instruments	32,827	35,430
Other	15,462	32,753
<b>Total Short Term Debtors</b>	<b>48,289</b>	<b>68,183</b>

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

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

	Financial Liabilities		Financial Assets		Total
	measured at	Loans and	Available for	Fair	
	amortised cost	receivables	sale assets	Value	
	£000	£000	£000	£000	£000
Interest expense	21,927	0	0	0	21,927
Losses on derecognition	0	0	0	0	0
Impairment (gains)/losses	0	(2,132)	0	0	(2,132)
<b>Interest payable and similar charges</b>	<b>21,927</b>	<b>(2,132)</b>	<b>0</b>	<b>0</b>	<b>19,795</b>
Interest income	0	(2,177)	(5,764)	0	(7,941)
<b>Interest and investment income</b>	<b>0</b>	<b>(2,177)</b>	<b>(5,764)</b>	<b>0</b>	<b>(7,941)</b>
Gains on revaluation	0	0	(2,453)	0	(2,453)
Amounts recycled to the Income & expenditure statement after impairment	9	0	0	0	9
<b>Surplus arising on revaluation of financial assets</b>	<b>9</b>	<b>0</b>	<b>(2,453)</b>	<b>0</b>	<b>(2,444)</b>
<b>Net (gain) / loss for the year</b>	<b>21,936</b>	<b>(4,309)</b>	<b>(8,217)</b>	<b>0</b>	<b>9,410</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 31st March 2017
- for "Lenders Option Borrower's Option" market loans (LOBOs) and Stock Issue loans, using the appropriate interest rate swap added to the value of any embedded options
- for PFI and finance leases using the appropriate corporate bond rate
- for other long term loans and investments using market rates for similar instruments and with similar maturity terms
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, including trade payables

and receivables, the carrying amount is assumed to approximate fair value

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

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

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

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

Financial assets and liabilities categorised as Level 3 are:

- Shares in unlisted companies, as included in note 3.20. 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 £4.4m.

The value of the Coventry City Council's shareholding in Birmingham Airport Holdings Ltd shown previously in the Council's accounts was £22.9m. A valuation exercise undertaken by BDO

LLP in May 2017 valued the shareholding at £29.8m and this revised figure has now been reflected in these accounts. The value is derived on an open market basis. The change in value represents an increase of 30%. The most significant contributing factor to this new valuation is an increase of 24% in the valuation of similar companies in the aviation transport sector. All of this valuation movement is taken to the '(Surplus)/Deficit on revaluation of available for sale financial assets' line within the Comprehensive Income and Expenditure Statement.



A valuation exercise undertaken by BDO LLP in 2014 valued the Council's combined shareholding in the Coventry and Solihull Waste Disposal Company at £51.8m. Subsequent to this just over £5.1m of preference shares in the company have been redeemed at par resulting in a revised valuation of £46.7m reflected in the Council's 2015/16 accounts. A valuation exercise, undertaken jointly with BDO LLP in 2017, employed an earnings based approach in which the estimated future annual return is multiplied by a factor relevant to this type of company. This valuation exercise resulted in an estimated value which was only 0.1% different to the existing carrying value and, as a result, no change has been made.

- Long term loans to companies, as included in note 3.21. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2017. A 1% variation in the discount rate would alter the value of the loans by £1.2m.

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

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

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

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

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

The authority's overall risk management programme focuses on the unpredictability of

financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury management team, under policies approved by the Council in the annual Treasury Management Strategy.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2016/17 this required that deposits were only made with banks, building societies & corporate bonds with a high quality credit rating (minimum BBB+ long term). In addition, as at 31st March 2017 the policy limited the maximum that can be deposited with an institution at any point in time to £8m. Under the Treasury Management Strategy the Section 151 officer will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

	Long Term		Short Term	
	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
AAA	5,425	5,464	29,003	39,018
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	8,011	5,013
A+	0	0	0	0
A	0	0	28,053	14,045
A-	0	0	8,012	10,107
BBB+	0	0	1,149	3,194
Unrated Local Authorities	0	0	3,000	45,001
Unrated Building Societies	0	0	2,003	0
Unrated Pooled Funds	0	0	8,106	10,000
<b>Total Investments</b>	<b>5,425</b>	<b>5,464</b>	<b>87,337</b>	<b>126,378</b>

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

<b>Country</b>	<b>£000</b>
United Kingdom	110,004
Germany	5,013
Ireland	16,825
<b>Total</b>	<b>131,842</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. £2,969k of the £32,872k trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>£000</b>
<b>Less than three months</b>	2,268
Three to six months	210
Six months to one year	83
More than one year	408
<b>Total</b>	<b>2,969</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>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
Less than one year	1,033	7,637
Between one and two years	7,637	8,574
Between two and five years	17,638	10,729
Between six and ten years	31,907	30,243
More than ten years	238,718	238,718
<b>Total</b>	<b>296,933</b>	<b>295,901</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 £78.3m in 2016/17. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance. Furthermore, the risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing, and provide compensation for a proportion of any higher costs.

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

According to this strategy, at 31st March 2017, a 1% variation in interest rates would not have a material impact on variable rate borrowings, investments or government grant receivable for financing costs.

However, a 1% increase in interest rates would result in a decrease in the fair value of fixed rate

borrowing liabilities of £67m. This movement would be equal and opposite for a 1% fall in interest rates.

### **Price Risk**

The authority does not generally invest in equity shares but does have shareholdings to the value of £75m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value of shares.

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

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

### **Foreign Exchange Risk**

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

### 3.34 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 3.20.

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
		<b>31st March 2016</b>	<b>31st March 2017</b>
		<b>Audited (restated)</b>	<b>Audited</b>
<b>Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)</b>			
The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares. The City Council owns :	Net Assets	126,802	104,645
5.8% of the 324m ordinary shares	Profit before taxation	25,064	38,117
£1.8 million preference shares	Profit after taxation	18,156	29,386
6% of the 1000 C Class shares of 0.01p			
		<b>31st March 2016</b>	<b>31st March 2017</b>
<b>Coventry North Regeneration Ltd (Company Registration Number: 4523598)</b>			
NCH holds 100% of the shares (value £nil) in Coventry North Regeneration Ltd (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.	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 Ricoh Arena. The Arena, combines a sports stadium, conference and exhibition space, hotel, casino and other leisure and community facilities.			
Copies of CNR's accounts can be acquired from: Company Secretary, Coventry North Regeneration Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			
		<b>31st March 2016</b>	<b>31st March 2017</b>
<b>Coventry Solihull Waste Disposal Company (CSWDC) Ltd (Company Registration Number: 02690488)</b>		<b>Audited</b>	<b>Unaudited</b>
The company's business is the disposal of waste. It is jointly owned by Coventry City Council and Solihull Metropolitan Borough Council with Warwickshire County Council holding a minor limited rights shareholding at nil value. The company is included in Coventry's group accounts as a joint venture as voting rights are shared equally with Solihull MBC.	Net Assets	21,607	22,611
The City Council owns:	Profit before taxation	7,557	7,219
66% of the ordinary share capital	Profit (loss) after taxation	6,206	5,817

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>Culture Coventry (Registration Number: 08359113)</b>		<b>31st March 2016 Audited</b>	<b>31st March 2017 Audited</b>
The merger of Coventry Transport Museum and The Herbert Art Gallery Museum was completed in August 2013. Culture Coventry is the new Charitable Trust set up to run both museums and is also responsible for running the Lunt Roman Fort and the Priory Visitor Centre	Net Assets	5,864	Not Available
	Net incoming/(outgoing) resources	961	Not Available
Under IFRS10 The Council is deemed to exert significant influence over Culture Coventry. On this basis Culture Coventry is treated as an associate of the Council but has not been included within the Group Accounts on the grounds of materiality.			
<b>North Coventry Holdings Ltd (Company Registration Number: 4931967)</b>		<b>31st March 2016 Audited</b>	<b>31st March 2017 Audited</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	2,708	2,703
	Profit (loss) before taxation	7	(6)
	Profit (loss) after taxation	5	(5)
NCH's main activity is to hold 100% shares in Coventry North Regeneration (CNR) . NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.			
Copies of NCH's accounts can be acquired from: Company Secretary, North Coventry Holdings Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			
<b>University of Warwick Science Park Business Innovation Centre Ltd (Company Registration Number: 03616665)</b>		<b>31st Jul 2015 Audited (restated)</b>	<b>31st Jul 2016 Audited</b>
This company was established by the University of Warwick Science Park, CCC and Warwickshire Chamber of Commerce Training and Enterprise. It was set up in order to develop small business units for letting.	Net Assets/(liabilities)	(1,278)	(1,045)
	Profit (loss) before taxation	404	234
	Profit (loss) after taxation	404	234
The City Council holds: Just under 20% (value £2,000) of the ordinary share capital. £152,166 of preference share capital and £1,066,471 of 7% debentures.			

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

### 3.35 Prior Period Restatements

A prior period restatement of the Comprehensive Income and Expenditure Statement (CIES), see section 2.2, has been required as a result of two changes:

- 1<sup>st</sup> Change - The segmental categories used for the Cost of Services have been altered.
- 2<sup>nd</sup> Change - Several services previously categorised as trading operations have now been included within the Cost of Services

**1<sup>st</sup> Change** - The table below shows how the amounts disclosed in the Cost of Services in the 2015/16 Statement of Accounts have been mapped against the new segmental categories.

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

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

**2<sup>nd</sup> Change** - The table below shows the impact of this change on relevant lines within the Comprehensive Income and Expenditure Statement.

<u>Expenditure</u>	Gross Expenditure £000	People Directorate £000	Place Directorate £000	Resources Directorate £000	Chief Executive Directorate £000	Contingency & Central Budgets £000
<b>Gross Expenditure</b>	<b>754,016</b>	<b>458,176</b>	<b>144,807</b>	<b>148,872</b>	<b>1,438</b>	<b>723</b>
Impact of 2nd Change	7,317	821	6425	42	29	0
<b>Gross Expenditure - restated</b>	<b>761,333</b>	<b>458,997</b>	<b>151,232</b>	<b>148,914</b>	<b>1,467</b>	<b>723</b>

<u>Income</u>	Gross Income £000	People Directorate £000	Place Directorate £000	Resources Directorate £000	Chief Executive Directorate £000	Contingency & Central Budgets £000
<b>Gross Income</b>	<b>(470,105)</b>	<b>(284,133)</b>	<b>(27,798)</b>	<b>(135,747)</b>	<b>(38)</b>	<b>(22,389)</b>
Impact of 2nd Change	(6,530)	-166	-6270	-29	-65	0
<b>Gross Income - restated</b>	<b>(476,635)</b>	<b>(284,299)</b>	<b>(34,068)</b>	<b>(135,776)</b>	<b>(103)</b>	<b>(22,389)</b>

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>Cost of Services</b>	<b>754,016</b>	<b>(470,105)</b>	<b>283,911</b>
Impact of 2nd Change	7,317	(6,530)	787
<b>Cost of Services</b>	<b>761,333</b>	<b>(476,635)</b>	<b>284,698</b>
<b>Net (Surplus)/Deficit from Trading Operations</b>			<b>(10,078)</b>
Impact of 2nd Change			(787)
<b>Net (Surplus)/Deficit from Trading Operations - restated</b>			<b>(10,865)</b>
<b>Shown in the CIES as:</b>			
<b>Commercial Property Income</b>			(16,596)
Commercial Property Expenditure			5,731
<b>Total</b>			<b>(10,865)</b>

### 3.36 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 26th May 2017. The financial statements and notes have not been adjusted for the following event which took place after 31st March 2017 as it provides information that is relevant to the understanding of the Authority's financial position but does not relate to conditions at that date.

#### **2017 General Election**

On 18th April 2017 the Prime Minister announced the General Election that was subsequently held on 8th June. The result of the election has changed the overall political complexion of the Government and generated significant uncertainty about the Government's policy direction in a number of areas. This situation could affect some of the previous plans for local government including the future funding arrangements

surrounding councils, the current 100% Business Rates Pilots, existing Combined Authority arrangements and the proposals to move to a national 100% Business Rates funding scheme from 2019/20. Any such changes could have a significant impact on the Council's financial position, although the Council is clear that this will not affect its going concern status.

#### **Pensions Payment**

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

The Council has negotiated with the Fund to pay these contributions via a discounted one-off

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

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

### 3.37 Contingent Liabilities and Assets

#### **Contingent Liabilities**

##### **Council Loan to Arena Coventry Limited – Legal Challenge**

A Judicial Review (JR1) held in June 2014 considered the Council's decision on 15th January 2013 to make a loan to Arena Coventry Limited. The initial judgment on the review found in the City Council's favour although the Court of Appeal gave permission in July 2015 for this to be appealed. The Court of Appeal heard the appeal in February 2016 and on 13th May 2016, appeal court judges announced their decision, rejecting

the appeal and ordering the complainants to pay the Council's legal costs around the hearing. In December 2016 the Supreme Court refused permission for an appeal on the Court of Appeal's decision. Following the successful conclusion of JR1 the Council has faced a Judicial Review claim (JR2) relating to the sale of the Council's shares in ACL and the lease extension on the Ricoh Arena to London Wasps Holdings Ltd. This latest claim was rejected by the High Court on 14th July 2017. The Council's view is that it has acted lawfully in all respects and it will continue to strongly defend its position on these matters. Given the nature and significance of this issue it remains appropriate to record it as a contingent liability.

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

The Council received a letter in February 2016 sent on behalf of University Hospitals Coventry and Warwickshire NHS Trust requesting mandatory Business Rates relief for University Hospital. The appeal for relief replicates similar claims made to other local authorities across the country. If the relief were to be granted this would represent an on-going impact on the Council's locally retained Business Rates revenue in excess of £1m with potential for a back-dated element, the



local impact of which could be over £5m. At a national level, the total level of claims are thought to be sufficient to represent a significant impact on the wider funding model for local government, especially if there was a risk that claims could be extended to other similar or related properties.

The Council has taken legal advice, organised through the Local Government Association and following this has responded to the claim, stating that it does not regard there to be an entitlement to relief. Given the current nature of the proceedings the Council believes that there are very strong

grounds for rejecting the claim and it has not been reflected as a provision in these accounts. However, because it remains possible that the claim is upheld and because the potential costs are so large, it is appropriate to record the matter as a contingent liability.

#### **Connecting Communities Grant Claw-Back**

The Council has previously invested capital resources into a number of children's centres and youth centres in the city funded by Government grants including Surestart Grant. Some of these

buildings are amongst those being affected by the Council's Connecting Communities Programme. Should the buildings no longer be used for the purposes set out within the grant conditions they could face a potential claw-back of grant as a result. In order to mitigate against this risk, the Council is endeavouring to ensure that the buildings will continue to be used for similar activities such that it is able to avoid the need for any grant claw-back. The level of Capital spend involved is in the region of £2.3m.

### 3.38 Collection Fund

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

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

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

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

### Income and Expenditure Account

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

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

### Income from Business Rates

The City Council collects rates from local businesses on behalf of Central Government. The level of in-year recovery of the Business Rates billed in 2016/17 was 97.8%. The Government determines the level of rates payable, which was 49.7p per £ of rateable value (49.3p in 2015/16).

The Valuation Office Agency sets the rateable value of each property and the total was £300,731,063 at 31st March 2017 (£300,002,421 at 31st March 2016). The Government uses the total collected for the whole country to finance part of its contribution to the cost of local government. In addition to a bad debt provision, to meet the anticipated impact of debts being written off, there is also a provision for the estimated future liability amendments due to appeals. Details of the movement in these provisions are provided within the tables later in this section.

### Calculation of the Council Tax Base

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

The total income required by the Collection Fund is divided by the "Council Tax Base". The Council Tax Base represents the number of equivalent band D properties in the City (i.e. properties in a higher valuation band are treated as more than one band D property, properties in a lower

valuation band are treated as a fraction of a band D property), multiplied by the estimated eventual collection rate of 98.3%. The total number of dwellings on the valuation list is 138,679 of which 6,235 are exempt. Details of the Tax Base calculation are shown in the table below:

Valuation Band	Number of Dwellings subject to tax	Band D Equivalent
Band A entitled to disabled relief	131	55.6
A	53,633	25,489.5
B	39,793	23,107.9
C	21,971	14,799.2
D	8,745	6,700.1
E	4,477	4,263.5
F	2,264	2,555.5
G	1,336	1,753.8
H	94	140.7
<b>Total</b>	<b>132,444</b>	<b>78,865.8</b>
Estimated eventual collection rate		98.3%
Total Council Tax Base Band D 2016/17		77,525.1
Total Council Tax Base Band D 2015/16		74,296.2

## Provisions and Write Offs

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

\* The provision figures provided in section 3.24 include 49% of the Appeals Provision figures shown in the table above. This is the City Council's share of the Business Rates balances.

## Gross Debtors

	Business Rates £000	Council Tax £000
<b>Gross Debtors brought forward</b>	<b>5,917</b>	<b>12,448</b>
<b>Gross Debtors carried forward</b>	<b>5,547</b>	<b>12,521</b>

## Precepts and Demands on the Collection Fund

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

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

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

## 4 Additional Financial Statements - Group Accounts

### 4.1 Overview of Group Accounts

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

Note 3.34 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. North Coventry Holding (NCH) and Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and

Coventry & Solihull Waste Disposal Company (CSWDC) is included as a joint venture.

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

IFRS require that the financial statements of the reporting authority (Coventry City Council) and its

subsidiaries, associates and jointly controlled entities shall be prepared as of the same date. Where this does not happen, for consolidation purposes, additional financial statements, as of the same date as the reporting authority shall be prepared unless it is impracticable to do so. For consolidation purposes draft accounts as at 31st March 2017 for NCH, CNR and CSWDC have been used.

Subsidiaries have been consolidated into the Group Accounts on a line by line basis incorporating their income and expenditure fully in the relevant service revenue accounts. Joint ventures have been consolidated into the group accounts under the equity method.

## 4.2 Group Comprehensive Income and Expenditure Account

Gross Expenditure *restated £000	2015/16		SERVICE ANALYSIS	2016/17		
	Gross Income *restated £000	Net Expenditure *restated £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	458,175	(284,132)		174,043	463,500	(272,244)
144,807	(27,798)	117,009	Place Directorate	120,842	(35,427)	85,415
148,872	(135,747)	13,125	Resources Directorate	152,768	(131,938)	20,830
1,438	(38)	1,400	Chief Executive Directorate	1,185	(91)	1,094
728	(22,394)	(21,666)	Contingency & Central Budgets	11,620	(17,304)	(5,684)
<b>754,020</b>	<b>(470,109)</b>	<b>283,911</b>	<b>Cost of Services</b>	<b>749,915</b>	<b>(457,004)</b>	<b>292,911</b>
		36,179	Other Operating Expenditure			42,335
		19,894	Finance and Investment Income and Expenditure			22,029
		0	Profit or Loss on Discontinued Operations			0
		(332,520)	Taxations and Non-Specific Grant Income			(325,860)
		<b>7,464</b>	<b>(Surplus) / Deficit on the Provision of Services</b>			<b>31,415</b>
		(5,112)	Associates and JVs accounted for on Equity Basis			(4,925)
		902	Tax Expenses			933
		<b>3,254</b>	<b>Group (Surplus) or Deficit</b>			<b>27,423</b>
		2,294	(Surplus)/Deficit on revaluation of non current assets			(16,438)
		(832)	(Surplus)/Deficit on revaluation of available for sale financial assets			(9,317)
		(38,928)	Actuarial (gains) or losses on pension assets and liabilities			52,203
		4,311	Share of other comprehensive income and expenditure of associates & joint ventures			3,204
		<b>(33,155)</b>	<b>Sub-total of other Comprehensive Income and Expenditure</b>			<b>29,652</b>
		<b>(29,901)</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>			<b>57,075</b>

\*The format of this statement has changed from that used in previous years. This is partly due to changes in the format of the single entity statement as detailed in section 5.5. In addition, in previous years some transactions relating to associates and joint ventures had been included within 'Cost of Services'. In accordance with the Code of Practice these transactions have now been included within the 'Associates and JVs accounted for on an Equity Basis' line. As a result the figures within the 'Cost of Services' section for 2015/16 have been restated.

### 4.3 Group Movement in Reserves Statement

#### Group Useable Reserves and Overall Position

	General Fund Balance	Capital Grants Unapplied Account	Usable Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000
<b>31st March 2016</b>	<b>(82,985)</b>	<b>(5,736)</b>	<b>(6,660)</b>	<b>(95,381)</b>	<b>(101,120)</b>	<b>(196,501)</b>
Total Comprehensive Income and Expenditure	31,298	0	0	31,298	25,777	57,075
Adjustments between Accounting Basis and Funding Basis under Regulations	(22,278)	(4,001)	(13,829)	(40,108)	40,108	0
<b>Net (Increase) / Decrease</b>	<b>9,020</b>	<b>(4,001)</b>	<b>(13,829)</b>	<b>(8,810)</b>	<b>65,885</b>	<b>57,075</b>
<b>31st March 2017</b>	<b>(73,965)</b>	<b>(9,737)</b>	<b>(20,489)</b>	<b>(104,191)</b>	<b>(35,235)</b>	<b>(139,426)</b>

#### Group Unusable Reserves

	Capital Adjustment Account	Revaluation Reserve	Deferred Capital Receipts Reserve	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pensions Reserve	Accumulated Absences Account	Available for Sale	Authority's share of the reserves of subsidiaries, associates and joint ventures	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<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>
Total Comprehensive Income and Expenditure	0	(16,438)	0	0	0	52,203	0	(9,317)	(671)	25,777
Adjustments between Accounting Basis and Funding Basis under Regulations	15,646	24,303	(4,959)	(103)	(2,960)	7,481	746	(46)	0	40,108
<b>Net (Increase) / Decrease</b>	<b>15,646</b>	<b>7,865</b>	<b>(4,959)</b>	<b>(103)</b>	<b>(2,960)</b>	<b>59,684</b>	<b>746</b>	<b>(9,363)</b>	<b>(671)</b>	<b>65,885</b>
<b>31st March 2017</b>	<b>(450,728)</b>	<b>(169,486)</b>	<b>(10,830)</b>	<b>1,777</b>	<b>(9,198)</b>	<b>613,236</b>	<b>4,121</b>	<b>(24,343)</b>	<b>10,216</b>	<b>(35,235)</b>

### Group Usable Reserves and Overall Position Comparatives

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

### Group Unusable Reserves 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	Authority's share of the reserves of subsidiaries, associates and joint ventures	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<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>
Total Comprehensive Income and Expenditure	0	2,294	0	0	0	(38,928)	0	(832)	163	(37,303)
Adjustments between Accounting Basis and Funding Basis under Regulations	12,781	9,810	(5,871)	(104)	(2,902)	6,391	(1,921)	0	0	18,184
<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>163</b>	<b>(19,119)</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>



## 4.4 Group Balance Sheet

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

As at 31st March 2016 £000	Group Balance Sheet	As at 31st March 2017 £000	Section Ref.
783,468	Property, Plant and Equipment	748,084	
25,893	Heritage Assets	25,893	
161,771	Investment Property	163,877	
29,144	Long Term Investments	38,021	4.6
25,011	Investment in Associates and Joint Ventures	25,679	4.6
20,199	Long Term Debtors	20,452	
<b>1,045,486</b>	<b>Long Term Assets</b>	<b>1,022,006</b>	
79,123	Short Term Investments	120,001	
480	Inventories	249	
63,332	Short Term Debtors	48,287	4.6
17,650	Cash and Cash Equivalents	17,169	
2,458	Assets held for Sale	5,008	
<b>163,043</b>	<b>Current Assets</b>	<b>190,714</b>	
(6,797)	Short Term Borrowing	(13,560)	
(67,596)	Short Term Creditors	(68,184)	4.6
(2,066)	Short Term Provisions	(1,698)	
0	Liabilities in Disposal Groups	0	
<b>(76,459)</b>	<b>Current Liabilities</b>	<b>(83,442)</b>	
(8,882)	Long Term Provisions	(8,684)	
(369,586)	Long Term Borrowing	(359,545)	
(553,552)	Net Pension Liability	(613,236)	
0	Donated Assets Account	(1,104)	
(3,549)	Capital Grants Receipts in Advance	(4,605)	
0	Other Long Term Liabilities	(2,678)	
<b>(935,569)</b>	<b>Long Term Liabilities</b>	<b>(989,852)</b>	
<b>196,501</b>	<b>Net Assets</b>	<b>139,426</b>	
(95,381)	Usable Reserves	(104,191)	
(101,120)	Unusable Reserves	(35,235)	4.6
<b>(196,501)</b>	<b>Total Reserves</b>	<b>(139,426)</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.

2015/16 £000's	Cash Flow Statement	2016/17 £000's
3,254	Net (Surplus) or Deficit on the Provision of Services	27,423
(49,134)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(118,907)
51,299	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	54,214
<b>5,419</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(37,270)</b>
(10,143)	Investing Activities	(10,628)
(2,706)	Financing Activities	48,379
<b>(7,430)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>481</b>
(10,220)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(17,650)
(17,650)	Cash and Cash Equivalents at the End of the Reporting Period	(17,169)

Note 3.26 presents an analysis of the amounts included in the provision of services for non-cash movements, items included in the provision of services that are investing and financing activities, investing activities and financing activities.

## 4.6 Reconciliation of Single Entity to Group Accounts

### Income and Expenditure Surplus/Deficit Adjustments

2015/16 £000	Reconciliation of Single Entity to Group (Surplus)/Deficit	2016/17 £000
7,402	(Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year	31,298
(10)	Less: Subsidiary and Associate dividend income and any other distributions from Group Entities included in the Single Entity (Surplus)/Deficit on the Income & Expenditure Account	(18)
<b>7,392</b>	<b>(Surplus)/Deficit in the Group Income &amp; Expenditure attributable to the Authority</b>	<b>31,280</b>
	Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
10	Subsidiaries	18
(4,148)	Joint Ventures	(3,875)
<b>3,254</b>	<b>Group Account (Surplus)/Deficit for the year</b>	<b>27,423</b>

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

2015/16 £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non-Cash Items	2016/17 £000
(53,282)	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(122,782)
4,148	Total Non Cash Adjustments included in the Group Accounts	3,875
<b>(49,134)</b>	Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	<b>(118,907)</b>

### **Balance Sheet Adjustments**

As at 31st March 2016				As at 31st March 2017		
Single Entity £000	Group Adjustment £000	Group Accounts £000	Balance Sheet Category	Single Entity £000	Group Adjustment £000	Group Accounts £000
78,514	(49,370)	<b>29,144</b>	Long Term Investment	87,391	(49,370)	<b>38,021</b>
0	25,011	<b>25,011</b>	Investment in Associates and Joint Ventures	0	25,679	<b>25,679</b>
63,330	2	<b>63,332</b>	Short Term Debtors	48,289	(2)	<b>48,287</b>
(67,588)	(8)	<b>(67,596)</b>	Short Term Creditors	(68,183)	(1)	<b>(68,184)</b>
(125,485)	24,365	<b>(101,120)</b>	Unusable Reserves	(58,929)	23,694	<b>(35,235)</b>

Explanations of these balance sheet adjustments are provided in section 4.8.

### **Group Tax Expense**

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

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

## 4.7 Group Companies Disclosure

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

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

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

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

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

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

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

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

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

100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.

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

### **Coventry North Regeneration Limited (CNR)**

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

### **Related Party Transactions**

Details of related party transactions are provided in section 3.9.

## 4.8 Notes to the Group Balance Sheet

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

The group balance sheet excludes the long term investments of £46,667k in CSWDC and £2,703k in NCH as included in the single entity accounts.

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

31st March 2017	CSWDC £000	NCH £000	Total £000
Share in Gross Assets of Joint Ventures	34,023	2,703	36,726
Share in Gross Liabilities of Joint Ventures	(11,046)	(4)	(11,050)
<b>Total</b>	<b>22,977</b>	<b>2,699</b>	<b>25,676</b>

31st March 2016	CSWDC £000	NCH £000	Total £000
Share in Gross Assets of Joint Ventures	33,053	2,703	35,756
Share in Gross Liabilities of Joint Ventures	(10,746)	(5)	(10,751)
<b>Total</b>	<b>22,307</b>	<b>2,698</b>	<b>25,005</b>

Unusable Reserves - Reflects the gross assets less the gross liabilities of the joint venture and subsidiary companies. The group Available for Sale Reserve excludes the Council's investment of £46,667k in CSWDC as included in the single entity accounts.

Unusable Reserves	2015/16 £000	2016/17 £000
Single Entity	(125,485)	(58,929)
CSWDC	24,360	23,690
NCH	5	4
<b>Group Unusable Reserves</b>	<b>(101,120)</b>	<b>(35,235)</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 to the single entity accounts.

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st

March 2017 . It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 – Based on International Financial

Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 5.2 Significant Assumptions made in estimating Assets and Liabilities

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

**Pensions Liability** - This liability stands at £613.2m, at the end of the 2016/17 financial year. Estimation of the net pension liability to pay pensions depends on a number of complex judgements relating to the discount rate used,

the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. New information can lead to changes to these judgments, which could lead to material adjustments. During 2016/17, the updating of data and assumptions by the Council's actuaries has led to an increase in the net pension liability of £59.7m.

**Asset Valuations** - Valuations are undertaken on the basis of a five year rolling programme, which is supplemented by annual reviews to

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

### 5.3 Significant Judgements Made Regarding Accounting Policies

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

#### 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. However, despite this uncertainty, there have been no suggestions that the local authority sector will not continue to be a major provider of Local Government services into the foreseeable future and, as such, the City Council has made the judgement that its going concern status should be maintained. These accounts have been produced on that basis.

#### 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 3.10 details the respective contributions to the pooled budget during 2016/17 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were envisaged at the time, including management and control of expenditure decisions. However, the details of the expenditure identified in note 3.10 have been determined by applying principles of 'substance over form' in which the level of expenditure allocated to each partner

reflects the actual degree of control and influence over that spend during the year (the 'substance') rather than allocating it on the basis of the control and influence outlined in the BCF agreement (the 'form').

## 5.4 Accounting standards issued, but not yet adopted

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

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

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

## 5.5 Changes in Accounting Policies

The main change in policy in 2016/17 has been in respect of the presentation of the Council's financial statements. The Council has revised the presentation of the Consolidated Income and Expenditure statement, in line with Code of Practice requirement on segmental reporting. The service analysis in the Consolidated Income and Expenditure is now based on the Council's internal organisational structure, rather than the standard Service Reporting Code of Practice (SerCOP) headings. In addition the Council has reviewed the services it had historically categorised as 'Trading Operations' and as a result, with the exception of Commercial Property, all other trading areas have been consolidated into appropriate categories within the 'Cost of Services', on the basis that they receive a significant proportion of their income from providing services internally, i.e. to other parts of the Council. As a result the figures within the 'Cost of Services' section for 2015/16 have been restated. Details of this restatement are provided in section 3.35.

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

## 5.6 Accounting Policies – Categories

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

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



## 5.7 Accounting Policies

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

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

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

The Council has a de-minimis threshold of £5,000 for accruals of income and expenditure that are not system generated.

### **Provisions**

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

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

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

### **Reserves**

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

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

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

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

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

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

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

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

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

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

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

- The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arm's length transaction (with reference to observable prices in an active market or recent market transactions on arm's length terms).
- Fair value equates to market value;
- Land and Buildings other than surplus properties are valued using the Existing Use Value method;

- Specialised assets with no market-based evidence of fair value were valued using the depreciated replacement cost (DRC) method;
- For non-property assets that have short useful lives and/or low values, the depreciated historical cost has been used as a proxy for fair value;
- Investment property assets are measured initially at cost, i.e. purchase price and transaction costs, and then subsequently at fair value at the end of the reporting period, assessing their value at highest and best use. This value is derived from the capitalisation of an income stream at a yield derived from market evidence.

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

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

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

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

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

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

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

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

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

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a derecognition. The resultant loss is charged to Other Operating Expenditure in the Consolidated Income and Expenditure Statement.

**Impairment** - Under the IFRS Code, all impairment losses are taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset. Any further losses (or if there is no balance on the revaluation reserve) are taken to the Comprehensive Income and Expenditure Statement.

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

The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). The written-off value of disposals is not a charge against Council Tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing.

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

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

### **Intangible Assets**

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

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

Legislation allows for some expenditure, for example grants and expenditure on property not owned by the authority, to be classified as capital for funding purposes when it does not result in the expenditure being carried as an asset on the Balance Sheet. Expenditure that falls into this category has been charged

to Cost of Services in the Comprehensive Income and Expenditure Statement. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Adjustments between Accounting Basis and Funding Basis under Regulation so there is no impact on the level of Council Tax.

### **Government Grants and Contributions**

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

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

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

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

### **Value Added Tax (VAT)**

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

### **Investments**

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

### **Financial Instruments**

#### **Financial Liabilities**

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

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

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

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

### **Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

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

The Council can choose to make loans to 'not for profit' organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Adjustment between Accounting Basis and Funding Basis statement.

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

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

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

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

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

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

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

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

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

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

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

### **Leases**

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

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

### **Discretionary Employee Benefits**

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

### **Overheads and Support Services**

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

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

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

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

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

### **Group Accounts**

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

### **Cash and Cash Equivalents**

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

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

### **Joint Operations**

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

### **Schools**

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

### **Events after the Balance Sheet date**

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

#### Adjusting Events

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

#### Non-adjusting Events

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

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

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

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

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

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

## 6 Glossary of Terms

### Accruals

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

### Actuarial Assumptions

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

### Amortisation

The gradual write off of initial costs of intangible assets.

### Bad Debt Provision

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

### Business Rates

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

### Capital Contract

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

### Capital Adjustment Account

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

### Capital Receipts

Income received from selling fixed assets.

### CIPFA

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

### Contingent Liabilities

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

### Council Tax

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

### Creditors

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

#### Current Assets

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

#### Debtors

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

#### Depreciation

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

#### Donated Assets

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

#### Earmarked Reserves

Money set aside for a specific purpose.

#### Fair Value

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

#### Finance Lease

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

#### Financial Instrument

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

#### Financial Year

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

#### Fixed Assets

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

#### Heritage assets

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

#### IFRS

International Financial Reporting Standards

#### Impairment

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

#### Intangible Assets

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

#### Inventories

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

#### Investment Properties

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

#### LASAAC

This is the Local Authority (Scotland) Accounts Advisory Committee which shares responsibility with CIPFA for determining the accounting Code of Practice.

#### Liabilities

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

#### Liquid Resources

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

#### Levy

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

#### Market Value of Assets

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

#### Materiality

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

#### Movement in Reserves Statement (MIRS)

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

#### Net asset value

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

#### Net Book Value (NBV)

The value of an asset after depreciation has been deducted.

#### Operating Leases

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

#### Precept

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

#### Prior Year Adjustments

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

#### Provisions

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

#### Revaluation Reserve

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

#### Revenue Expenditure Funded From Capital Under Statute

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

#### Revenue Support Grant (RSG)

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

#### SOLACE

This is the Society of Local Authority Chief Executives and Senior Managers. It is a representative body for senior strategic managers working in the public sector.

#### Specific Revenue Grants

Grants received from Central Government in respect of specific services.

#### Work in Progress

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



# 7 Audit Certificate

*(To be added on completion of the audit.)*