



# **Coventry City Council's 2017-18 Statement of Accounts**

This document presents the Council's financial performance  
for the year ending 31<sup>st</sup> March 2018.

<b>1</b>	<b>An Overview of the Council's Performance</b>	<b>4</b>		
1.1	Introduction	4		
1.2	Narrative Report	4		
1.3	Statement of Responsibilities	15		
1.4	Annual Governance Statement	16		
<b>2</b>	<b>Main Financial Statements</b>	<b>26</b>		
2.1	Overview of Main Financial Statements	26		
2.2	Comprehensive Income & Expenditure Statement	27		
2.3	Movement in Reserves Statement	28		
2.4	Balance Sheet	30		
2.5	Cash Flow Statement	31		
<b>3</b>	<b>Notes to the Main Financial Statements</b>	<b>32</b>		
3.1	Note to the CIES	32		
3.2	Expenditure and Funding Analysis	33		
3.3	Note to the Expenditure and Funding Analysis	34		
3.4	Revenue Outturn	36		
3.5	Segmental Analysis	37		
3.6	Income and Expenditure Analysis	38		
3.7	Analysis of Capital Grants	39		
3.8	Analysis of Revenue Grants	40		
3.9	Deployment of Dedicated Schools Grant	41		
3.10	Related Party Transactions	43		
3.11	Pooled Budgets	45		
3.12	External Audit Costs	47		
3.13	Usable and Unusable Reserves	48		
3.14	Adjustments between Accounting Basis & Funding Basis under Regulations	51		
3.15	Property, Plant and Equipment	52		
3.16	Heritage Assets	55		
3.17	Non-Operational Assets	57		
3.18	Capital Expenditure and Capital Financing	59		
3.19	Revaluation of Property, Plant and Equipment	60		
3.20	Capital Commitments	61		
3.21	Long Term Investments	62		
3.22	Long Term Debtors	63		
3.23	Short Term Debtors	64		
3.24	Short Term Creditors	64		
3.25	Provisions	65		
3.26	Other Funds	66		
3.27	Notes to the Cash Flow	67		
3.28	Private Finance Initiative (PFI)	69		
3.29	Leases	73		
3.30	Pension Costs	76		
3.31	Retirement Benefits	77		
3.32	Officers' Remuneration (including exit packages)	82		
3.33	Members' Allowances	84		
3.34	Financial Instruments	85		
3.35	Associated Company Interests & Holdings	91		
3.36	Prior Period Restatements	94		
3.37	Events after the Balance Sheet Date	98		
3.38	Contingent Liabilities and Assets	98		
3.39	Collection Fund	100		
<b>4</b>	<b>Additional Financial Statements - Group Accounts</b>	<b>103</b>		
4.1	Overview of Group Accounts	103		

4.2	Group Comprehensive Income and Expenditure Account .....	104	5.6	Accounting Policies – Categories.....	116
4.3	Group Movement in Reserves Statement .....	105	5.7	Accounting Policies .....	117
4.4	Group Balance Sheet.....	107	<b>6</b>	<b>Glossary of Terms .....</b>	<b>129</b>
4.5	Group Cash Flow Statement.....	108	<b>7</b>	<b>Audit Certificate .....</b>	<b>133</b>
4.6	Reconciliation of Single Entity to Group Accounts .....	108			
4.7	Group Companies Disclosure .....	111			
4.8	Notes to the Group Balance Sheet .....	112			
<b>5</b>	<b>Statement of Accounting Policies .....</b>	<b>114</b>			
5.1	General .....	114			
5.2	Significant Assumptions made in estimating Assets and Liabilities 114				
5.3	Critical Judgements in Applying Accounting Policies.....	114			
5.4	Accounting standards issued, but not yet adopted .....	115			
5.5	Changes in Accounting Policies.....	116			

# 1 An Overview of the Council's Performance

## 1.1 Introduction

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

Accounts presents the Council's financial performance for the year ending 31st March 2018. The narrative report below helps to explain some of the key elements of Council's role, its impact on major developments in the city and its

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

## 1.2 Narrative Report

Coventry is a city which is in transition and is faced with some contrasting local circumstances. Coventry's population continues to be one of the fastest growing in the country and now stands at nearly 353,000 on the most recent measures. It is also a young city with the average age of Coventry's residents (33) being notably lower than the England average (40). 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.

Indicators for unemployment in the city and workplace earnings are broadly in line with the national average. However, 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.

Overall, Coventry has a smaller proportion of older people than the national average. However, the increasing life expectancy of the city's residents will result in an annually growing total number of elderly Coventry residents. This will put greater demand on the city's Adult Social Care services in the future.

Some of the significant challenges facing the city have been present for a number of years and many major urban areas are experiencing similar challenges. In response to this Coventry is transforming itself on a number of fronts and is demonstrating increasing confidence in its position.

Both Warwick University and Coventry University have continued to experience sustained success and recognition at a national level. They continue to attract larger numbers of students into the city and rapidly develop their own facilities and

infrastructure. In addition the universities have become increasingly large employers and have demonstrated significant success in attracting investment into the city and forging strong links with manufacturing and business organisations.

Such success was in evidence with the announcement in November of Coventry winning a competition to host an £80m National Battery Manufacturing Development Facility. This was the result of a joint bid put together by local partners and will see the development of the next generation of battery systems in a cutting edge facility. This builds on previous announcements of investment plans by local companies including the expansion by Jaguar Land Rover of its research and design facilities. The city received a boost in December 2017 from the announcement of its success in achieving UK City of Culture status for 2021 demonstrating a self-belief in the city's cultural heritage. This will generate significant interest in the city and represent a massive boost to its cultural life and local economy in the coming years.

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

The Council is organised over two major Directorates which provide services covering the full range of local government responsibilities. Professional support functions are delivered by teams located within both Directorates.

The People Directorate focuses on services delivered directly to and on behalf of the city's citizens including adults' and children's social care, education and public health. The Place Directorate is engaged on the wider environment such as the city's highways, green spaces, refuse collection, cultural life and economic development.

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 a 2017/18 performance report due to be considered by the Council's Cabinet in August.

The Council's children's social care services have seen a marked improvement and are now judged as "requires improvement to be good" with indicators on repeat referrals and placement stability seeing improvement. A recent Care Quality Commission review of the city's health and care system found that it is "working well to ensure it meets people's needs" and that front line staff "were committed to providing high quality, person-centred care".

In terms of education, the vast majority of primary school pupils continue to attend schools rated

good/outstanding, and the gap with the national average at key stage 2 has narrowed further. However, only three quarters of secondary pupils attend schools rated good or outstanding, and key stage 4 results indicate performance is below the national average.

Like other cities, Coventry faces an increasing challenge around homelessness, both in terms of financial costs and poor outcomes, around placements in temporary bed and breakfast accommodation. In 2017/18, work has progressed on the development of a homelessness prevention team, and in adopting the "making every adult matter" approach for people facing severe and multiple disadvantage.

This year saw the launch of a revised household waste and recycling collection service and challenges around increasing levels of fly-tipping. The city's roads have improved markedly from previous years, and a programme of work is planned to address the road network condition following recent poor weather conditions. Looking forward, the Council is 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 local economy continued to grow, but at a slowing rate. There are signs that the number of jobs in the city is growing, and the city demonstrated strong growth in resident employment levels. However, there remain some challenges: productivity growth is low and overall productivity remains lower than the UK average; the city continues to have a relatively low business stock; and lower levels of residents with qualifications.

The city is attracting significant levels of new investment, from purpose-built student accommodation in the city centre, to advanced manufacturing and research clusters in the sub-region; as well as the opening of One Friargate, the first building in the city's new business district. This is resulting in a virtuous cycle: city centre footfall is increasing, in contrast to a decrease nationally; and the growing number of people in the city centre, particularly students, is attracting further private sector investment into the city centre including Cathedral Lanes, the Upper Precinct, and City Centre South.

Following the city's successful bid to become the next UK City of Culture the Coventry City of Culture Trust is now working with partners and communities across the city on a programme that will have a major impact on the city's cultural life.

The Council has had to respond to reductions in its funding from Government of over £100m between 2010/11 and 2017/18. 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 2017, the Council set an overall budget for its revenue expenditure of £703m. 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 3.8 Analysis of Revenue Grants.

	<b>Budget £m</b>
Council Tax	(118.5)
Local Business Rates	(114.0)
General Government Grant	0.0
Specific Government Grants	(390.1)
Fees and Charges	(80.8)
<b>Total</b>	<b>(703.4)</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 £232m. Using this measure the Council underspent its budget for 2017/18 by £1.6m, as set out in the table overleaf and more fully in note 3.4 Revenue Outturn.

The Council changed its management structure in February 2017 moving to a structure with two main service directorates - the People and Place directorates. These accounts reflect that structure, and the table opposite includes the key service areas that sit within these two Directorates.

Within 2017/18 the two main areas of budgetary overspend were social care services for children (£2.7m) and several services relating to housing and homelessness where the overall overspend was nearly £5m including the cost of non-claimable Housing Benefit Subsidy. In common with other councils across the country, Coventry has experienced high numbers of looked after children resulting in more service users and higher costs of individual care packages. The city has also witnessed a fast-growing number of people and families that require housing and for whom emergency accommodation has had to be provided by the Council. This too is an issue that has been experienced by many local authorities.

Given the deep-rooted nature of the financial challenges faced within Children's Services and Housing the Council has increased the amount of budget in both areas for 2018/19. At the same time the Council is seeking to identify approaches to address the underlying issues and to manage the impacts in both areas. This should ensure that budgetary pressures of the scale witnessed in 2017/18 are not repeated in 2018/19.

In adults' social care, service pressures have been experienced in Coventry in previous years and continue to be experienced by other councils across the country. In response the Government provided additional grant funding and flexibility for councils nationally to raise additional Council Tax revenue specifically to fund the costs of adult social care. Together, these resources have enabled the Council to deliver its adult social care services within budget in 2017/18.

Other areas within the accounts have witnessed budgetary under-spends. In particular the Council has seen favourable variances relating to: a discount on its pension costs as a result of an

early payment arrangement; lower than the expected costs within contingency budgets in particular relating to pension auto-enrolment; a benefit received via the Coventry and Warwickshire Business Rates Pool, additional dividends from its shareholding in the Coventry and Warwickshire Waste Disposal Company and additional investment income and lower costs in relation to treasury management activity.

These favourable circumstances have allowed the Council to identify resources within the 2017/18 budgetary control position to fund a previous commitment of £4.75m for Coventry's UK City of Culture programme and to strengthen the level of reserves set aside to protect against Business Rates volatility. The net £1.6m underspend which is added to the Council's General Fund Balance, re-establishes a position whereby the Council has a reserve set aside amounting to 2% of net revenue budget in line with the Council's Medium Term Financial Strategy.

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 surplus of £67.4m in the year. Accounting convention means that the value of this movement is reflected also in the Council's Balance Sheet and Movement in Reserves Statement, both of which have increased in value by £67.4m in the year.

## Summary of the Council's Revenue Outturn

2017/18	Total Income	Total Expenditure (including reserve movements)	Net Expenditure	Budget	Overspend/ (Underspend)
	£m	£m	£m	£m	£m
Public Health	(19.4)	20.8	1.4	1.6	(0.2)
People Directorate Management	(0.1)	1.5	1.4	1.5	(0.1)
Education and Inclusion	(208.1)	220.3	12.2	12.5	(0.3)
Children and Young People's Services	(9.7)	82.7	73.0	70.3	2.7
Adult Social Care	(38.9)	119.6	80.7	81.9	(1.2)
Customer Services & Transformation	(32.7)	36.3	3.6	2.9	0.7
Place Directorate Management	(0.6)	4.4	3.8	3.7	0.1
City Centre & Major Projects Development	(6.8)	14.2	7.4	7.2	0.2
Transportation & Highways	(27.8)	32.4	4.6	4.2	0.4
Streetscene & Regulatory Services	(27.0)	55.3	28.3	27.3	1.0
Project Management and Property Services	(34.3)	25.9	(8.4)	(7.7)	(0.7)
Finance & Corporate Services	(133.6)	143.0	9.4	7.0	2.4
Contingency and Central Budgets	(110.3)	123.8	13.5	20.1	(6.6)
<b>Total</b>	<b>(649.3)</b>	<b>880.2</b>	<b>230.9</b>	<b>232.5</b>	<b>(1.6)</b>

### The Council's Financial Performance – Capital

Final Capital Programme spend for the year was £107m compared with a budget of £123m. Some schemes have made slower progress than planned in 2017/18 and are now expecting to spend the relevant sums in later years. However,

other new schemes received approval and have been progressed during the year. The majority of the expenditure has been funded from external grants, as set out in note 3.18 Capital Expenditure and Capital Financing. The most significant schemes undertaken in the year included the completion of the Council's new

Friargate administrative office building, moving ahead with the city's new destination leisure facility, infrastructure works within the Whitley South scheme, progression of the new Broad Spectrum School and preparatory works for the City Centre South regeneration scheme.

On the 22<sup>nd</sup> December 2017 the City Council acquired 100% of the ordinary share capital of Coombe Abbey Park Limited (CAPL), the principal activity of which is the running of the Coombe Abbey Hotel situated on the outskirts of the city. The purchase price of £9m could rise to £10.5m by 31<sup>st</sup> December 2018, depending on the financial performance of the business.

The Council has previously had a long standing interest in the Coombe Abbey Hotel, through the freehold ownership of the site, which is let on a long lease to the company, generating rental income. The Council also held a special share, entitling the Council to dividends each year subject to profitability. In addition, in 2013 the Council provided a £6.7m commercial loan to CAPL repayable over 15 years, of which £4.9m is outstanding as at 31<sup>st</sup> March 2018. The hotel also sits within the larger Coombe Abbey Park site, which is owned and run by the Council.

As part of its overall financial plans, the Council has continued to generate capital receipts from the sale of assets. The use of external grants (rather than receipts) to part fund 2017/18 capital expenditure has enabled the Council to carry forward capital resources to fund future expenditure plans. This is set out in note 3.13 Usable and Unusable Reserves.

Part of the expenditure programme has been earmarked to be funded by prudential borrowing although due to the Council's existing cash balances it has been able to delay taking any long-term borrowing within 2017/18. As a result of some existing borrowing being repaid the Council's long-term borrowing reflected in the Balance Sheet has gone down in the year from £360m to £334m.

### **Reserve Balances**

The total level of reserves owned and controlled by the Council to support its revenue spending activities has gone up by £14m in 2017/18 and now stands at £62m. A further £24m of reserve balances either belong to or have been set aside to support the city's schools, an increase of £2m in the year. These school reserves are not available for the Council to use for other purposes. In addition, capital resources set aside to fund one-off capital schemes stand at £31m.

The revenue reserves are held for a number of reasons. Several of the largest balances include: £11m set aside to deliver the Council's long-term Private Finance Initiative specific projects, £8m held to help the Council to restructure its workforce so that it can balance future budgets; nearly £5m to support the UK City of Culture 2021 Programme and £5m to support activity relating to the Improved Better Care Fund in 2018/19.

It is often difficult to explain to citizens and others who show an interest in the Council's financial activity, the need to hold this level of financial balances. However, the Council's view is that the scale of the financial challenges facing the Council and range of the projects and aspirations that it has established for itself over the next few years provides a strong justification for setting aside these amounts. In addition, based on the latest nationally available data (for 2016/17) the Council continues to hold more modest reserve balances (relative to its size) than much of the rest of local government. Further detail on the Council's reserve balances are set out in note 3.13 Usable and Unusable Reserves.

### **Treasury Management**

The Council has maintained high levels of short-term treasury investments for several years as a result mainly of receiving large amounts of grant funding ahead of the need to spend on the associated capital projects. The long-term borrowing position at the end of 2017/18 stands at its lowest level for some years at £334m. This is the result of the Council taking opportunities to either pay off debt or not undertake new borrowing as existing debts have matured. In particular, the Council repaid a £20m LOBO (Lender's Option, Borrowers Option) loan in January 2017 at a premium of £10.5m which has enabled it to achieve a modest net saving in its overall borrowing costs.

2017/18 probably marks something of a watershed, with the treasury approach described above, the pensions pre-payment referred to below and the taking shape of the Council's ambitious capital expenditure. The like-for-like level of the Council's short-term investments has reduced in the year and consideration is now turning to when the Council will need to undertake some long-term treasury borrowing. This decision will be informed by the Council's cash-flow position, prevailing interest rate conditions and advice from the Council's treasury advisors and will be driven by the need to secure the most advantageous financial outcome that can be achieved.



### Other Issues within the Accounts

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

The Council's Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the authority. This is summarised in the table below and set out in full in section 2.4. The Council's property assets represent £711m or 61% of the Long Term Assets figure. Its pension liabilities represent £542m or 61% of its Long-Term Liabilities.

<b>Balance Sheet Category</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£m</b>	<b>£m</b>
Long-Term Assets	1,102	1,170
Net Current Assets (Current Assets less Current Liabilities)	107	12
Long Term Liabilities	(990)	(894)
<b>Net Assets</b>	<b>219</b>	<b>288</b>
Represented by:		
Useable Reserves	(104)	(123)
Unuseable Reserves	(115)	(165)
<b>Total Reserves</b>	<b>(219)</b>	<b>(288)</b>

There have been no changes in accounting policies in 2017/18. Note 5.3 Critical Judgements in Applying Accounting Policies captures any areas within the accounts that have a significant

risk of material adjustment within the next financial year. The sections below give an indication of the complexity and volatility of both pensions and asset accounting and demonstrate why the Council has included these as the two areas within this categorisation.

### Pensions Accounting

The Council's pension deficit represents the most striking single factor within these accounts as it does for many other local authorities. The balance sheet shows a shortfall of £542m between the current value of amounts paid into the pension fund and the forecast cost of pensions that will need to be paid out in future. This is £71m lower than the deficit recorded in the 2016/17 accounts although when compared with the total value of everything the Council owns (£1,293m) 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 made year-on-year increases in employer pension contributions since 2014/15 and these were increased again in 2017/18 as part of the most recent three yearly review of the pension scheme. Although this represents extra costs to the Council, these are being managed within its

overall budget and mean that the financial position of the authority remains sound. The detailed effects of pensions' accounting for the local government and teachers' unfunded pension schemes are shown in sections 3.30 Pension Costs and 3.31 Retirement Benefits.

In line with a number of other local authorities, the Council has taken the opportunity to pay a sum in 2017/18, equivalent to all of its employer pension contributions for the three year period 2017/18 to 2019/20, to the West Midlands Pension Fund. The nature and longevity of the investment opportunities available to the Pension Fund mean that they are able to secure far greater returns on their investments. As a result the Fund has been able to offer councils including Coventry a discount on their overall contributions; in Coventry's case these contributions total £93m. The cash sum paid is included within the calculation of the £542m pension liability above. However, accounting conventions allow the payments to be allocated across the period up to 2019/20. Therefore, the Council has only charged the in-year figure to its general fund. As a result, there is a difference of £62m representing a divergence between the Pension Liability and Pension Reserve which is allowable under the circumstances described here.

This advance payment represents a key reason why the pensions' liability position has improved in 2017/18. Other than this the two most significant changes have had a broadly equal and opposite effect on the calculated future cost of pension liabilities; a lower discount rate (which serves to increase estimated costs) and an assumed reduction in inflation (which reduces these costs).

## **Asset Valuations**

The Council's assets (its land, property, vehicles and heritage assets) are assessed on a regular basis to ensure that their value is reflected accurately in the accounts. The land and property valuations in particular are always subject to the external economic climate and in some previous years wider financial uncertainty has caused some downward pressure on these values. However, more stable economic conditions in recent years have meant significantly less volatility in revaluations and this is true again for 2017/18, with only minor net movements being recorded in the year. However, asset valuation continues to be a significant area of interest within these accounts.

In response to a recommendation resulting from the audit of the Council's 2016/17 accounts the Council has valued a higher proportion of assets (by value) this year and intends to continue to do this in on an annual basis. This will ensure that the Council can identify material movements in asset valuations during the year.

Note 3.36 Prior Period Restatements recognises a prior period adjustment to reflect a change in how the Council has previously accounted for its infrastructure assets, essentially those relating to the Council's highways. The net effect has been to increase the Council's asset values by £56m.

A total of four schools transferred to academy status in 2017/18. The day to day costs and

funding of the schools are included within these accounts up to the day on which they transferred. Their budget shares of £11m will not be included in the Council's accounts in future and £23m of asset value has been removed from the Council's accounts in the year. This forms the majority of the £35m de-recognition within note 3.15 Property, Plant and Equipment

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

## **Going Concern**

In compiling these accounts, the Council needs to be satisfied that it remains as a going concern. This means that it will be able to continue operating for a period of time that is sufficient to carry out its commitments and objectives. This assessment has become more relevant for local government in recent years with doubts being expressed about whether some local authorities will be able to deliver their full range of service commitments given the financial pressures they face, with one council issuing a Section 114 Notice in February 2018 recognising formally that it may not have sufficient resources to meet its expenditure. In the opinion of the Director of Finance and Corporate Services, Coventry City Council remains in a sound financial position

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

## **The Better Care Fund**

The Better Care Fund (BCF) has required Local Authorities and Clinical Commissioning Groups to pool budgets from 1st April 2015 with the intention of driving improvement through the integration of services and resources. The Council has spent £37m in this area as part of an overall pooled budget of £88m. These arrangements will become increasingly important in future years as the government channels more and more funding through this mechanism. The overall pooled budget relationship is set out in note 3.11 Pooled Budgets.

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

The Council received a request in February 2016 for mandatory Business Rates relief for the University Hospitals Coventry and Warwickshire NHS Trust, replicating similar claims made across the country. If the relief is granted this would represent a significant on-going impact on the Council's Business Rates revenue as well as representing a risk that the appeal could be back-dated. The Council's view is that the claim is not valid and it has not been reflected as a provision in these accounts. However, because it remains possible that the claim is upheld and because the costs could potentially be large, this has led the Council to recognise this as a contingent liability in note 3.38.



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

A Judicial Review (JR1) into the decision by the Council to make a loan to ACL when it was the operating company of the Ricoh Arena, finally concluded in the Council's favour in December 2016. Prior to the conclusion of JR1, the Council received notification of a Judicial Review claim (JR2) relating to the sale of a lease extension on the Ricoh Arena to London Wasps Holdings Ltd who became 100% owners of Arena Coventry Ltd in November 2014. JR2 was stayed pending the conclusion of JR1. Although permission to bring this second claim was initially rejected by the High Court on 14th July 2017, the Court of Appeal subsequently ordered that the decision to refuse permission can be appealed and an appeal hearing is currently scheduled for June 2018 unless all parties can reach a resolution through mediation. 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 3.38 Contingent Liabilities and Assets.



## Future Plans

The Council's key priorities incorporate a need for the city to become more prosperous and for the Council to lead the drive for economic growth and stimulate the local economy. The Council has been progressing its plans to regenerate the city centre for several years and its future Capital Programme is now bringing this forward, including progress on the planned Friargate business district next to Coventry railway station. The first stage of this is represented by the completion of the Council's new administrative centre building now occupied by Council staff and the Financial Ombudsman Service which has re-located part of its operations from London to Coventry. Approval and funding for a second building is now in place and plans will be progressed in 2018/19.

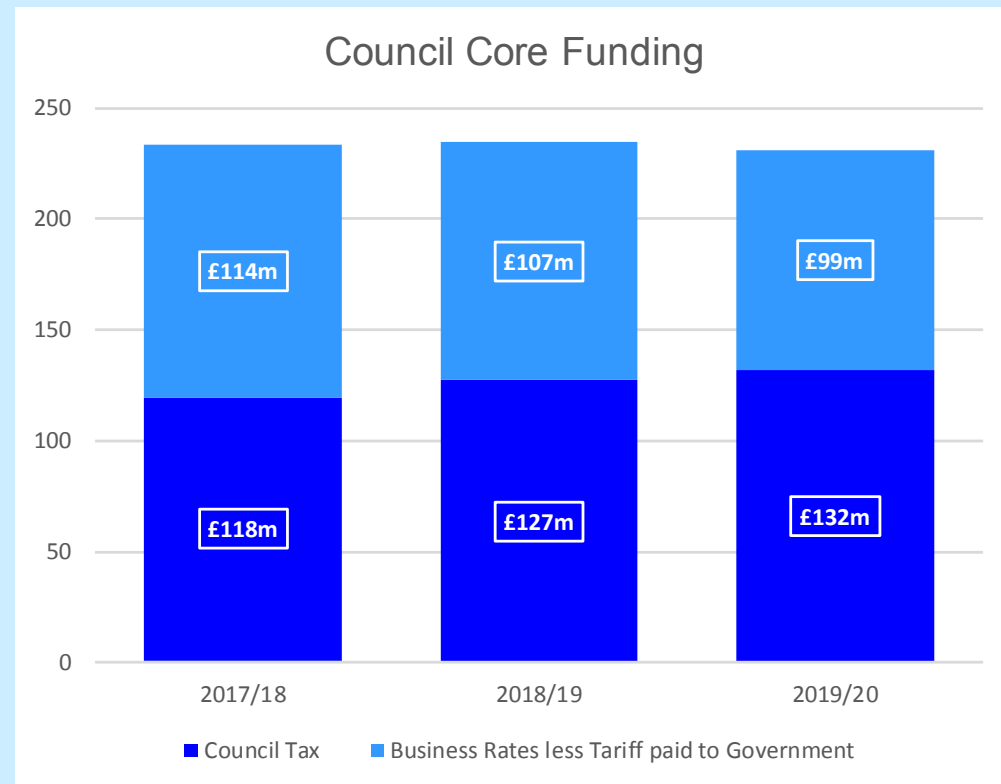
In close proximity to this, the construction phase of the city's new swimming and leisure facility is now well advanced with plans to open early in spring 2019. These are two tangible signs of the action that the Council is taking to improve the attractiveness of Coventry as a destination for people to live, work and do business. In addition, the construction phase of a new 50 metre swimming facility will progress during 2018 at the Alan Higgs Centre in the city. Also, ahead of the UK City of Culture plans, the Council continues to provide the free Godiva Festival on an annual basis and has attracted the BBC Biggest Weekend music event to the city in May 2018.

In 2016/17 the Council formally joined the West Midlands Combined Authority (WMCA) alongside the other six West Midlands councils. The purpose of the WMCA is to draw together strategic work across transport, economic development, employment, skills and housing, improving outcomes for the region. The WMCA

established a Devolution Deal which represents a funding package totalling £8bn to deliver major projects across the West Midlands. These will affect some of the financial arrangements of the member authorities such as the inclusion of schemes within individual authorities' capital programmes. The 2017/18 accounts include £5.4m of capital spend in relation to Devolution Deal related schemes and £0.6m of revenue costs to the finance the Deal and fund the Council's membership of the WMCA.

The Council, supported by the Coventry and Warwickshire Local Enterprise Partnership, have

helped to secure grant funding to implement the Whitley South Infrastructure Project. This will help one of the City's most prominent employers, Jaguar Land Rover, increase its presence in the city and open up new growth opportunities for local manufacturers and businesses in the supply chain, creating highly-skilled engineering and advanced manufacturing jobs. These plans are a demonstration that the city, through the joint co-operation of a range of partners, has the ability to generate economic growth and greater prosperity within Coventry.



Coventry's general grant resources from Government have reduced each year since 2010 and the Council's medium term financial plans include projections based on this trend.

As a result of the Council's participation in the West Midlands Business Rates Retention Pilot, 99% of Business Rates income has been retained locally in 2017/18, a position that will continue for the duration of the Pilot. In 2017/18 the Council moved from a position where it received a resource top-up from Government to one where it paid a resource tariff to Government. This tariff was less than £1m in 2017/18 but grows to nearly £10m in 2018/19. Despite this, the Council will face a relatively stable resource position for the next two years which is reflected in the graph above.

The government's has stated its intention to pursue reform of the Local Government Finance System. This will include a Spending Review affecting all Government Departments, a Fair Funding Review which will dictate the allocation of resources between local authorities, the introduction of 75% local Business Rates retention and 3 yearly Business Rates revaluations. The net result of this is that the Council, like all local authorities, faces a large degree of uncertainty from 2020/21 onwards with regard to its funding position.

The reduction in and uncertainty of future revenue resources and a need to manage spending pressures means that the achievement of savings programmes and the identification of ways in which the Council can balance future budgets will continue to remain key focuses 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 5,000 individuals, a reduction of more than 2,500 from the equivalent figure in 2010. Although this has been required by the financial position faced in recent years, it is likely that reductions in the number of employees will decelerate in the future. One of the key challenges facing the Council is ensuring that it has a sufficient quantity and calibre of employees to delivering the challenging programme of activity including forthcoming major capital projects and the forthcoming UK City of Culture.

Recent budgetary trends including the 2017/18 outturn position re-affirm 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 children's social care and issues around housing and homelessness.

Children's and Young People's Services has been undertaking reviews of placements and packages to enable it to move towards better management of its budgetary pressures whilst the Council is also seeking to better coordinate its services relating to housing and homelessness to enable it to identify the most appropriate and cost effective housing solutions.

The additional resources allocated to adult social care have helped ease budgetary pressure in this area. However, in common with the wider funding arrangements for local government, the position beyond 2020/21 remains unclear for adult social care. It will be essential for the Government to provide the necessary clarification to enable this sector to be put on a firm financial footing and continue the closer working relationship to deliver services that has developed between the Council and the health sector locally.

The Council continues to work with key local partners and has put arrangements in place, for instance with the Culture Coventry Trust, to help strengthen its financial position.

Nationally, 2017/18 has seen a continuation of the arrangements through which the Council previously retained 50% of the Business Rates that it collected and the Government has announced plans to move to a 75% retention scheme from 2020/21. As an interim measure in 2017/18 the Council has participated in the WMCA 100% Business Rates Retention Pilot scheme, one of a number around the country.

Whilst the current and future retention schemes emphasise the need to sustain a successful local economy and a healthy local Business Rates base, the WMCA Pilot is beneficial largely as a result of the favourable basis on which the Government has established it, including a no detriment clause. This provides some protection for the Council's financial position for as long as the Pilot is in existence whilst the Government seeks to understand to what extent the scheme will provide a guide as to how an equivalent national scheme could impact on council finances in the future.

Whilst future changes promise to deliver greater autonomy to local government 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 after 2019/20 it is impossible to have any clarity on their impact.

Given the financial challenges that face the Council and the desire to avoid further cuts to services, the Council is seeking to explore and pursue new commercial opportunities and to maximise the financial return that it is able to achieve from its assets. These plans, demonstrated by the purchase of Coombe and investment in property assets within the city, will continue to be developed although they will pay due regard to guidance issued by the Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) relating to capital finance and treasury management in recent months; guides issued with the intention of ensuring that authorities stay within prudent and reasonable parameters of activity.

The Council's response to the key governance issues that it faces in 2018/19 are set out in the Annual Governance Statement (AGS) below. Aside from some of the financial and service challenges that are referred to within the AGS, it is worth noting that the Council is currently in the process of implementing separate action plans arising from the Information Commissioner's Office data protection audit in November 2017 and the need to comply with General Data Protection Regulations from May 2018.

## 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;
- 

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 2018 and its income and expenditure for the year ended 31st March 2018, and that the accounts are authorised for issue.



Barry Hastie, CPFA  
Director of Finance and Corporate Services

- 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

18<sup>th</sup> May 2018

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;

## 1.4 Annual Governance Statement

### **Scope of responsibility**

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

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

Coventry City Council has an approved Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA/SOLACE framework and guidance Delivering Good Governance in Local Government (2016). A copy of the Code is available on our website at: [http://www.coventry.gov.uk/downloads/file/3639/code\\_of\\_corporate\\_governance\\_2017](http://www.coventry.gov.uk/downloads/file/3639/code_of_corporate_governance_2017) or can be obtained from Democratic Services.

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 2018 and up to the date of approval of the Statement of Accounts.

### **The governance framework**

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

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

Coventry's Council Plan 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. [http://www.coventry.gov.uk/info/10/performance/2089/council\\_plan](http://www.coventry.gov.uk/info/10/performance/2089/council_plan) Throughout this process, clear channels of communication exist with all sections of the community and other stakeholders, to ensure the Council considers local needs and communicates both expected and actual outcomes



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

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

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

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 Equality, Diversity and Inclusion Commitment which is available on our website at:

[EDI Commitment | Equality and Diversity | Coventry City Council](#)

This sets out the Council's commitment to meeting all areas of the public sector equality duty and to ensure equality of opportunity, both as a provider and commissioner of services and as a large employer. The commitment is implemented through setting equality objectives linked to the Council Plan. : [Equality objectives | Equality and diversity | Coventry City Council](#) Progress is monitored and reported to the Cabinet Member (Policing & Equalities). The latest progress reports can be found here: [Progress Report | 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 Members.

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

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

An Audit and Procurement Committee provides independent assurance to the Council on various issues, including risk management and control and the effectiveness of the arrangements the Council has for these matters. The

Committee's terms of reference were developed in conjunction with CIPFA guidance, and the Committee carries out a periodic self-assessment to measure its effectiveness, based on recommended CIPFA practice.

For the financial year 2017-18, the Director Finance and Corporate Services was the nominated Section 151 officer with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. In assessing this role against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010), the Authority meets the five principles in the CIPFA Statement, namely:

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

The S151 Officer is a key member of the Corporate Leadership Team and formally retains a direct reporting line to the Chief Executive when required. The S151 Officer routinely attends and advises the Strategic Management Board of the Council (Chief Executive and both Deputy Chief Executives). The assessment concluded that these arrangements provide an appropriate framework under which the CIPFA principles are able to be delivered. In addition, during 2017-18, the senior management structure within the Council

has been subject to review by the Leader of the Council and the Chief Executive.

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 2018:

- 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 Industrial Emissions Directive and the conditions of Environmental Permitting Regulations issued by the Environment Agency. Furthermore, the Company monitors its activities through an accredited Environmental Management System ISO14001. 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 2017, did not highlight any significant concerns.
- 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 2017. 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 2017.
- In December 2017, the City Council acquired 100% of the ordinary share capital of Coombe Abbey Park Limited (CAPL). As part of the acquisition, the

Council secured external independent advice from a number of sources to support the financial and legal due diligence assessment, as well as the valuation of the shares being purchased. The due diligence work highlighted some areas of financial control weaknesses, which it was felt that the Council would need to address following acquisition. In particular, need to strengthen the finance function through increased capacity was recognised as important. In the light of the external due diligence, since the Council acquired CAPL, a programme of changes has been initiated, including the restructuring of the Board, as well as recruitment of a new senior Operations Manager and finance staff. The programme of change continues.

### **Review of effectiveness**

Processes are in place to assess key elements of the governance framework throughout the year, for example, through the work of Internal Audit and the Council's Audit and Procurement Committee. A review of the effectiveness of its governance framework is also undertaken annually as part of the production of the Annual Governance Statement. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the 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.

Arrangements to assess the effectiveness of the governance framework include:

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

- An annual review against the principles and best practice set out in the Code of Corporate Governance and which is used to identify improvements to strengthen the Council's governance arrangements. The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls/governance arrangements by each Director.
- The Council's Corporate Risk Register.
- The work of the Internal Audit Service during 2017-18. 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

Table one below provides an update on the governance issues that were raised in the 2016-17 Annual Governance Statement.

**Table One**

<b>Ref</b>	<b>Governance issues identified in 2016-17</b>	<b>2017-18 Update</b>
<b>1</b>	Sustainable improvement in children's services	The improvement board has continued to meet to challenge and hold the Council to account for the effective improvement and delivery of Children's Services. A comprehensive transformation programme is underway that will yield longer term and sustainable improvement to Children's Services. This has included the development of a stronger early help offer that expects partners to contribute to, a strengthening of the Multi-Agency Safeguarding Hub and a restructure that better supports the Child's experience and journey through the system. Other improvements have included a better placement mix for looked after children and this is supporting more effective and sustainable budget management. Demand pressures remain that make this extremely challenging.
<b>2</b>	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy	The Council has set a budget that is balanced over the next two years despite shortfalls in the delivery of savings from a number of transformation projects. The position has been underpinned by continued strength of the council tax-base, additional dividends from the Council's shareholdings and further review and management of the Council's contingency budgets and cash-flows.
<b>3</b>	The delivery of the Kickstart programme – the Council's plan for making savings, supporting city centre regeneration including business rate growth and rationalising its office estate	<p>The works for the new Democratic Centre were delivered in October 2016 with project sign off in October 2017. One Friargate opened for staff in October 2017. Our customers continue to be welcomed in the Customer Services Centre. The opening of One Friargate has enabled the embedding of a much more agile way of working through digital technology and increased flexible working arrangements; touch down space has also been provided for staff in the Council House.</p> <p>The Kickstart revenue savings have been achieved as per the target set-out in the Medium Term Financial Strategy. In addition, the Customer Journey programme delivered the Customer Service Centre in November 2015 and the Medium Term Financial Strategy savings in 2015-16 linked to this.</p> <p>Significant progress was made in 2017/18 with major city centre developments which will drive future business rates. A Joint Venture agreement is being prepared between the Council and the Friargate</p>

		<p>developers which will push forward the development of the city's new commercial quarter. In parallel, the City Centre South retail development, as well as major works on the upper precinct and Cathedral Lanes will all generate improved rates income when they are completed.</p>
<b>4</b>	Raising educational standards	<p>An evaluation of the Coventry School Improvement Strategy at the end of the academic year 2016-17 by the Primary and Secondary Partnerships resulted in a part re-organisation of the Primary Networks and Secondary Collaboratives into larger groupings to increase capacity to drive improvement through school-to-school support.</p> <p>Currently (March 2018) 74% of pupils attend a good or outstanding secondary school compared to 83% nationally. The Secondary and Primary School Improvement Boards continue to oversee the effectiveness of the Secondary Collaboratives and the Primary Networks and provide support, challenge and evaluation for the Local Authority in relation to school improvement.</p> <p>The Education and Children's Services Scrutiny Board (2) has oversight of the Education programme of work. In addition, the Education Standards Board provides a half termly political interface with the Director of Education and Skills and Local Authority officers to scrutinise support in schools and the effectiveness of challenge delivered by the Coventry School Improvement Strategy.</p>
<b>5</b>	Implementation of the Information Management Strategy	<p>The Council has continued to implement the Information Management Strategy which was approved in 2016. Progress continues to be overseen by the Information Management Strategy Group and progress is reported to senior management and the Audit and Procurement Committee. A second data protection audit was carried out by the Information Commissioner's Office in November 2017 which has led to a further action plan. The organisation has also been undertaking a series of actions in readiness for the implementation of the General Data Protection Regulations in May 2018.</p>
<b>6</b>	Long term sustainability of adult social care in the context of financial and demand issues	<p>A Better Care Fund plan was agreed by the City Council and the Coventry and Rugby Clinical Commissioning Group in July 2017 with the subsequent S75 agreement now also approved. The Council savings figures required from this work have been delivered.</p> <p>Savings within Adult Social Care have been delivered for 2018-19 totalling £1m through service review and commissioning work. Spend activity and use of resources are monitored and managed through monthly review meetings.</p>

7	Delivery of the workforce strategy	In 2017-18 we have further strengthened the Council's commitment to developing the workforce, through the Council's organisational development offer. In addition, programme governance in relation to Workforce Reform has been strengthened, with a project board chaired by the Director of Customer Services and Transformation with representation from across the council and dedicated communications & finance support from the Council's S151 officer. The programme is further supported via regular engagement with Corporate Leadership Team, and direct oversight by Senior Management Board and elected members.
8	Code of corporate governance	An annual review was undertaken against the principles and best practice set out in the Code and national framework. This identified a number of actions to strengthen governance arrangements and these were reported to the Audit and Procurement Committee and Senior Management Board to help inform the preparation of this year's Annual Governance Statement. These actions will be implemented during 2018-19 and this review cycle is now embedded. Consequently, this has not been carried forward as a significant governance issue for 2018-19.
9	Establishing a Counter Fraud Framework	A new Fraud and Corruption Strategy has been drafted which includes a counter fraud framework. The framework underpins implementation of the strategy and the governance arrangements linked to this.
10	Risk Management Strategy	The Risk Management Policy and Strategy have been formally adopted and activity is underway to embed risk management practice in the organisation. The process of identifying and reporting upon Corporate Risks is established.

The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. The review of effectiveness has informed identification of the following key challenges for 2018-19 (table two), along with the actions planned to address these matters to further enhance our governance arrangements.

**Table Two**

Ref	Governance Issue	Planned actions 2018-19	Responsibility	Timescale
1	Sustainable improvement in Children's Services	Continuing to build on the recent progress in Children's Services identified by Ofsted during the focused visit of Children's Services in January 2018, continue to focus on securing long term sustainable improvement in Children's Services. For the immediate future this will continue to be overseen by	Director of Children's Services	On-going

		an Improvement Board and Independent Chair. The Children's transformation programme will continue. A Peer review is planned during this financial year.		
2	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy	Work continues to implement transformation savings and manage areas of budgetary pressure such as looked after children and homelessness. In addition the Council is looking to examine how best it can take a more commercial approach in both existing and new areas of service. Delivery of the budget is monitored on a regular basis by the Council's Cabinet and its Audit and Procurement Committee. Members will receive regular briefings on new areas of policy development and these will be formally reported to Cabinet Members, Cabinet and Council as appropriate.	Director of Finance and Corporate Services	On-going
3	The delivery of the Kickstart programme – the Council's plan for making savings, supporting city centre regeneration including business rate growth and rationalising its office estate	<p>The Kickstart team will ensure defects resolution and project sign-off for One Friargate is achieved within the 12-month period.</p> <p>The key elements of the Kickstart Programme continue to form part of the Council's ongoing commitment to property rationalisation and optimisation, as well as better use of technology to drive organisational and service benefits.</p> <p>City Centre regeneration will continue in 2018/19 including the expected completion of the Friargate Joint Venture agreement and the opening of Phase 2 of the Cathedral Lanes redevelopment. Coventry's announcement as the 2021 City of Culture is likely to lead to acceleration of city centre redevelopment and therefore business rates increases as the city prepares for its 2021 programme.</p>	Director of Project Management and Property Services/ Director of Customer Services and Transformation/ Director of City Centre and Major Projects	On-going
4	Raising educational standards	Further work to develop and embed the Network and Collaborative evaluation process is required to ensure that the Coventry School Improvement strategy continues to offer appropriate challenge and support and enables development of capacity to support	Director of Education and Skills	On-going

		school-to-school improvement and access to available funding.		
5	Implementation of the Information Management Strategy	Implementation of the action plan arising from the Information Commissioner's Office data protection audit in November 2017. Completion of the General Data Protection Regulations action plan. Implementation of the Information Management Training Strategy.	Members and Elections Team Manager	On-going
6	Long term sustainability of adult social care in the context of financial and demand issues	A series of improvement projects are in place including operational excellence, technology enabled care and improving the effectiveness of promoting independence approaches.  The Better Care Plan agreed in 2017-18 also agreed a number of projects linked to prevention from which impact will be assessed in 2018-19. The tight control and monitoring of activity and spend will continue.	Director of Adults Services	On-going
7	Delivery of the Workforce Strategy	Continue to ensure robust governance arrangements are in place and programme changes agreed and monitored. There is a significant programme of activity planned for 2018-19 across many aspects of developing our workforce and ensuring our policies and practices are fit for purpose and for the future.	Head of HR and Organisational Development	On-going
8	Establishing a Counter Fraud Framework	The updated Fraud and Corruption Strategy and Counter Fraud Framework will be presented to the Audit and Procurement Committee for formal approval. Once approved, the framework will be used to identify priorities and develop an action plan of counter fraud work for 2018-19.	Acting Chief Internal Auditor	September 2018
9	Risk Management Strategy	Further activity is required to embed risk management practice throughout the organisation. In 2018-19 this will include the development of comprehensive Service and Directorate risk registers.	Insurance and Risk Manager	On-going



10	Governance Steering Board	As part of continuously improving our governance arrangements, in 2018-19 the Council will look to establish a governance steering board to support the ongoing review of the effectiveness of our arrangements.	Members and Elections Team Manager	September 2018
11	Delivery of the ICT Strategy	Ensuring that there are robust ICT arrangements in relation to infrastructure, cyber security plans and digital skills development. In 2018-19 this will include revising the ICT Strategy to reflect up to date arrangements for these key activities and the financial requirements linked to the delivery of this.	Head of ICT and Digital	On-going
12	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	The Homelessness Reduction Act 2017 came into force in April 2018. In 2018-19 the Council will review its Housing and Homelessness Strategy and establish a new Housing Prevention Service to work alongside the Housing Options Team. We are also securing more cost effective and better quality temporary accommodation to continue to meet the demands of this service.	Director of Streetscene and Regulatory Services / Director of Customer Services and Transformation	On-going

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. 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

2016/17			2017/18			Service segment	Section Ref.
Gross Expenditure *restated	Gross Income *restated	Net Expenditure *restated	Gross Expenditure	Gross Income	Net Expenditure		
£000	£000	£000	£000	£000	£000		
22,658	(20,888)	1,770	20,482	(19,343)	1,139	Public Health	3.2, 3.4 & 3.5
1,396	(278)	1,118	1,541	(126)	1,415	People Directorate Management	3.2, 3.4 & 3.5
242,376	(210,721)	31,655	222,180	(203,590)	18,590	Education and Inclusion	3.2, 3.4 & 3.5
84,631	(8,661)	75,970	82,940	(9,717)	73,223	Children and Young People's Services	3.2, 3.4 & 3.5
112,319	(31,695)	80,624	115,985	(38,602)	77,383	Adult Social Care	3.2, 3.4 & 3.5
15,846	(3,171)	12,675	7,567	(3,154)	4,413	Customer Services & Transformation	3.2, 3.4 & 3.5
2,426	(606)	1,820	1,685	(574)	1,111	Place Directorate Management	3.2, 3.4 & 3.5
23,286	(5,647)	17,639	20,837	(6,408)	14,429	City Centre & Major Projects Development	3.2, 3.4 & 3.5
33,546	(13,509)	20,037	37,618	(16,654)	20,964	Transportation & Highways	3.2, 3.4 & 3.5
43,307	(13,675)	29,632	44,187	(14,051)	30,136	Streetscene & Regulatory Services	3.2, 3.4 & 3.5
12,474	(1,984)	10,490	6,291	(1,548)	4,743	Project Management and Property Services	3.2, 3.4 & 3.5
138,226	(128,858)	9,368	132,388	(122,432)	9,956	Finance & Corporate Services	3.2, 3.4 & 3.5
11,620	(17,304)	(5,684)	6,854	(21,573)	(14,719)	Contingency and Central Budgets	3.2, 3.4 & 3.5
<b>744,111</b>	<b>(456,997)</b>	<b>287,114</b>	<b>700,555</b>	<b>(457,772)</b>	<b>242,783</b>	<b>Cost of Services</b>	
		<b>42,295</b>			<b>39,946</b>	<b>Other Operating Expenditure</b>	3.1
		<b>21,976</b>			<b>26,309</b>	<b>Finance and Investment Income and Expenditure</b>	3.1
		<b>(325,860)</b>			<b>(309,686)</b>	<b>Taxations and Non-Specific Grant Income</b>	3.1
		<b>25,525</b>			<b>(648)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	
		<b>26,448</b>			<b>(67,595)</b>	<b>Sub-total of Other Comprehensive Income &amp; Expenditure</b>	3.1
		<b>51,973</b>			<b>(68,243)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	

\* Section 3.36 provides the details of the restatements made prior to 2017/18

## 2.3 Movement in Reserves Statement

### Usable Reserves and Overall Position 2017/18

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

### Unusable Reserves 2017/18

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

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

### Usable Reserves and Overall Position 2016/17 Comparatives.

	General Fund Balance *restated £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves *restated £000	Total Unusable Reserves *restated £000	Total Authority Reserves *restated £000
<b>31st March 2016</b>	<b>(82,985)</b>	<b>(5,736)</b>	<b>(6,660)</b>	<b>(95,381)</b>	<b>(176,070)</b>	<b>(271,451)</b>
Total Comprehensive Income and Expenditure	25,525	0	0	25,525	26,448	51,973
Adjustments between Accounting Basis and Funding Basis under Regulations	(16,505)	(4,001)	(13,829)	(34,335)	34,335	0
<b>Net (Increase)/ Decrease</b>	<b>9,020</b>	<b>(4,001)</b>	<b>(13,829)</b>	<b>(8,810)</b>	<b>60,783</b>	<b>51,973</b>
<b>31st March 2017</b>	<b>(73,965)</b>	<b>(9,737)</b>	<b>(20,489)</b>	<b>(104,191)</b>	<b>(115,287)</b>	<b>(219,478)</b>

### Unusable Reserves 2016/17 Comparatives

	Capital Adjustment Account *restated £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Total Unusable Reserves *restated £000
<b>31st March 2016</b>	<b>(483,770)</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>(176,070)</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	9,873	24,303	(4,959)	(103)	(2,960)	7,481	746	(46)	34,335
<b>Net (Increase)/ Decrease</b>	<b>9,873</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>60,783</b>
<b>31st March 2017</b>	<b>(473,897)</b>	<b>(169,486)</b>	<b>(10,830)</b>	<b>1,777</b>	<b>(9,198)</b>	<b>613,236</b>	<b>4,121</b>	<b>(71,010)</b>	<b>(115,287)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

## 2.4 Balance Sheet

31st March 2017 *restated £000	Balance Sheet	31st March 2018 £000	Section Ref.
804,442	Property, Plant and Equipment	852,981	3.15
25,893	Heritage Assets	25,893	3.16
163,877	Investment Property	174,310	3.17
87,391	Long Term Investments	95,545	3.21
20,452	Long Term Debtors	20,890	3.22
<b>1,102,055</b>	<b>Long Term Assets</b>	<b>1,169,619</b>	
120,001	Short Term Investments	45,119	3.34
249	Inventories	227	
48,289	Short Term Debtors	57,402	3.23
17,169	Cash and Cash Equivalents	16,193	2.5
5,008	Assets held for Sale	4,819	3.17
<b>190,716</b>	<b>Current Assets</b>	<b>123,760</b>	
(13,560)	Short Term Borrowing	(39,892)	3.34
(68,183)	Short Term Creditors	(69,599)	3.24
(1,698)	Short Term Provisions	(2,288)	3.25
<b>(83,441)</b>	<b>Current Liabilities</b>	<b>(111,779)</b>	
(8,684)	Long Term Provisions	(9,582)	3.25
(359,545)	Long Term Borrowing	(332,927)	3.34
(613,236)	Net Pension Liability	(542,245)	3.31
(1,104)	Donated Assets Account	(1,312)	3.28
(4,605)	Capital Grants Receipts in Advance	(4,693)	3.7
(2,678)	Other Long Term Liabilities	(3,120)	3.26
<b>(989,852)</b>	<b>Long Term Liabilities</b>	<b>(893,879)</b>	
<b>219,478</b>	<b>Net Assets</b>	<b>287,721</b>	
(104,191)	Usable Reserves	(122,566)	2.3
(115,287)	Unusable Reserves	(165,155)	2.3
<b>(219,478)</b>	<b>Total Reserves</b>	<b>(287,721)</b>	

\* Section 3.36 provides the details of the restatements made prior to 2017/18  
The unaudited accounts were authorised for issue on 18<sup>th</sup> May 2018.

## 2.5 Cash Flow Statement

2016/17 *restated	Cash Flow Statement	2017/18
£000's		£000's
25,525	Net (Surplus) or Deficit on the Provision of Services	(648)
(117,009)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(64,079)
54,214	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	41,136
<b>(37,270)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(23,591)</b>
(10,628)	Investing Activities	23,054
48,379	Financing Activities	1,513
<b>481</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>976</b>
(17,650)	Cash and Cash Equivalents at the Beginning of the Reporting Period (Asset)/Liability	(17,169)
(17,169)	Cash and Cash Equivalents at the End of the Reporting Period (Asset)/Liability	(16,193)

\* Section 3.36 provides the details of the restatements made prior to 2017/18

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

### 3 Notes to the Main Financial Statements

#### 3.1 Note to the CIES

2016/17 Net Expenditure *restated £000	Category of Income or Expenditure	2017/18 Net Expenditure £000	Section Ref.
27,176	(Profit) / Loss on Disposal of Fixed Assets **	24,646	
15,090	Levy Payments to Other Bodies	15,270	
29	Precepts of Local Precepting Authorities	30	
<b>42,295</b>	<b>Other Operating Expenditure</b>	<b>39,946</b>	
21,927	Interest Payable and Similar Charges	30,572	3.34
(2,177)	External Investment Income	(2,429)	3.34
18,362	Net interest on the net defined benefit liability	14,913	3.31
(15,832)	Commercial Property Income	(16,242)	
5,460	Commercial Property Expenditure	7,300	
(5,764)	Dividends and Interest Receivable	(7,805)	3.34
<b>21,976</b>	<b>Finance and Investment Income and Expenditure</b>	<b>26,309</b>	
(115,932)	Council Tax	(123,286)	3.39
(60,400)	Retained Business Rates	(114,075)	3.39
(16,735)	Business Rates Top-up	(1,278)	3.39
(47,626)	Revenue Support Grant	0	
(10,694)	General Government Grants	(13,698)	
(74,473)	Capital Grants (section 3.6)	(57,291)	3.7
0	Donated Assets - amortised credits	(58)	3.28
<b>(325,860)</b>	<b>Taxations and Non-Specific Grant Income</b>	<b>(309,686)</b>	
(16,438)	(Surplus)/Deficit on revaluation of non current assets	(31,950)	3.13
(9,317)	(Surplus)/Deficit on revaluation of available for sale financial assets	(4,600)	
52,203	Remeasurement of the net defined benefit liability	(31,045)	3.31
<b>26,448</b>	<b>Sub-total of Other Comprehensive Income &amp; Expenditure</b>	<b>(67,595)</b>	

\* Section 3.36 provides the details of the restatements made prior to 2017/18

\*\* The 2017/18 'Loss on Disposal of Fixed Assets' includes £23,079k of derecognition as a result of schools transferring to academy status during the year. The equivalent figure for 2016/17 was £26,633k.



## 3.2 Expenditure and Funding Analysis

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

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund *restated £000	Adjustments between the Funding and Accounting Basis *restated £000	Net Expenditure in the Comprehensive Income and Expenditure Statement *restated £000	Service segment	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,770	0	1,770	Public Health	1,476	(337)	1,139
1,118	0	1,118	People Directorate Management	1,415	0	1,415
13,725	17,930	31,655	Education and Inclusion	(14,454)	33,044	18,590
75,847	123	75,970	Children and Young People's Services	73,111	112	73,223
79,022	1,602	80,624	Adult Social Care	75,016	2,367	77,383
3,595	9,080	12,675	Customer Services & Transformation	2,622	1,791	4,413
2,220	(400)	1,820	Place Directorate Management	1,111	0	1,111
7,660	9,979	17,639	City Centre & Major Projects Development	7,852	6,577	14,429
(1)	20,038	20,037	Transportation & Highways	(482)	21,446	20,964
27,308	2,324	29,632	Streetscene & Regulatory Services	28,563	1,573	30,136
2,714	7,776	10,490	Project Management and Property Services	2,571	2,172	4,743
9,366	2	9,368	Finance & Corporate Services	9,954	2	9,956
14,471	(20,155)	(5,684)	Contingency and Central Budgets	(7,909)	(6,810)	(14,719)
<b>238,815</b>	<b>48,299</b>	<b>287,114</b>	<b>Net Cost of Services</b>	<b>180,846</b>	<b>61,937</b>	<b>242,783</b>
(229,795)	(31,794)	(261,589)	Other Income and Expenditure	(198,290)	(45,141)	(243,431)
<b>9,020</b>	<b>16,505</b>	<b>25,525</b>	<b>(Surplus) or Deficit</b>	<b>(17,444)</b>	<b>16,796</b>	<b>(648)</b>
(82,985)			Opening General Fund	(73,965)		
9,020			Plus (Surplus)/Deficit on General Fund	(17,444)		
<b>(73,965)</b>			<b>Closing General Fund at 31 March</b>	<b>(91,409)</b>		

\* Section 3.36 provides the details of the restatements made prior to 2017/18

### 3.3 Note to the Expenditure and Funding Analysis

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

2016/17					2017/18			
Adjustment for Capital Purposes (Note 1) *restated £000	Net Changes for the Pension Adjustment (Note 2) *restated £000	Other Differences (Note 3) *restated £000	Total Adjustments *restated £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
0	0	0	0	Public Health	(337)	0	0	(337)
0	0	0	0	People Directorate Management	0	0	0	0
17,930	0	0	17,930	Education and Inclusion	33,044	0	0	33,044
123	0	0	123	Children and Young People's Services	112	0	0	112
1,602	0	0	1,602	Adult Social Care	2,367	0	0	2,367
9,080	0	0	9,080	Customer Services & Transformation	1,791	0	0	1,791
(400)	0	0	(400)	Place Directorate Management	0	0	0	0
9,979	0	0	9,979	City Centre & Major Projects Development	6,577	0	0	6,577
25,811	0	0	25,811	Transportation & Highways	21,446	0	0	21,446
2,324	0	0	2,324	Streetscene & Regulatory Services	1,573	0	0	1,573
7,776	0	0	7,776	Project Management and Property Services	2,172	0	0	2,172
2	0	0	2	Finance & Corporate Services	2	0	0	2
(9,636)	7,481	463	(1,692)	Contingency and Central Budgets	(26,514)	22,254	9,806	5,546
<b>64,591</b>	<b>7,481</b>	<b>463</b>	<b>72,535</b>	<b>Net Cost of Services</b>	<b>42,233</b>	<b>22,254</b>	<b>9,806</b>	<b>74,293</b>
(53,070)	0	(2,960)	(56,030)	Other Income and Expenditure	(56,910)	0	(587)	(57,497)
<b>11,521</b>	<b>7,481</b>	<b>(2,497)</b>	<b>16,505</b>	<b>(Surplus) or Deficit</b>	<b>(14,677)</b>	<b>22,254</b>	<b>9,219</b>	<b>16,796</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

Note 1: Adjustments for Capital Purposes – This column adds in depreciation and revaluation gains and losses on the services line, and includes adjustments for the following:

Capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure - the statutory charges for capital financing i.e.

Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.  
Capital grant income and expenditure - these are adjusted for income not chargeable under generally accepted accounting practices

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

Note 3: Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute: For Financing and investment income and expenditure the other differences column

recognises adjustments to the General Fund for the timing differences for premiums and discounts. The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was

projected to be received at the start of the year and the income recognised under generally accepted accounting practices.

### 3.4 Revenue Outturn

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

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

2016/17	Net Expenditure Chargeable to the General Fund *restated £000	Adjustment for elements within the Provision of Service that are not included in the Cost of Services *restated £000	Contributions to/(from) revenue earmarked reserves *restated £000	Revenue Outturn Position *restated £000	Budget *restated £000	Overspend/(Underspend) *restated £000
Public Health	1,770	205	(297)	<b>1,678</b>	2,028	(350)
People Directorate Management	1,118	0	0	<b>1,118</b>	1,163	(45)
Education and Inclusion	13,725	1,164	(2,205)	<b>12,684</b>	12,979	(295)
Children and Young People's Services	75,847	(502)	(113)	<b>75,232</b>	71,588	3,644
Adult Social Care	79,022	1,486	1,095	<b>81,603</b>	78,145	3,458
Customer Services & Transformation	3,595	45	(103)	<b>3,537</b>	4,246	(709)
Place Directorate Management	2,220	(815)	753	<b>2,158</b>	2,377	(219)
City Centre & Major Projects Development	7,660	414	(428)	<b>7,646</b>	7,536	110
Transportation & Highways	(1)	4,524	(169)	<b>4,354</b>	4,319	35
Streetscene & Regulatory Services	27,308	(22)	(237)	<b>27,049</b>	27,085	(36)
Project Management and Property Services	2,714	(10,335)	(82)	<b>(7,703)</b>	(7,769)	66
Finance & Corporate Services	9,366	(564)	(465)	<b>8,337</b>	8,363	(26)
Contingency and 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>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

## 3.5 Segmental Analysis

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

2017/18	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
Public Health	(19,257)	(81)	0	(86)	(19,424)	20,941	1,517	(135)	1,382
People Directorate Management	(126)	0	0	0	(126)	1,541	1,415	0	1,415
Education and Inclusion	(198,704)	(4,466)	0	(4,886)	(208,056)	217,821	9,765	2,437	12,202
Children and Young People's Services	(8,948)	(14)	0	(769)	(9,731)	82,563	72,832	148	72,980
Adult Social Care	(22,192)	(327)	0	(16,411)	(38,930)	115,290	76,360	4,351	80,711
Customer Services & Transformation	(653)	(29,535)	0	(2,501)	(32,689)	35,344	2,655	973	3,628
Place Directorate Management	(516)	(7)	0	(58)	(581)	2,261	1,680	2,082	3,762
City Centre & Major Projects Development	(4,926)	(375)	0	(1,482)	(6,783)	13,785	7,002	455	7,457
Transportation & Highways	(6,066)	(11,068)	0	(10,646)	(27,780)	31,861	4,081	492	4,573
Streetscene & Regulatory Services	(642)	(12,887)	0	(13,439)	(26,968)	55,501	28,533	(169)	28,364
Project Management and Property Services	(384)	(17,920)	0	(15,996)	(34,300)	26,391	(7,909)	(482)	(8,391)
Finance & Corporate Services	(118,769)	(10,734)	(13)	(4,066)	(133,582)	143,119	9,537	(163)	9,374
Contingency and Central Budgets	(74,732)	(1,932)	(6,158)	(27,467)	(110,289)	117,857	7,568	5,887	13,455
<b>Net Cost of Services</b>	<b>(455,915)</b>	<b>(89,346)</b>	<b>(6,171)</b>	<b>(97,807)</b>	<b>(649,239)</b>	<b>864,275</b>	<b>215,036</b>	<b>15,876</b>	<b>230,912</b>
Other Income and Expenditure	0	0	(232,480)	0	(232,480)	0	(232,480)	0	(232,480)
<b>Surplus or Deficit</b>	<b>(455,915)</b>	<b>(89,346)</b>	<b>(238,651)</b>	<b>(97,807)</b>	<b>(881,719)</b>	<b>864,275</b>	<b>(17,444)</b>	<b>15,876</b>	<b>(1,568)</b>

2016/17	Income from Grants and Contributions *restated	Recharge Income *restated	Income from Tax Income *restated	Income from Fees and Charges *restated	Total Income *restated	Total Expenditure *restated	Net Total Expenditure *restated	Contributions to/(from) revenue earmarked reserves *restated	Revenue Outturn Position *restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Public Health	(20,707)	(81)	0	(181)	(20,969)	22,944	1,975	(297)	1,678
People Directorate Management	(170)	0	0	(108)	(278)	1,396	1,118	0	1,118
Education and Inclusion	(205,048)	(5,824)	13	(5,686)	(216,545)	231,434	14,889	(2,205)	12,684
Children and Young People's Services	(8,047)	(19)	0	(615)	(8,681)	84,026	75,345	(113)	75,232
Adult Social Care	(15,000)	(389)	0	(16,695)	(32,084)	112,592	80,508	1,095	81,603
Customer Services & Transformation	(53)	(29,280)	0	(3,116)	(32,449)	36,089	3,640	(103)	3,537
Place Directorate Management	(571)	(385)	0	(35)	(991)	2,396	1,405	753	2,158
City Centre & Major Projects Development	(4,322)	(360)	0	(1,325)	(6,007)	14,081	8,074	(428)	7,646
Transportation & Highways	(5,192)	(11,896)	0	(8,317)	(25,405)	29,928	4,523	(169)	4,354
Streetscene & Regulatory Services	(822)	(12,514)	0	(12,874)	(26,210)	53,496	27,286	(237)	27,049
Project Management and Property Services	(340)	(19,065)	0	(16,033)	(35,438)	27,817	(7,621)	(82)	(7,703)
Finance & Corporate Services	(126,129)	(10,587)	(13)	(3,030)	(139,759)	148,561	8,802	(465)	8,337
Contingency and Central Budgets	(86,295)	(1,531)	(7,313)	(23,558)	(118,697)	141,154	22,457	(6,080)	16,377
<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	(233,381)	0	(233,381)	0	(233,381)
<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>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

### 3.6 Income and Expenditure Analysis

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

Expenditure/ Income	2016/17 *restated £000	2017/18 £000
<b>Income</b>		
Fees, charges and other service income	(161,311)	(162,078)
Interest and investment income	(22,194)	(25,087)
Income from council tax and non-domestic rates	(193,067)	(238,639)
Government grants and contributions	(520,322)	(455,915)
<b>Total Income</b>	<b>(896,894)</b>	<b>(881,719)</b>
<b>Expenditure</b>		
Employee benefits expenses	285,053	284,303
Other services expenses	438,342	432,850
Support service recharges	46,117	45,683
Depreciation, amortisation, impairment	70,323	32,804
Interest payments	40,289	45,485
Precept and levies	15,119	15,300
Payments to Housing Capital Receipts Pool	0	0
Gain on Disposal of Assets	27,176	24,646
<b>Total Expenditure</b>	<b>922,419</b>	<b>881,071</b>
<b>Surplus/ Deficit on the Provision of Services</b>	<b>25,525</b>	<b>(648)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

### 3.7 Analysis of Capital Grants

2016/17 £000	Grant / Grant Body	2017/18 £000
30,412	Department for Business, Innovation & Skills	4,964
23,294	Department for Communities & Local Government	26,164
19	Department for Energy & Climate Change	0
1,385	Department for Transport	6,431
50	Department of Health	0
4,939	Education Funding Agency	3,066
153	European Regional Development Fund	862
5,778	West Midlands combined Authority	10,821
62	Innovate UK	351
0	Sports England	1,455
0	ULEV Taxi Infrastructure Scheme	23
0	Whitefriars	2,199
4,380	Other Capital Grants & Contributions (Non-Govt)	3,513
<b>70,472</b>	<b>Total</b>	<b>59,849</b>

The Capital Grant total of £59,843k is the amount of grant applied during 2017/18. This represents the total level of grant received of £57,291k plus £2,558k which has been transferred from the Capital Grants Unapplied Reserve (see section 2.3). In addition the Council's Balance Sheet (as at 31/03/2018) reflects Capital Grants received in advance of £4,693k.

### 3.8 Analysis of Revenue Grants

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

2016/17 £000	Grant	2017/18 £000
169,596	Dedicated Schools Grant (DSG) *	167,813
122,840	Housing Benefit Subsidy	116,033
47,626	Revenue Support Grant (Formula Grant element)	0
3,456	EFA School Sixth Form Grant	2,870
6,443	Skills Funding Agency Grants	5,738
8,607	Private Finance Initiative Grants	8,607
12,194	Pupil Premium Grant	10,914
3,311	Education Support Grant	847
3,511	Universal Free School Meals Grant	3,418
1,562	Small Business Rates Relief Compensation Grant	5,743
23,129	Public Health Grant	22,539
9,413	New Homes Bonus	7,615
10,381	Better Care Fund	17,946
23,780	Other revenue grants & contributions	28,539
<b>445,849</b>	<b>Total</b>	<b>398,622</b>

\* Section 3.9 identifies a total 2017/18 Dedicated Schools Grant (DSG) funded budget of £165,906k. This is £1,907k lower than the DSG figure shown in the table above, which includes additional elements retained by the Education Funding Agency in the year.



### 3.9 Deployment of Dedicated Schools Grant

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

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

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

Details of the deployment of DSG receivable for 2017/18 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 2017/18 before Academy Recoupment	31,196	257,283	288,479
<b>B</b>	Academy figure recouped for 2017/18	0	122,573	122,573
<b>C</b>	<b>Total DSG after Academy Recoupment for 2017/18</b>	<b>31,196</b>	<b>134,710</b>	<b>165,906</b>
<b>D</b>	Plus: Brought forward from 2016/17	4,492	0	4,492
<b>E</b>	Less: Carry forward to 2018/19 agreed in advance	4,394	0	4,394
<b>F</b>	Agreed initial budgeted distribution in 2017/18	31,295	134,710	166,005
<b>G</b>	In year adjustments	(563)	2,703	2,140
<b>H</b>	Final budgeted distribution for 2017/18	30,732	137,413	168,145
<b>I</b>	Less: Actual central expenditure	30,385	0	30,385
<b>J</b>	Less: Actual ISB deployed to schools	0	137,413	137,413
<b>K</b>	Plus: Local authority contribution for 2017/18	0	0	0
<b>L</b>	<b>Carry forward to 2018/19</b>	<b>347</b>	<b>0</b>	<b>4,741</b>

#### Notes

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2018 early years block adjustment.

B: Figure recouped from the authority in 2017/18 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after EFA Academy recoupment for 2017/18

D: Figure brought forward from 2016/17 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 2018.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2018/19 rather than distribute in 2017/18.

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 2017/18- 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 2017/18 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2018/19, 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 2018/19 already agreed.

### 3.10 Related Party Transactions

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

The Deputy Chief Executive (Place) is also the Chief Executive of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and a senior officer is seconded to the role of Operations Director at the same organisation. A member of Coventry City Council is on the board of CWLEP. CWLEP was given grants of £549,343 and paid £199,154 for the supply of goods and services, and we received £33,031 in 2017/18. There is a creditors balance of £49,343. CWLEP is a company limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity. The LEP also has a role in coordinating elements of government funding for growth.

#### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances is shown in note 3.33. During 2017/18, works and services to the value of £1,040,674 were commissioned from companies that 18 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 £3,589,566 to voluntary organisations in which 13 members had an interest. In all instances, the grants were made with proper consideration to declarations of interest. Individual members' declarations of interest are available on the City Council's website.

The sum of £784,610 was received from organisations with which 18 members declared an interest. There was a debtors balance of £162,268 with companies in which 10 members declared an interest; and a creditors balance of £1,391,964 in which 14 members declared an interest.

#### **Senior Officers**

In addition, during 2017/18, works and services to the value of £82,455 were commissioned from companies that 2 senior officers had an interest. Grants to the value of £423,951 were made to voluntary bodies in which 2 senior officers had an interest. Contracts were entered into in full compliance with the council's standing orders. In all instances, the payments were made with proper consideration to declarations of interest. The sum of £615,085 was received from organisations with which 2 senior officers declared an interest. There was a debtors balance of £32,489 with companies in which 2 senior officers declared an interest; and a creditors balance of £176,308 in which 1 senior officer 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 transactions that the authority has with other parties. Details of the main transactions between the Council and Government

departments are set out in the Comprehensive Income and expenditure Statement (section 2.2)

#### **Other Public Bodies**

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

- Pension payments are made to the West Midlands Metropolitan Authorities Pension Fund, The Teachers' Pension Agency and the NHS Business Service Authority. Further details are included in section 3.30
- Precept payments are made to the West Midlands Crime and Police Commissioner and the West Midlands Fire Authority, and these are shown within the Collection fund Income and Expenditure Statements (Section 3.39)
- Levy payments are made to the West Midlands Combined Authority and to the Environment Agency. These are shown within the Income and expenditure Statement in section 2.2
- The authority has a pooled budget arrangement with Coventry and Rugby Clinical Commissioning group to operate a Better Care Fund (BCF). Transactions and balances are detailed in section 3.11.

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

The Council has a combination of financial investment interests and/or group interests. 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 £7,139,163 to the company for services received and in return provided services to the value of £87,735 of which £1,485 was unpaid as at 31<sup>st</sup> March 2018.

In addition the Council received Business Rates payments of £638,370 and dividends of £5,666,667.

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

There remains a balance outstanding of £5,000 on the cash flow assistance loan provided by the City Council to CNR. CNR receives contributions from the City Council to cover its expenses. In 2017/18 the total was £3,887 of which £1,693 related to administrative services provided by the City Council.

During 2017/18 NCH placed a cash deposit of £2,700,000 with the City Council, This was repaid to NCH including interest of £10,064 in March 2018. NCH supplied services to the City Council to the value of £109,980. The City Council provided services to the value of £1,855 plus it initially facilitated a payroll service on behalf of NCH totalling £50,209 for which is was directly reimbursed.

**Culture Coventry Ltd**

Payment of £1,975,746 was made to Culture Coventry Trust on a long term arrangement for the provision of museum services on behalf of the

authority and also other payments of £29,903 for general services. In addition, the authority provided;

- Services to the Trust totalling £37,185 of which £6,846 was unpaid as at 31<sup>st</sup> March 2018.
- A revolving cash flow facility of £600k of which £261,817 was drawn down
- Contribution to exit and redundancy costs of £278,888

The Trust is deemed to be influenced by the authority through its significant representation on the Trust Board.

**Coombe Abbey Park Ltd (CAPL)**

From the time that the City Council acquired the 100% shareholding, CAPL paid the City Council £166,250 in respect of rent on long lease agreements and £180,166 in loan repayments. In addition, various services were provided to CAPL totalling £15,038 of which £14,151 was unpaid as at 31<sup>st</sup> March 2018. The City Council paid CAPL £1,825 in respect of various services.

## 3.11 Pooled Budgets

### **Better Care Fund**

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

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

Better Care Fund Workstreams	Coventry City Council	Coventry and Rugby CCG	Total	Coventry City Council Expenditure	Coventry City Council Expenditure Lead	Coventry City Council Expenditure	Coventry City Council Expenditure
	Contribution	Contribution	Contribution	Internal <sup>1</sup>	Commissioner <sup>2</sup>	Shared <sup>3</sup>	Total
	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
	£000	£000	£000	£000	£000	£000	£000
Urgent Care	0	(6,587)	<b>(6,587)</b>	0	0	0	0
Out of Hospital & Nursing Care	(6,677)	(28,959)	<b>(35,636)</b>	6,677	0	0	6,677
Voluntary Sector Review	(1,672)	(925)	<b>(2,597)</b>	1,642	0	0	1,642
Short Term Care	(3,145)	(6,708)	<b>(9,853)</b>	1,653	1,071	934	3,658
Dementia	(7,411)	(3,664)	<b>(11,075)</b>	7,411	0	0	7,411
Care Act Implementation	0	(883)	<b>(883)</b>	0	575	0	575
Disabled Facility Grants	(3,900)	0	<b>(3,900)</b>	2,721	0	0	2,721
Acceleration Fund	0	(2,093)	<b>(2,093)</b>	0	0	63	63
Protecting Social Care	(5,815)	(7,439)	<b>(13,254)</b>	5,146	7,439	0	12,585
Community Promoting Independence	(300)	0	<b>(300)</b>	155	0	0	155
Discharge to Assess Support	(1,300)	0	<b>(1,300)</b>	1,193	0	0	1,193
Improving System Flow	(200)	0	<b>(200)</b>	90	0	0	90
Integrating Commissioning	(200)	0	<b>(200)</b>	34	0	0	34
Whole System Prevention	(300)	0	<b>(300)</b>	68	0	0	68
<b>Total</b>	<b>(30,920)</b>	<b>(57,258)</b>	<b>(88,178)</b>	<b>26,790</b>	<b>9,085</b>	<b>997</b>	<b>36,872</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. Work was undertaken within 8 separate work-streams in 2016/17.

Better Care Fund Workstreams	Coventry City Council	Coventry and Rugby CCG	Total	Coventry City Council Expenditure	Coventry City Council Expenditure Lead Commissioner	Coventry City Council Expenditure	Coventry City Council Expenditure
	Contribution	Contribution	Contribution	Internal 1	2	Shared 3	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	<b>0</b>
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	861	<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	971	<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>

The following table provides details of the total contribution and expenditure made by the two partner organisations during 2017/18, with comparative information for the previous year.

(Surplus) / Deficit	Coventry City Council	Coventry and Rugby CCG	Total	Coventry City Council	Coventry and Rugby CCG	Total
	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17
	£000	£000	£000	£000	£000	£000
Contribution	(30,920)	(57,258)	<b>(88,178)</b>	(20,005)	(35,894)	<b>(55,899)</b>
Expenditure	36,872	47,802	<b>84,674</b>	31,762	22,504	<b>54,266</b>
<b>Net Position</b>	<b>5,952</b>	<b>(9,456)</b>	<b>(3,504)</b>	<b>11,757</b>	<b>(13,390)</b>	<b>(1,633)</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 2018 are outlined in the following table, together with the position as at 31<sup>st</sup> March 2017 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	
	2018	2018		2017	2017	
	£000	£000	£000	£000	£000	£000
Retained	(3,196)	0	<b>(3,196)</b>	(1,291)	(221)	<b>(1,512)</b>
Carried Forward	(308)	0	<b>(308)</b>	(121)	0	<b>(121)</b>
<b>Total</b>	<b>(3,504)</b>	<b>0</b>	<b>(3,504)</b>	<b>(1,412)</b>	<b>(221)</b>	<b>(1,633)</b>

### 3.12 External Audit Costs

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

2016/17*	Audit Fees	2017/18
£000		£000
173	Fees Payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	173
45	Fees payable in respect of other services provided by external auditors during the year in relation to other services	34
<b>218</b>	<b>Total Fees</b>	<b>207</b>

\*2016/17 costs have been restated to reflect a consistent categorisation 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 2017/18 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), certification of the Housing Benefit Subsidy Claim (£14,020) and fees for the Opportunity West Midlands Training Programme to improve the commercialisation skills of Council officers (£5,500).

### 3.13 Usable and Unusable Reserves

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

#### Usable Reserves

Usable Reserves	Balance at 31st March 2016 £000	Contributions from reserves 2016/17 £000	Contributions to reserves 2016/17 £000	Balance at 31st March 2017 £000	Contributions from reserves 2017/18 £000	Contributions to reserves 2017/18 £000	Balance at 31st March 2018 £000
<b>General Fund Balance - Uncommitted *</b>	<b>(3,823)</b>	<b>689</b>	<b>0</b>	<b>(3,134)</b>	<b>0</b>	<b>(1,568)</b>	<b>(4,702)</b>
<b>Earmarked Revenue Reserves:</b>							
Schools Reserves (specific to individual schools)	(19,983)	1,857	0	(18,126)	0	(1,464)	(19,590)
Schools Reserves (retained centrally)	(5,841)	2,361	(1,013)	(4,493)	1,053	(1,302)	(4,742)
<b>Total Schools Reserves</b>	<b>(25,824)</b>	<b>4,218</b>	<b>(1,013)</b>	<b>(22,619)</b>	<b>1,053</b>	<b>(2,766)</b>	<b>(24,332)</b>
Children's Social Care	(2,000)	2,000	0	0	0	0	0
Adult Social Care	(116)	108	(10)	(18)	19	(4,799)	(4,798)
Public Health	(1,037)	352	(55)	(740)	402	(268)	(606)
Troubled Families	(701)	15	0	(686)	200	0	(486)
Leisure Development	(876)	811	(829)	(894)	416	(1,121)	(1,599)
Kickstart Project	(2,208)	71	(849)	(2,986)	280	(2,362)	(5,068)
City of Culture	0	0	0	0	0	(5,050)	(5,050)
Potential Loss of Business Rates Income	(2,670)	700	0	(1,970)	700	(2,144)	(3,414)
Early Retirement and Voluntary Redundancy	(12,500)	4,239	0	(8,261)	0	0	(8,261)
Birmingham Airport Dividends	(4,400)	0	0	(4,400)	0	0	(4,400)
Insurance Fund	(2,402)	2,647	(2,031)	(1,786)	1,415	(1,224)	(1,595)
Management of Capital	(2,337)	904	(4,133)	(5,566)	721	(1,487)	(6,332)
Private Finance Initiatives	(11,771)	1,369	(906)	(11,308)	1,324	(797)	(10,781)
Other Directorate	(4,992)	3,681	(4,528)	(5,839)	4,972	(6,327)	(7,194)
Other Directorate funded by Grant	(2,985)	1,495	(1,295)	(2,785)	963	(371)	(2,193)
Other Corporate	(2,343)	1,692	(322)	(973)	962	(587)	(598)
<b>Revenue Earmarked Reserves (Non-School)</b>	<b>(53,338)</b>	<b>20,084</b>	<b>(14,958)</b>	<b>(48,212)</b>	<b>12,374</b>	<b>(26,537)</b>	<b>(62,375)</b>
<b>Total Revenue Earmarked Reserves</b>	<b>(79,162)</b>	<b>24,302</b>	<b>(15,971)</b>	<b>(70,831)</b>	<b>13,427</b>	<b>(29,303)</b>	<b>(86,707)</b>
<b>Other Usable Reserves:</b>							
Useable Capital Receipts Reserve	(6,660)	16,459	(30,288)	(20,489)	13,063	(16,552)	(23,978)
Capital Grant Unapplied Account	(5,736)	41,223	(45,224)	(9,737)	9,737	(7,179)	(7,179)
Total Other Usable Reserves	<b>(12,396)</b>	<b>57,682</b>	<b>(75,512)</b>	<b>(30,226)</b>	<b>22,800</b>	<b>(23,731)</b>	<b>(31,157)</b>
<b>Total Usable Reserves</b>	<b>(95,381)</b>	<b>82,673</b>	<b>(91,483)</b>	<b>(104,191)</b>	<b>36,227</b>	<b>(54,602)</b>	<b>(122,566)</b>

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



## Unusable Reserves

2016/17			Category of Reserve Movement	2017/18			
Capital Adjustment Account [CAA] *restated £000	Revaluation Reserve [RR] £000	CAA & RR Combined *restated £000		Capital Adjustment Account [CAA] £000	Revaluation Reserve [RR] £000	CAA & RR Combined £000	
<b>(483,768)</b>	<b>(177,351)</b>	<b>(661,119)</b>		<b>Opening Balance</b>	<b>(473,897)</b>	<b>(169,486)</b>	<b>(643,383)</b>
31,377	0	31,377		Depreciation	25,426	0	25,426
41,040	0	41,040	Derecognitions	35,833	0	39,620	
13,395	(16,438)	(3,043)	Revaluations	(5,202)	(31,950)	(37,152)	
(3,370)	0	(3,370)	Investment Property Revaluations	(15,721)	0	(15,721)	
2,706	0	2,706	Intangibles	1,988	0	1,988	
(70,472)	0	(70,472)	Capital grants and contributions applied	(59,849)	0	(59,849)	
11,804	0	11,804	Revenue Expenditure funded from Capital	14,687	0	14,687	
0	0	0	Capital receipts applied	(12,211)	0	(12,211)	
16,545	0	16,545	Disposal of Assets	10,029	0	10,029	
2,787	0	2,787	Repayment of Loans	766	0	766	
(530)	0	(530)	Capital Expenditure funded from Revenue	(2,680)	0	(2,680)	
(1,033)	0	(1,033)	Issue of Loans	(1,137)	0	(1,137)	
(24,303)	24,303	0	Written out of the Revaluations Reserve	(7,032)	7,032	0	
(9,987)	0	(9,987)	Revenue provision for the Repayment of Debt	(10,241)	0	(10,241)	
0	0	0	Management of Capital Reserve	(721)	0	(721)	
0	0	0	Deferred Capital - Amortised credit	(58)	0	(58)	
(88)	0	(88)	Other Gains and Losses	187	0	187	
<b>(473,897)</b>	<b>(169,486)</b>	<b>(643,383)</b>	<b>Closing Balance</b>	<b>(499,833)</b>	<b>(194,404)</b>	<b>(694,237)</b>	

\* Section 3.36 provides the details of the restatements made prior to 2017/18

### **Capital Adjustment Account**

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

### **Revaluation Reserve**

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

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

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

### **Financial Instruments Adjustment Account**

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

### **Collection Fund Adjustment Account**

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

### **Pension Reserve**

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

### **Accumulated Absences Account**

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

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

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

### **Deferred Capital Receipts Reserve**

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

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

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

2016/17 *restated £000	Adjustments made to Comprehensive Income and Expenditure Statement (CIES)	2017/18 £000
	<b>Reversal of items debited or credited to the CIES</b>	
	<b>Usable Reserves</b>	
<b>4,001</b>	<b>Capital grants &amp; contributions unapplied movement to CIES</b>	<b>(2,558)</b>
	<b>Unusable Reserves</b>	
(31,377)	Charges for depreciation of non-current assets	(25,428)
(41,042)	Charges for derecognition of non-current assets	(35,833)
(10,025)	Revaluation of Property, Plant & Equipment & Assets Held for sale	20,923
(2,706)	Amortisation of intangible assets	(1,988)
70,473	Capital grants and contributions applied	59,849
(11,804)	Revenue expenditure funded from capital under statute	(14,687)
(543)	Loss on Disposal funded from Capital Receipts	(437)
(7,481)	Retirement benefit adjustments debited or credited to the CIES	(22,254)
2,960	Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)	587
(746)	Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year)	(98)
93	Movement in Debt Redemption Premia	(10,398)
142	Other movements	748
	<b>Inclusion of items not debited or credited to the CIES</b>	
9,987	Statutory provision for the financing of capital investment	10,241
1,033	Repayment of Transferred Debt Principal	1,137
530	Capital expenditure charged against the General Fund balance.	3,400
<b>(20,506)</b>	<b>Subtotal of adjustments affecting Unusable Reserves</b>	<b>(14,238)</b>
<b>(16,505)</b>	<b>Total Adjustments</b>	<b>(16,796)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

### 3.15 Property, Plant and Equipment

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

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

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	Vehicles, Plant & Equip't	Infra-structure Assets *restated	Community Assets	Surplus Assets	Under Construction	Total *restated
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>1st April 2016</b>	<b>882,719</b>	<b>42,315</b>	<b>408,079</b>	<b>15,737</b>	<b>164</b>	<b>10,339</b>	<b>1,359,353</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	(12,188)	(188)	0	0	(41,040)
Reclassifications	(1,036)	0	0	0	0	0	(1,036)
<b>31st March 2017</b>	<b>846,976</b>	<b>35,073</b>	<b>414,468</b>	<b>15,834</b>	<b>164</b>	<b>41,646</b>	<b>1,354,161</b>
<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>309,560</b>	<b>15,834</b>	<b>155</b>	<b>41,646</b>	<b>804,442</b>
<b>1st April 2016</b>	<b>482,788</b>	<b>14,780</b>	<b>310,243</b>	<b>15,737</b>	<b>164</b>	<b>10,339</b>	<b>834,051</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

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

the accounting policies, see section 5.7. In addition, a review is undertaken by the Council's valuer to determine whether the carrying amount of other assets, not due for valuation as part of the rolling programme, is consistent with their current value. The valuer has considered both external factors, such as market conditions and changes in

the regulatory environment, and internal factors, such as obsolescence and physical damage. There was also a review of specialist PPE, of which schools are the most significant. For the build costs the BCIS all-in Tender Price Index was applied and for land the Knight Frank Residential Development land Index. This resulted in an

overall increase in the schools valuations of £24,416k.

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

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

### 3.16 Heritage Assets

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. These valuations were last updated in 2007 and have not been reassessed during 2017/18 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 2017 and the carried forward balance on 31st March 2018. 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 2017 £000	31st March 2018 £000
Transport Museum Collection	6,933	6,933
Scientific	20	20
Clocks	265	265
Arms & Armour	35	35
Textiles	5,035	5,035
Silver	375	375
General	132	132
Natural History	40	40
Works of Art	232	232
Furniture	140	140
Visual Arts	12,438	12,438
Civic Regalia	248	248
<b>Total</b>	<b>25,893</b>	<b>25,893</b>

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

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

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

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

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

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

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

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

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

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

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

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

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





### 3.17 Non-Operational Assets

The tables below show the movement in the City Council's Non-Operational Assets during 2017/18, 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 2017</b>	<b>160,370</b>	<b>5,008</b>	<b>25,893</b>	<b>3,507</b>	<b>194,778</b>
Additions	1,135	0	0	5,396	6,531
Revaluation increase/(decrease) to Revaluation Reserve	0	0	0	0	0
Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services	8,931	6,790	0	0	15,721
Disposals	(80)	(6,949)	0	0	(7,029)
Derecognition	(4,917)	0	0	0	(4,917)
Reclassifications	(32)	(30)	0	0	(62)
<b>31st March 2018</b>	<b>165,407</b>	<b>4,819</b>	<b>25,893</b>	<b>8,903</b>	<b>205,022</b>

	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>

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

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

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

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

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

Type of Investment Property	31st March	31st March
	2017	2018
	£000	£000
Commercial	135,370	138,215
Office Units	16,257	16,930
Agricultural	4,137	4,730
Residential	2,774	2,359
Other	1,832	3,173
<b>Total</b>	<b>160,370</b>	<b>165,407</b>

### 3.18 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2017/18 has been financed:

<b>31st March 2017 £000</b>		<b>31st March 2018 £000</b>
<b>391,833</b>	Opening Capital Financing Requirement	<b>380,813</b>
	<b>Capital Investment</b>	
55,729	Property, Plant and Equipment	74,456
1,867	Investment Properties	6,531
2,706	Intangible Assets	1,988
11,804	Revenue Expenditure Funded from Capital Under Statute	14,687
0	Investments	9,147
<b>72,106</b>	<b>Total Capital Investment</b>	<b>106,809</b>
	<b>Sources of Finance</b>	
0	Capital Receipts	(12,211)
(70,472)	Government Grants and Other Contributions	(59,849)
(530)	Revenue Contributions	(3,400)
(9,987)	Revenue Provision for Debt Repayment	(10,241)
(1,104)	Donated Assets	(266)
(1,033)	Other Adjustments	(1,137)
<b>(83,126)</b>	<b>Total from Sources of Finance</b>	<b>(87,104)</b>
<b>380,813</b>	<b>Closing Capital Financing Requirement</b>	<b>400,518</b>
	<b>Explanation of movement in year</b>	
(9,987)	Revenue Provision for Debt Repayment	(10,241)
(921)	Repayment of Transferred Debt Principal	(1,014)
0	Capital Investment funded by borrowing	31,083
0	Capital Receipts Applied to Repay Debt	0
0	Assets acquired under PFI/PPP contracts	0
0	Reduction of Capitalised Provision	0
(112)	Restatement of Historic Debt Liability	(123)
<b>(11,020)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>19,705</b>

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£106,543k) includes all the items recorded under capital investment above (£106,809k) less new assets recorded as part of the Street Lighting PFI contract (£266k) see section 3.28.

### 3.19 Revaluation of Property, Plant and Equipment

The following statement shows the total value of the revaluations carried out in the financial years 2013/14 to 2017/18. The valuations were carried out by Graham Stephens MRICS, from the Property Division – Place Directorate. The basis for valuation is set out in the statement of accounting policies. The effective date of each revaluation is the date that the revaluation was produced.

Year of revaluation	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	0	7,692	312,976	15,972	0	45,578	382,218
Valued at current value as at:							
31st March 2014	48,238	0	0	0	0	0	48,238
31st March 2015	17,178	0	0	0	0	0	17,178
31st March 2016	19,419	0	0	0	0	0	19,419
31st March 2017	42,828	0	0	0	0	0	42,828
31st March 2018	342,954	0	0	0	146	0	343,100
<b>Total Cost or Valuation</b>	<b>470,617</b>	<b>7,692</b>	<b>312,976</b>	<b>15,972</b>	<b>146</b>	<b>45,578</b>	<b>852,981</b>

### 3.20 Capital Commitments

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

Significant Capital Commitments 2017/18	Outstanding Commitment £000	Contract Value £000	Date for Completion
Friargate Council Office (Friargate LLP)	670	40,500	31/08/2017
Hearsall Primary School (Cameron Butcher Group Ltd)	138	426	30/06/2018
Hearsall Primary School (Cameron Butcher Group Ltd)	530	530	16/11/2018
City Centre Destination Lesiure Facility (Buckingham Group)	13,305	28,395	01/04/2019
City Centre Destination Lesiure Facility (Appleyard & Trew)	141	499	01/04/2019
Alan Higgs 50m Pool (Appleyard & Trew)	108	250	31/07/2019
Swanswell Viaduct Refurbishment (Jackson Civil Engineering)	1,260	4,600	25/05/2018
Alan Higgs 50m Pool (Appleyard & Trew)	7,189	10,746	29/09/2019
Growth Deal - Coton Arches (Warwickshire County Council)	1,506	2,000	31/03/2019
Growth Deal - A46 N-S Corridor (Stanks) (Warwickshire County Council)	3,523	4,100	31/03/2019
Growth Deal - R&D Steel (West Midlands Group)	346	1,000	31/03/2019
Nuckle 1.2 (AECOM)	142	674	30/06/2018
Coventry Station Masterplan (Network Rail)	216	273	30/06/2018
Coventry Station Masterplan (WSP UK Ltd)	678	678	31/07/2018
Coventry Station Masterplan (Network Rail)	113	209	30/11/2018
City Centre South (Aviva)	460	4,600	05/06/2018
	<b>30,325</b>	<b>99,480</b>	

### 3.21 Long Term Investments

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

31st March 2017	Long Term Investments	31st March 2018
£000		£000
29,777	Birmingham Airport Holdings Ltd	29,169
46,667	Coventry Solihull Waste Disposal Co (CSWDC)	51,667
5,294	Coventry Building Society Secured Bond	0
2,950	Coombe Abbey Park Ltd	12,006
2,703	North Coventry Holdings Limited	2,703
<b>87,391</b>	<b>Total Long Term Investments</b>	<b>95,545</b>

A valuation exercise undertaken by BDO LLP in 2017 valued the Council's shareholding in Birmingham Airport Holdings Limited at £29.8m. A subsequent valuation exercise undertaken jointly with BDO LLP has resulted in a revised valuation of £29.2m and this revised figure has now been reflected in these accounts. See section 3.34 for further details regarding this valuation.

A valuation exercise undertaken jointly with BDO LLP in 2017 valued the Council's shareholding in the Coventry and Solihull Waste Disposal Company at £46.7m. A

subsequent valuation exercise undertaken jointly with BDO LLP has resulted in a revised valuation of £51.7m and this revised figure has now been reflected in these accounts. See section 3.34 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 2018.

On 10<sup>th</sup> October 2017 the Council approved the purchase of a 100% shareholding in Coombe

Abbey Park Limited. The Company owns and operates the Coombe Abbey Hotel which is situated just outside the city boundary. Previously the Council had held as a Special Share in the company which had entitled the Council to future financial returns. Taking into account the value of the previous shareholding and the purchase price of the 100% shareholding, the fair value of the investment now stands at £12.0m.

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

### 3.22 Long Term Debtors

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

31st March 2017 £000		Long Term Debtors	31st March 2018 £000	
108		Housing Loans		67
1,066		Binley Innovation Centre		1,066
292		Pathways to Care Loans		128
1,092		Residential Property Debts		846
5		Coventry North Regeneration Ltd		5
123		Mortgages		130
250		Belgrade Theatre		236
36		Commercial Property		36
4,917		City College Car Park		4,733
2		Car Loans		2
2,143		Kickstart		1,981
4,931		Coombe Abbey Park Ltd		4,472
5,487		BDW Trading Ltd		2,629
0		Culture Coventry Trust - Pension		510
0		Culture Coventry Trust - Revolving Loan		262
0		Belgrade Plaza		3,787
<b>20,452</b>		<b>Total Long Term Debtors</b>		<b>20,890</b>

### 3.23 Short Term Debtors

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

31st March 2017				Debtors Classification	31st March 2018			
Debtor	Payment In Advance	Impairment Allowance	Total		Debtor	Payment In Advance	Impairment Allowance	Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
5,226	0	0	<b>5,226</b>	Central Government Bodies	12,424	0	0	<b>12,424</b>
1,850	213	0	<b>2,063</b>	Other Local Authorities	7,129	0	0	<b>7,129</b>
1,180	0	0	<b>1,180</b>	NHS Bodies	632	0	0	<b>632</b>
13	0	0	<b>13</b>	Public Corporations	0	0	0	<b>0</b>
32,827	11,949	(13,219)	<b>31,557</b>	All Other Bodies	31,849	10,841	(13,794)	<b>28,896</b>
13,926	0	(5,676)	<b>8,250</b>	Debts Relating to Local Taxation	13,854	0	(5,533)	<b>8,321</b>
<b>55,022</b>	<b>12,162</b>	<b>(18,895)</b>	<b>48,289</b>	<b>Total Debtors</b>	<b>65,888</b>	<b>10,841</b>	<b>(19,327)</b>	<b>57,402</b>

### 3.24 Short Term Creditors

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

31st March 2017			Creditors Classification	31st March 2018		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
£000s	£000s	£000s		£000s	£000s	£000s
(8,156)	(398)	<b>(8,554)</b>	Central Government Bodies	(8,620)	(332)	<b>(8,952)</b>
(1,232)	(37)	<b>(1,269)</b>	Other Local Authorities	344	(20)	<b>324</b>
(3,184)	(42)	<b>(3,226)</b>	NHS Bodies	(2,857)	(5)	<b>(2,862)</b>
0	0	<b>0</b>	Public Corporations	0	0	<b>0</b>
(35,430)	(9,921)	<b>(45,351)</b>	All Other Bodies	(40,192)	(9,014)	<b>(49,206)</b>
(5,532)	(4,251)	<b>(9,783)</b>	Credits Relating to Local Taxation	(4,759)	(4,144)	<b>(8,903)</b>
<b>(53,534)</b>	<b>(14,649)</b>	<b>(68,183)</b>	<b>Total Creditors</b>	<b>(56,084)</b>	<b>(13,515)</b>	<b>(69,599)</b>



### 3.25 Provisions

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

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

in the City Council's provisions during 2017/18 is explained below:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
<b>1st April 2017</b>	<b>(5,897)</b>	<b>(3,571)</b>	<b>(914)</b>	<b>(10,382)</b>
Increase in provision	(151)	(2,755)	0	<b>(2,906)</b>
Amounts used	0	800	6	<b>806</b>
Unused amounts reversed	0	123	489	<b>612</b>
<b>31st March 2018</b>	<b>(6,048)</b>	<b>(5,403)</b>	<b>(419)</b>	<b>(11,870)</b>

The split between short and long term provisions, as at 31st March 2018, is provided in the following table:

Provisions	Self-Insurance	Business Rates Appeals	Other	Total
	£000	£000	£000	£000
Short Term Provisions	0	(2,274)	(14)	<b>(2,288)</b>
Long Term Provisions	(6,048)	(3,129)	(405)	<b>(9,582)</b>
<b>Total</b>	<b>(6,048)</b>	<b>(5,403)</b>	<b>(419)</b>	<b>(11,870)</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 £151k in 2017/18 and now stands at £6,048k. 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 3.13.

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 2017/18 and earlier financial years. As a result, the Council has estimated that a provision of £5,403k is required relating to Business Rates appeals, although the amount and timing of future payments are uncertain. This represents an increase of £1,832k in 2017/18.

### 3.26 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 2018 was £12,894k (£10,326k as at 31st March 2017).

Of the £12,894k balance, £3,120k is planned to be used from 2019/20 onwards and is held on the balance sheet as 'Other Long Term Liabilities'.

The remainder (£9,774k) is classified as 'Short Term Creditors'.

The main funds held relate to:

- Developers contributions of £10,422 (e.g. Section 106 amounts); (£8,015k as at 31st March 2017 )
- Tenants contributions of £1,715k - towards essential repair and maintenance

of common areas in multi occupied buildings;  
(£1,661k as at 31st March 2017 )

- Social Services Clients Funds of £176k (£147k as at 31st March 2017),
- Other funds of £580k including bequests/donations for maintenance of gardens, landscape works, education and environmental services and charity donations (£503k as at 31<sup>st</sup> March 2017)

### 3.27 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:

2016/17 *restated £000	Adjust Net Surplus/Deficit on the Provision of Services for Non Cash Movements	2017/18 £000
(31,379)	Depreciation	(25,428)
(41,042)	Derecognition of Non-current Assets	(35,833)
(10,025)	Revaluation of Non-current Assets	20,923
(2,706)	Amortisation	(1,988)
2,132	(Increase)/ Decrease in Impairment Provision for Bad Debts	(575)
(6,157)	(Increase)/ Decrease in Creditors and Provisions	184
(20,120)	Increase/ (Decrease) in Debtors	914
(231)	Increase/ (Decrease) in Inventory	(22)
(7,481)	Pension Liability	(22,254)
<b>(117,009)</b>	<b>Total</b>	<b>(64,079)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

2016/17 £000	Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2017/18 £000
58,668	Net Application of grants to capital financing	42,604
(4,454)	Council Tax & Business Rates Adjustments	(1,468)
<b>54,214</b>	<b>Total</b>	<b>41,136</b>

2016/17 £000	Net Cash Flows from Investing Activities	2017/18 £000
71,346	Purchase of Property, Plant and Equipment, Investment Property & Intangible Assets	94,619
0	Other Payments for Investing Activities *	71,347
(11,271)	Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets	(10,029)
(231)	Proceeds from Short Term & Long Term Investments	(75,592)
(70,472)	Other Receipts from Investing Activities **	(57,291)
<b>(10,628)</b>	<b>Total</b>	<b>23,054</b>

\* The other payments for Investing Activities relate to the pensions advance payment (£62m) and the purchase of Coombe Abbey Park Limited (£9m) set out in the Narrative Statement.

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

2016/17 £000	Net Cash Flows from Financing Activities	2017/18 £000
95	Cash Receipts of Short and Long Term Borrowing	(44,995)
4,454	Council Tax & Business Rates Adjustments	1,468
2,118	Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts	2,394
1,043	Repayments of Short and Long Term Borrowing	42,646
40,669	Other Payments for Financing Activities	0
<b>48,379</b>	<b>Total</b>	<b>1,513</b>

2016/17 £000	Cash Flows from Interest and Dividends	2017/18 £000
(2,177)	Interest received	30,572
21,927	Interest paid	(2,429)
(5,764)	Dividends received	(7,805)
<b>13,986</b>	<b>Total</b>	<b>20,338</b>

2016/17 £000	Breakdown of Cash and Cash Equivalents	2017/18 £000
(133)	Cash held by the council	(132)
(10,536)	Bank current accounts	(13,561)
(6,500)	On call deposits	(2,500)
<b>(17,169)</b>	<b>Total</b>	<b>(16,193)</b>

### 3.28 Private Finance Initiative (PFI)

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

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

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

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

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

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

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

In 2017/18 expenditure on unitary charge payments to the contractor was £3,109k, compared with £3,123k in 2016/17. 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</b>	<b>Repayment of Liability</b>	<b>Interest Charge</b>	<b>Total Unitary Charge</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
2018/19	1,394	689	734	2,817
2019/20 - 2022/23	6,182	2,608	2,320	11,110
2023/24 - 2027/28	8,917	3,206	1,522	13,645
2028/29 - 2032/33	9,866	3,543	125	13,534
2033/34 - 2034/35	3,529	1,485	(261)	4,753
<b>Total</b>	<b>29,888</b>	<b>11,531</b>	<b>4,440</b>	<b>45,859</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 2017/18 are shown in the tables below.

<b>Loans</b>	<b>£000</b>
<b>Liability brought forward</b>	(12,247)
Unitary Charge (Lease repayment)	716
<b>Liability carried forward (breakdown below)</b>	<b>(11,531)</b>
Long term liability	(10,842)
Current liability	(689)

### **New Homes for Old PFI Contract**

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

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

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

In 2017/18 expenditure on unitary charge payments to the contractor was £7,016k, compared with £6,876k in 2016/17. 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</b>	<b>Repayment of Liability</b>	<b>Interest Charge</b>	<b>Total Unitary Charge</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
2018/19	4,611	834	1,860	7,305
2019/20 - 2022/23	21,524	2,844	6,822	31,190
2023/24 - 2027/28	30,940	5,323	7,556	43,819
2028/29 - 2032/33	28,895	7,143	5,896	41,934
<b>Total</b>	<b>85,970</b>	<b>16,144</b>	<b>22,134</b>	<b>124,248</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 2017/18 are shown in the tables below.

<b>Operational Assets Other Land &amp; Buildings</b>	<b>£000</b>
<b>Cost or Valuation</b>	
Brought forward	21,758
Adjustment to brought forward position	0
Carried forward	21,758
<b>Depreciation and Impairments</b>	
Brought forward	(13,187)
Adjustment to brought forward position	0
Charged this year	(209)
Carried forward	(13,396)
<b>Balance Sheet carried forward</b>	<b>8,362</b>
<b>Balance Sheet brought forward</b>	<b>8,571</b>

<b>Long Term Loans</b>	<b>£000</b>
<b>Liability brought forward</b>	<b>(16,950)</b>
Unitary Charge (Lease repayment)	806
<b>Liability carried forward (breakdown below)</b>	<b>(16,144)</b>
Long term liability	(15,310)
Current liability	(834)

<b>Long Term Loans</b>	<b>£000</b>
<b>Liability brought forward</b>	<b>(16,950)</b>
Unitary Charge (Lease repayment)	806
<b>Liability carried forward (breakdown below)</b>	<b>(16,144)</b>
Long term liability	(15,310)
Current liability	(834)

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 2017/18 expenditure on unitary charge payments to the contractor was £7,585k, compared with £7,479k in 2016/17. 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
2018/19	1,809	1,147	4,454	7,410
2019/20 - 2022/23	8,425	5,299	16,608	30,332
2023/24 - 2027/28	12,287	9,577	17,744	39,608
2028/29 - 2032/33	14,324	15,173	12,221	41,718
2033/34 - 2035/36	7,524	11,536	3,432	22,492
<b>Total</b>	<b>44,369</b>	<b>42,732</b>	<b>54,459</b>	<b>141,560</b>

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

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

Operational Assets - Infrastructure	£000
<b>Cost or Valuation</b>	
Brought forward	49,979
Initial recognition - Donated Asset	266
Carried forward	50,245
<b>Depreciation and Impairments</b>	
Brought forward	(4,188)
Adjustment to brought forward position	0
Charged this year	(1,342)
Carried forward	(5,530)
<b>Balance Sheet carried forward</b>	<b>44,715</b>
<b>Balance Sheet brought forward</b>	<b>45,791</b>

Long Term Loans	£000
<b>Liability brought forward</b>	<b>(43,605)</b>
Adjustment to brought forward position	0
Unitary Charge (Lease repayment)	873
<b>Liability carried forward (breakdown below)</b>	<b>(42,732)</b>
Long term liability	(41,585)
Current liability	(1,147)

Donated Assets Account	£000
<b>Donated Assets account brought forward</b>	<b>(1,104)</b>
Donated Assets recognised in year	(266)
Credited to Comprehensive Income & Expenditure account	58
Donated Assets account carried forward	(1,312)

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



## 3.29 Leases

### Authority as Lessee

#### Finance Leases

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

	31st March 2017 £000	31st March 2018 £000
Other Land and Buildings	1,232	2,348
Vehicles, Plant, Furniture and Equipment	3	3
	<b>1,235</b>	<b>2,351</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 2017 £000	31st March 2018 £000
Finance lease liabilities :		
- current	0	0
- non-current	0	0
Finance costs payable in future years	12,493	12,243
<b>Minimum Lease Payments</b>	<b>12,493</b>	<b>12,243</b>

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

	31st March 2017 £000	31st March 2018 £000
Not later than one year	227	207
Later than one year and not later than five years	818	807
Later than five years	11,448	11,229
	<b>12,493</b>	<b>12,243</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 2017/18 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 2017 £000	31st March 2018 £000
Not later than one year	365	182
Later than one year and not later than five years	319	155
Later than five years	0	111
	<b>684</b>	<b>448</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 2017 £000	31st March 2018 £000
Finance lease debtor (net present value of minimum lease payments):		
- current	184	193
- non-current *	8,520	8,327
Unearned finance income	27,552	27,106
Unguaranteed residual value of property	0	0
<b>Gross Investment in the lease</b>	<b>36,256</b>	<b>35,626</b>

\*The non current debtor, at 31<sup>st</sup> March 2017, has been restated to include the impact of a lease that was reclassified as a finance lease.

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

	31st March 2017 £000	31st March 2018 £000
Not later than one year	630	630
Later than one year and not later than five years	2,519	2,519
Later than five years	33,107	32,447
	<b>36,256</b>	<b>35,596</b>

\*The minimum lease payments due later than five years, as at 31<sup>st</sup> March 2017, have been restated to include the impact of a lease that was reclassified as a finance lease.

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 2017/18, contingent rents receivable by the Authority totalled £63k.

### 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 2017 £000	31st March 2018 £000
Not later than one year	8,994	10,376
Later than one year and not later than five years	25,122	30,056
Later than five years	345,507	380,770
<b>Total</b>	<b>379,623</b>	<b>421,202</b>

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

### 3.30 Pension Costs

Although the Council's pension deficit reduced slightly in 2017/18 (taking into account an upfront payment of £93,300k), 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 in recent years. 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. 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 2017/18 the City Council made an upfront payment of £93,300k to cover employer contributions up to 2019/20. The amount that would have been paid without this upfront payment was £34,469k, (£33,323k in 2016/17). Representing 27.3% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. The contributions were set in line with local government pension

regulations, following the actuarial review by Barnett Waddingham LLP as at March 2016.

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

The Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2017/18, this amounted to £1,012k (£4,028k in 2016/17).

Further details on pension liabilities are provided in note 3.31.

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 2017/18, the City Council paid £10,163k (£11,170k in 2016/17) to the Department for Education (DfE) for teachers' pension costs, which represents 16.48% of pensionable pay. In addition, the City Council is responsible for all pension payments relating to teachers who retire early and additional pension contributions. In 2017/18,

these amounted to £2,426k (£2,509k in 2016/17) 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 £10.1m, 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 2017/18 the City Council paid £48k to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£73k in 2016/17), which represents 14.3% of pensionable pay.

### 3.31 Retirement Benefits

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

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

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

#### Summary of Outcome

The overall decrease in the deficit is analysed as follows:

2016/17				2017/18		
LGPS £000	Teachers £000	Total £000		LGPS £000	Teachers £000	Total £000
(517,704)	(35,848)	<b>(553,552)</b>	Deficit b/fwd	(578,797)	(34,439)	<b>(613,236)</b>
(30,947)	0	<b>(30,947)</b>	Current Service Cost	(47,453)	0	<b>(47,453)</b>
35,654	2,509	<b>38,163</b>	Employer Contributions	98,390	2,426	<b>100,816</b>
0	0	<b>0</b>	Past Service Gain/(Loss)	0	0	<b>0</b>
32,846	0	<b>32,846</b>	Return on Assets	33,010	0	<b>33,010</b>
(50,274)	(934)	<b>(51,208)</b>	Interest on Pension Liabilities	(47,258)	(665)	<b>(47,923)</b>
(52,037)	(166)	<b>(52,203)</b>	Remeasurements	30,477	0	<b>30,477</b>
4,150	0	<b>4,150</b>	Curtailement Gain/(Loss)	2,023	568	<b>2,591</b>
(485)	0	<b>(485)</b>	Administration Expenses	(527)	0	<b>(527)</b>
<b>(578,797)</b>	<b>(34,439)</b>	<b>(613,236)</b>	<b>Surplus/(Deficit)</b>	<b>(510,135)</b>	<b>(32,110)</b>	<b>(542,245)</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 movement in the LGPS deficit within 2017/18 can largely be explained as follows:

- a decrease in the discount rate (liability increase) which was more than offset by a reduction in the % rate (inflation) of annual pension increases (liability decrease). These are termed as remeasurements in the table above. The discount rate is the rate of interest used to discount post-employment benefits. The discount rate is based on the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year period).
- an upfront payment of £93,300k made by the City Council to the Pension Fund in April 2017 which covers the next 3 years pension contributions

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

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

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

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

LGPS £000	2016/17 Teachers £000	Total £000		LGPS £000	2017/18 Teachers £000	Total £000
<b><u>Net Cost of Services</u></b>						
30,947	0	30,947	Current Service Cost	47,453	0	47,453
0	0	0	Past Service Costs (Gain)	0	0	0
(4,150)	0	(4,150)	Settlements and curtailments	(2,023)	(568)	(2,591)
485	0	485	Administration Expenses	527	0	527
<b>27,282</b>	<b>0</b>	<b>27,282</b>	<b>Net Cost of Services sub-total</b>	<b>45,957</b>	<b>(568)</b>	<b>45,389</b>
<b><u>Financing and Investment Income and Expenditure</u></b>						
50,274	934	51,208	Interest cost	47,258	665	47,923
(32,846)	0	(32,846)	Expected return on scheme assets	(33,010)	0	(33,010)
<b>17,428</b>	<b>934</b>	<b>18,362</b>	<b>Net Interest Cost</b>	<b>14,248</b>	<b>665</b>	<b>14,913</b>
<b>44,710</b>	<b>934</b>	<b>45,644</b>	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>60,205</b>	<b>97</b>	<b>60,302</b>
<b><u>Other Post Employment Benefit Charged to CIES</u></b>						
52,037	166	52,203	Re-measurements	(30,477)	0	(30,477)
<b>96,747</b>	<b>1,100</b>	<b>97,847</b>	<b>Total Post Employment Benefit Charged to the CIES</b>	<b>29,728</b>	<b>97</b>	<b>29,825</b>
<b><u>Movement in Reserves Statement</u></b>						
(44,710)	(934)	(45,644)	Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code	(60,205)	(97)	(60,302)
<b><u>Actual amount charged against the General Fund for pensions in the year:</u></b>						
35,654		35,654	Employers contributions payable to scheme	98,390		98,390
	2,509	2,509	Retirement benefits payable to pensioners		2,426	2,426

The cumulative amount of re-measurements recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2018 is a loss of £112.995m

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

<u>Local Government Pension Scheme</u>	<u>2016/17</u> £000	<u>2017/18</u> £000
Opening balance at 1st April	942,917	1,197,092
Expected rate of return	32,846	33,010
Re-measurements	230,445	(32,190)
Employer contributions	35,654	98,390
Contributions by scheme participants	8,194	8,059
Benefits paid	(51,981)	(54,462)
Settlements	(498)	(868)
Administration Expenses	(485)	(527)
Closing balance at 31st March	<b>1,197,092</b>	<b>1,248,504</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 £0.8m gain (compared to a £202m gain in 2016/17).

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	2016/17 £000	2017/18 £000
<b>LGPS &amp; Teachers</b>		
Opening Balance at 1st April	1,496,469	1,810,328
Current Service Cost	30,947	47,453
Interest Cost	51,208	47,923
Contributions from scheme participants	8,194	8,059
Remeasurement (gains) and losses:		
(Gain)/loss arising from changes in financial assumptions	395,321	(62,667)
(Gain)/loss arising from changes in demographic assumptions	(45,567)	0
Experience (gain)/loss	(67,106)	(568)
Past service cost	0	0
Losses/(gains) on curtailment	1,221	3,539
Liabilities assumed on entity combinations	0	0
Benefits paid	(54,490)	(56,888)
Liabilities extinguished on settlements	(5,869)	(6,430)
Closing balance at 31st March	1,810,328	1,790,749

**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 2017	31st March 2018
Rate of CPI inflation	2.70%	2.35%
Rate of increase in salaries	4.20%	3.85%
Rate of increase in pensions	2.70%	2.35%
Discount rate	2.70%	2.55%
<b>Mortality Assumptions</b>		
<b>Longevity at 65 for current pensioners</b>		
Men	21.8	21.9
Women	24.2	24.3
<b>Longevity at 65 for future pensioners in 20 years time</b>		
Men	23.9	24.0
Women	26.5	26.6



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

<b>Sensitivity Analysis - LGPS</b>				
<b>Adjustments to Discount Rate</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,728,614	1,758,639	1,789,215
Projected Service Cost	£000	44,382	45,443	46,530
<b>Adjustment to long term salary increase</b>		<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present Value of Total Obligation	£000	1,761,302	1,758,639	1,755,992
Projected Service Cost	£000	45,443	45,443	45,443
<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	1,786,582	1,758,639	1,731,174
Projected Service Cost	£000	46,531	45,443	44,379
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	£000	1,826,237	1,758,639	1,693,621
Projected Service Cost	£000	46,892	45,443	44,038
<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	31,812	32,110	32,411
<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	32,411	32,110	31,811
<b>Adjustment to life expectancy assumptions</b>		<b>+ 1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	£000	33,587	32,110	30,697

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

<b>Asset Categories</b>	<b>31st March 2017</b>		<b>31st March 2018</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Equities</b>	771,048	64.4%	797,974	63.9%
<b>Bonds</b>	146,765	12.3%	138,995	11.1%
<b>Property</b>	92,218	7.7%	96,128	7.7%
<b>Cash/Liquidity</b>	34,166	2.8%	30,725	2.5%
<b>Other</b>	152,895	12.8%	184,682	14.8%
<b>Total</b>	<b>1,197,092</b>		<b>1,248,504</b>	

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

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

The Council is required to disclose the number of employees whose remuneration during 2017/18 exceeded £50,000. Remuneration includes salaries and wages (net of pension contributions) and other allowances. The table below shows the number of City Council employees whose remuneration fell within the relevant bands:

2016/17 *				2017/18				
Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total	Remuneration Band	Local Authority Schools Staff	Voluntary Aided & Foundation Schools Staff	Other Staff	Total
39	21	29	<b>89</b>	£50,000 - £54,999	33	10	37	<b>80</b>
22	11	18	<b>51</b>	£55,000 - £59,999	28	11	19	<b>58</b>
17	9	26	<b>52</b>	£60,000 - £64,999	13	7	25	<b>45</b>
15	4	12	<b>31</b>	£65,000 - £69,999	12	7	10	<b>29</b>
6	1	6	<b>13</b>	£70,000 - £74,999	10	0	9	<b>19</b>
4	0	5	<b>9</b>	£75,000 - £79,999	5	0	5	<b>10</b>
3	0	2	<b>5</b>	£80,000 - £84,999	1	0	4	<b>5</b>
4	2	6	<b>12</b>	£85,000 - £89,999	4	1	1	<b>6</b>
0	0	3	<b>3</b>	£90,000 - £94,999	0	1	3	<b>4</b>
0	1	3	<b>4</b>	£95,000 - £99,999	0	0	0	<b>0</b>
1	0	3	<b>4</b>	£100,000 - £104,999	0	0	2	<b>2</b>
0	0	3	<b>3</b>	£105,000 - £109,999	0	0	2	<b>2</b>
0	0	3	<b>3</b>	£110,000 - £114,999	0	0	2	<b>2</b>
0	0	1	<b>1</b>	£120,000 - £124,999	0	0	0	<b>0</b>
0	0	1	<b>1</b>	£130,000 - £134,999	0	0	1	<b>1</b>
0	0	1	<b>1</b>	£135,000 - £139,999	0	0	1	<b>1</b>
0	0	0	<b>0</b>	£160,000 - £164,999	0	0	1	<b>1</b>
0	0	0	<b>0</b>	£195,000 - £199,999	0	0	1	<b>1</b>
0	0	0	<b>0</b>	£200,000 - £204,999	0	0	1	<b>1</b>
0	0	1	<b>1</b>	£205,000 - £209,999	0	0	0	<b>0</b>
0	0	1	<b>1</b>	£225,000 - £229,999	0	0	0	<b>0</b>
<b>111</b>	<b>49</b>	<b>124</b>	<b>284</b>	<b>Total</b>	<b>106</b>	<b>37</b>	<b>124</b>	<b>267</b>

\*2016/17 figures have been restated to include allowances.

### **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:

<b>Senior Employees</b>	<b>Salary Inc Fees &amp; Allowances</b>	<b>Loss of Office</b>	<b>Pension Contributions</b>	<b>Total Remuneration</b>
<b>2017/18</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>CHIEF EXECUTIVE</b>				
Martin Reeves	199,958	0	26,683	226,641
<b>MANAGEMENT BOARD</b>				
Deputy Chief Executive (Place)	134,278	0	17,670	151,948
Deputy Chief Executive (People)	139,998	0	19,321	159,319
Interim Director of Public Health	101,853	0	6,938	108,791
Director of Finance and Corporate Services (Section 151 Officer)	105,033	0	14,835	119,868
Head of Legal Services (Monitoring Officer)	52,719	0	7,446	60,165
Legal Services Manager Place & Regulatory (Monitoring Officer)	23,202	0	3,277	26,479
<b>TOTAL</b>	<b>757,041</b>	<b>0</b>	<b>96,170</b>	<b>853,211</b>
<b>2016/17</b>				
<b>CHIEF EXECUTIVE</b>				
Martin Reeves	206,302	0	24,690	230,992
<b>MANAGEMENT BOARD</b>				
Executive Director Resources (S151 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 of 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 and 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>

During 2017/18 there were also two holders of the post designated as the Council's Monitoring Officer (the Council's Chief legal officer). The table shows the part year remuneration for both post holders.

### **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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£000	£000
£0 - £20,000	31	49	117	155	148	204	1,120	1,140
£20,001 - £40,000	14	19	25	10	39	29	1,073	837
£40,001 - £60,000	3	7	17	6	20	13	1,012	636
£60,001 - £80,000	2	3	9	0	11	3	802	209
£80,001 - £100,000	1	0	5	2	6	2	538	182
£100,000 - £150,000	0	1	7	1	7	2	820	238
£150,001 - £200,000	0	1	2	1	2	2	326	319
£200,001 - £250,000	1	0	3	0	4	0	906	0
£250,001 - £300,000	0	0	0	0	0	0	0	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	1	0	1	0	448	0
<b>Total</b>	<b>52</b>	<b>80</b>	<b>186</b>	<b>175</b>	<b>238</b>	<b>255</b>	<b>7,045</b>	<b>3,561</b>

### **3.33 Members' Allowances**

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

Financial Year	2016/17 £000s	2017/18 £000s
Basic Allowances	717	742
Other Allowances	268	276
Expenses	3	3
<b>Total</b>	<b>988</b>	<b>1,021</b>

### 3.34 Financial Instruments

The Balance Sheet includes the following categories of financial instruments:

	Long Term		Current	
	31st March 2017	31st March 2018	31st March 2017	31st March 2018
	£000	£000	£000	£000
<b>Financial Assets</b>				
Loans & Receivables - principal	0	0	69,018	12,420
Loans & Receivables - interest	0	0	154	116
Available for Sale Investments - principal *	87,391	95,545	50,736	32,418
Available for Sale Investments - interest	0	0	93	165
<b>Total Investments</b>	<b>87,391</b>	<b>95,545</b>	<b>120,001</b>	<b>45,119</b>
Loans & Receivables - Cash & Cash Equivalents	0	0	17,169	16,193
<b>Total Financial Assets (excluding debtors)</b>	<b>87,391</b>	<b>95,545</b>	<b>137,170</b>	<b>61,312</b>
Debtors **	20,452	20,890	32,827	31,849
<b>Financial Liabilities</b>				
<b>Loans at Amortised Cost</b>				
- principal sum borrowed	273,963	252,140	6,937	32,245
- accrued interest	0	0	3,082	3,707
- equivalent interest rate adjustment	875	0	10	0
<b>Total Borrowing</b>	<b>274,838</b>	<b>252,140</b>	<b>10,029</b>	<b>35,952</b>
<b>Other Long Term Liabilities at amortised cost:</b>				
- PFI arrangements	70,407	67,737	2,394	2,670
- Finance Leases	0	0	0	0
- Transferred Debt	14,300	13,050	1,137	1,270
<b>Total Financial Liabilities (excluding creditors)</b>	<b>359,545</b>	<b>332,927</b>	<b>13,560</b>	<b>39,892</b>
Creditors**			35,430	40,192

\*Long term balance corrected as at 31<sup>st</sup> March 2017, from balance stated in 2016/17 accounts.

\*\* 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	31,849	40,192
Other	25,553	29,407
<b>Total Short Term Debtors</b>	<b>57,402</b>	<b>69,599</b>

Current borrowings and investments represent amounts due to be settled within 12 months, including accrued interest. In 2017/18 borrowing costs of £507k on qualifying assets were capitalised.

The 2017/18 Comprehensive Income and Expenditure Statement include the following amounts in relation to financial instruments:

	Financial Liabilities		Financial Assets		Total
	measured at amortised cost	Loans and receivables	Available for sale assets	Fair Value	
	£000	£000	£000	£000	
Interest expense	20,893	0	0	0	20,893
Losses on derecognition	9,679	0	0	0	9,679
Impairment (gains)/losses	0	575	0	0	575
<b>Interest payable and similar charges</b>	<b>30,572</b>	<b>575</b>	<b>0</b>	<b>0</b>	<b>31,147</b>
Interest income	0	(2,429)	(7,805)	0	(10,234)
<b>Interest and investment income</b>	<b>0</b>	<b>(2,429)</b>	<b>(7,805)</b>	<b>0</b>	<b>(10,234)</b>
Gains on revaluation	0	0	(5,543)	0	(5,543)
Losses on revaluation	0	0	699	0	699
Amounts recycled to the Income & expenditure statement after impairment	10	0	244	0	254
<b>Surplus arising on revaluation of financial assets</b>	<b>10</b>	<b>0</b>	<b>(4,600)</b>	<b>0</b>	<b>(4,590)</b>
<b>Net (gain) / loss for the year</b>	<b>30,582</b>	<b>(1,854)</b>	<b>(12,405)</b>	<b>0</b>	<b>16,323</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 2018
- for "Lenders Option Borrower's Option" market loans (LOBOs) and Stock Issue loans, using the appropriate interest rate swap added to the value of any embedded options
- for PFI and finance leases using the appropriate corporate bond rate
- for other long term loans and investments using market rates for similar instruments and with similar maturity terms
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, including trade payables

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

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

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

	Fair Value Level	31st March 2017		31st March 2018	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial Liabilities at amortised cost</b>					
▪ PWLB	2	211,696	314,567	206,832	297,092
▪ Market Loans	2	60,478	104,911	38,572	65,949
▪ Stock Issue	2	12,246	19,046	12,246	17,840
▪ Other Local Authorities	2	15,437	19,022	44,321	46,521
▪ PFI	2	72,801	133,631	70,407	124,479
▪ Short Term Creditors	n/a	35,430	35,430	40,192	40,192
▪ Other	n/a	447	447	442	442
<b>Total Liabilities</b>		<b>408,535</b>	<b>627,054</b>	<b>413,012</b>	<b>592,515</b>
<b>Financial Assets at fair value:</b>					
▪ Money Market Funds	1	6,500	6,500	2,500	2,500
▪ Collective Investment Funds	1	42,578	42,578	27,542	27,542
▪ Corporate and Government Bonds	1	13,566	13,566	5,063	5,063
▪ Certificates of Deposits	2	0	0	0	0
▪ Shares in Unlisted Companies	3	75,233	75,233	95,545	95,545
<b>Financial Assets at amortised cost:</b>					
▪ Short Term Cash Deposits	n/a	69,151	69,151	12,514	12,514
▪ Long Term Debtors	3	20,452	23,432	20,890	26,132
▪ Short Term Debtors	n/a	32,827	32,827	31,849	31,849
▪ Bank Accounts	n/a	10,669	10,669	13,693	13,693
<b>Total Financial Assets</b>		<b>270,976</b>	<b>273,956</b>	<b>209,596</b>	<b>214,838</b>

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

Other Local Authority, Creditors & Other Liabilities are all calculated in house.

Financial assets and liabilities categorised as Level 3 are:

- Shares in unlisted companies, as included in note 3.21. Fair value is calculated by applying a market based discount rate or multiplier to the forecast earnings set out in the financial plans of the companies. A 5% variation in earnings would alter the value of the shares by £3.3m.

- Long term loans to companies, as included in note 3.22. Fair value is calculated by discounting the future value of cashflows under the loans at the market rate as at 31st March 2018. A 1% variation in the discount rate would alter the value of the loans by £1.9m.

The Council's major shareholdings are in:

- Birmingham Airport Holdings Ltd at a value of is £29.2m. The valuation was undertaken jointly with BDO LLP, based on data relating to comparable companies. The small movement in the valuation is taken to the (Surplus)/Deficit on revaluation of available for sale financial assets' line within the Comprehensive Income and Expenditure Statement.
- Coventry and Solihull Waste Disposal Company at a value of £51.7m. The valuation was undertaken jointly with BDO LLP, based on data relating to comparable companies. The movement in the valuation reflects increased forecast income and profit within the business and is taken to the (Surplus)/Deficit on revaluation of available for sale financial assets' line within the Comprehensive Income and Expenditure Statement.
- Coombe Abbey Park Limited at a value of £12m, based on the market value of the business determined as part of the Council's acquisition of a 100% interest in the company in December 2017.

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 2017/18 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 2018 the policy limited the maximum that can be deposited with an institution at any point in time to £6m. 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 2017 £000	31st March 2018 £000	31st March 2017 £000	31st March 2018 £000
AAA	5,464	0	39,018	24,565
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	5,013	0
A+	0	0	0	0
A	0	0	14,045	4,400
A-	0	0	10,107	0
BBB+	0	0	3,194	8,000
Unrated Local Authorities	0	0	45,001	0
Unrated Building Societies	0	0	0	0
Unrated Pooled Funds	0	0	10,000	10,000
<b>Total Investments</b>	<b>5,464</b>	<b>0</b>	<b>126,378</b>	<b>46,965</b>



The deposits set out above as at 31st March 2018 were held with financial institutions domiciled in a number of countries:

Country	£000
United Kingdom	35,506
Germany	0
Ireland	11,459
<b>Total</b>	<b>46,965</b>

Overall limits to exposure to individual institutions were not exceeded during the year and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The authority does not generally allow credit for trade debtors. £3,224k of the £31,849k trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
<b>Less than three months</b>	1,705
Three to six months	409
Six months to one year	376
More than one year	734
<b>Total</b>	<b>3,224</b>

### Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

Maturity of Financial Liabilities	31st March 2017 £000	31st March 2018 £000
Less than one year	7,637	38,574
Between one and two	8,574	7,552
Between two and five	10,729	10,508
Between six and ten	30,243	22,912
More than ten years	238,718	218,718
<b>Total</b>	<b>295,901</b>	<b>298,264</b>

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

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

### Market Risk

#### Interest rate risk

The authority is exposed to risk in terms of the impact of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the

authority. For instance, a rise in interest rates would have the following effects:

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

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

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

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

The authority has a number of strategies for managing interest rate risk. Prudential Indicators, as set out in the Treasury Management Strategy, are used to manage interest rate risk by limiting the value of variable interest rate exposure to

£80.0m in 2017/18. In addition, further Prudential Indicators limit the amount of borrowing that matures, and may need to be refinanced, in the next 10 years. In practical terms, the extensive use by local authorities of PWLB fixed rate borrowing limits the impact of interest rate fluctuations on the General Fund balance.

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

According to this strategy, at 31st March 2018, 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 £66.3m. 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 £95m 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 2017/18.

### **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.

### 3.35 Associated Company Interests & Holdings

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

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
		<b>31st March 2017 Audited</b>	<b>31st March 2018</b>
<b>Birmingham Airport Holdings Ltd (Company Registration Number: 3312673)</b>			
The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares. The City Council owns : 5.8% of the 324m ordinary shares £1.8 million preference shares 6% of the 1000 C Class shares of 0.01p	Net Assets	104,645	Not Available
	Profit before taxation	38,117	Not Available
	Profit after taxation	29,386	Not Available
		<b>31st December 2016 Audited</b>	<b>31st December 2017 Unaudited</b>
<b>Coombe Abbey Park Limited (Company Registration Number 02700383)</b>			
The principal activity of the company is the running of Coombe Abbey Hotel, Brinklow Road, Coventry.	Net Assets	5,213	5,483
	Profit (loss) before taxation	597	270
	Profit (loss) after taxation	597	270
The City Council acquired 100% of the shares in the company on 22nd Decemebber 2017 .			
		<b>31st March 2017 Audited</b>	<b>31st March 2018 Unaudited</b>
<b>Coventry North Regeneration Ltd (Company Registration Number: 4523598)</b>			
NCH holds 100% of the shares (value £nil) in Coventry North Regeneration Ltd (CNR) and has 100% of the voting rights. CNR is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.	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			

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>Coventry Solihull Waste Disposal Company (CSWDC) Ltd (Company Registration Number: 02690488)</b>		<b>31st March 2017 Audited</b>	<b>31st March 2018 Unaudited</b>
The company's business is the disposal of waste. It is jointly owned by Coventry City Council and Solihull Metropolitan Borough Council with Warwickshire County Council and Leicestershire County Council holding a minor limited rights shareholding at nil value. The company is included in Coventry's group accounts as a joint venture as voting rights are shared equally with Solihull MBC.			
The City Council owns: 66% of the ordinary share capital			
	Net Assets	22,611	22,818
	Profit before taxation	7,219	10,612
	Profit (loss) after taxation	5,817	8,557
<b>Culture Coventry (Registration Number: 08359113)</b>		<b>31st March 2017 Audited</b>	<b>31st March 2018</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			
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.			
	Net Assets	4,185	Not Available
	Net incoming/(outgoing) resources	(993)	Not Available
<b>North Coventry Holdings Ltd (Company Registration Number: 4931967)</b>		<b>31st March 2017 Audited</b>	<b>31st March 2018 Unaudited</b>
The Council holds 100% of the shares (value £nil) in North Coventry Holdings Ltd and has 100% of the voting rights. NCH is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of NCH.			
	Net Assets	2,703	2,726
	Profit (loss) before taxation	(6)	0
	Profit (loss) after taxation	(5)	23
NCH's main activity is to hold 100% shares in Coventry North Regeneration (CNR) . NCH has not prepared group accounts as it qualifies as a small group, exempt from preparing group accounts and the Council as the ultimate parent company supports this on grounds of materiality.			
Copies of NCH's accounts can be acquired from: Company Secretary, North Coventry Holdings Ltd, c/o Coventry City Council, The Council House, Earl Street, Coventry, CV1 5RR			

Name and Nature of Business	Financial Results	Year ending	
		£000	£000
<b>University of Warwick Science Park Business Innovation Centre Ltd (Company Registration Number: 03616665)</b>		<b>31st Jul 2016 Audited</b>	<b>31st Jul 2017 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)	(1,045)	(744)
	Profit (loss) before taxation	234	302
	Profit (loss) after taxation	234	302
The City Council holds: Just under 20% (value £2,000) of the ordinary share capital. £152,166 of preference share capital and £1,066,471 of 7% debentures.			
<b>UK Battery Industrialisation Centre Ltd (Company Registration Number 11227726 and UKBIC Ltd (Company Registration Number 11218387)</b>		<b>31st March 2017</b>	<b>31st March 2018</b>
These companies were incorporated in February 2018. The purpose of the companies is to run the proposed National Battery Development Facility as a joint venture with two other partners. As at 31st March 2018 the companies were not trading.	Net Assets/(liabilities)	not applicable	not applicable
	Profit (loss) before taxation		
	Profit (loss) after taxation		
The City Council is currently the sole shareholder with 1 share with a nominal value of £1 in each company			

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

### 3.36 Prior Period Restatements

Prior period restatements have 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 to reflect the Council’s management structure which was revised in February 2017 but not reflected in the 2016/17 accounts.
- 2<sup>nd</sup> Change – The approach adopted for recognising new infrastructure assets has been changed. Anticipating an expected change to the national accounting arrangements for highways assets, expenditure to the value of £56m had previously been treated as de-recognition. The highways assets accounting change has not subsequently been approved and as a result the relevant expenditure has been treated as an addition to the Council’s fixed assets, increasing the overall value of the Council’s Balance Sheet.

The impact of these changes on the Council’s main statements is set out in detail below.

**1<sup>st</sup> Change** - The following two tables provide the details of the impact of the change in segmental categories. The columns provide details of the segments used in the 2016/17 Comprehensive Income and Expenditure Statement (CIES). The rows show the segments used in the 2017/18 CIES.

<u>Expenditure</u>	<b>Gross Expenditure £000</b>	<b>People Directorate £000</b>	<b>Place Directorate £000</b>	<b>Resources Directorate £000</b>	<b>Chief Executive Directorate £000</b>	<b>Contingency &amp; Central Budgets £000</b>
Public Health	22,658	22,658	0	0	0	0
People Directorate Management	1,396	1,396	0	0	0	0
Education and Inclusion	242,376	242,376	0	0	0	0
Children and Young People's Services	84,631	84,631	0	0	0	0
Adult Social Care	112,319	112,319	0	0	0	0
Customer Services & Transformation	15,846	118	0	15,699	29	0
Place Directorate Management	2,426	0	2,426	0	0	0
City Centre & Major Projects Development	23,286	0	23,286	0	0	0
Transportation & Highways	39,319	0	39,319	0	0	0
Streetscene & Regulatory Services	43,307	0	43,307	0	0	0
Project Management and Property Services	12,474	0	12,474	0	0	0
Finance & Corporate Services	138,226	0	0	137,070	1,156	0
Contingency and Central Budgets	11,620	0	0	0	0	11,620
<b>Gross Expenditure</b>	<b>749,884</b>	<b>463,498</b>	<b>120,812</b>	<b>152,769</b>	<b>1,185</b>	<b>11,620</b>

<u>Income</u>	<b>Gross Income £000</b>	<b>People Directorate £000</b>	<b>Place Directorate £000</b>	<b>Resources Directorate £000</b>	<b>Chief Executive Directorate £000</b>	<b>Contingency &amp; Central Budgets £000</b>
Public Health	<b>(20,888)</b>	(20,888)	0	0	0	0
People Directorate Management	<b>(278)</b>	(278)	0	0	0	0
Education and Inclusion	<b>(210,721)</b>	(210,721)	0	0	0	0
Children and Young People's Services	<b>(8,661)</b>	(8,661)	0	0	0	0
Adult Social Care	<b>(31,695)</b>	(31,695)	0	0	0	0
Customer Services & Transformation	<b>(3,171)</b>	0	0	(3,081)	(90)	0
Place Directorate Management	<b>(606)</b>	0	(606)	0	0	0
City Centre & Major Projects Development	<b>(5,647)</b>	0	(5,647)	0	0	0
Transportation & Highways	<b>(13,509)</b>	0	(13,509)	0	0	0
Streetscene & Regulatory Services	<b>(13,675)</b>	0	(13,675)	0	0	0
Project Management and Property Services	<b>(1,984)</b>	0	(1,984)	0	0	0
Finance & Corporate Services	<b>(128,858)</b>	0	0	(128,857)	(1)	0
Contingency and Central Budgets	<b>(17,304)</b>	0	0	0	0	(17,304)
<b>Gross Income</b>	<b>(456,997)</b>	<b>(272,243)</b>	<b>(35,421)</b>	<b>(131,938)</b>	<b>(91)</b>	<b>(17,304)</b>

**2<sup>nd</sup> Change** – The following tables provide the details of the impact of the change in infrastructure asset recognition.

### Comprehensive Income and Expenditure Statement (CIES)

CIES element	Gross	Net
	Expenditure	Expenditure
	£000	£000
<b>Transportation &amp; Highways</b>	<b>39,319</b>	<b>25,810</b>
Impact of 2nd Change	(5,773)	(5,773)
<b>Restated</b>	<b>33,546</b>	<b>20,037</b>
<b>Cost of Service</b>	<b>749,884</b>	<b>292,887</b>
Impact of 2nd Change	(5,773)	(5,773)
<b>Restated</b>	<b>744,111</b>	<b>287,114</b>
<b>(Surplus)/Deficit on the Provision of Services</b>		<b>31,298</b>
Impact of 2nd Change		(5,773)
<b>Restated</b>		<b>25,525</b>
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>57,746</b>
Impact of 2nd Change		(5,773)
<b>Restated</b>		<b>51,973</b>

### Balance Sheet

31st March 2016			Balance Sheet element	31st March 2017		
Original	Impact of 2nd Change	Restated		Original	Impact of 2nd Change	Restated
£000	£000	£000	£000	£000	£000	
783,468	50,584	834,052	Property, Plant and Equipment	748,084	56,357	804,441
<b>1,069,845</b>	<b>50,584</b>	<b>1,120,429</b>	<b>Long Term Assets</b>	<b>1,045,697</b>	<b>56,357</b>	<b>1,102,054</b>
<b>220,866</b>	<b>50,584</b>	<b>271,450</b>	<b>Net Assets</b>	<b>163,120</b>	<b>56,357</b>	<b>219,477</b>
(125,485)	(50,584)	(176,069)	Unusable Reserves	(58,929)	(56,357)	(115,286)
<b>(220,866)</b>	<b>(50,584)</b>	<b>(271,450)</b>	<b>Total Reserves</b>	<b>(163,120)</b>	<b>(56,357)</b>	<b>(219,477)</b>



## Movement in Reserves Statement

	General Fund Balance			Capital Adjustment Account			Total Unusable Reserves		
	Original	Impact of 2nd Change	Restated	Original	Impact of 2nd Change	Restated	Original	Impact of 2nd Change	Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2016	<b>(82,985)</b>	<b>0</b>	<b>(82,985)</b>	<b>(433,185)</b>	<b>(50,584)</b>	<b>(483,769)</b>	<b>(125,485)</b>	<b>(50,584)</b>	<b>(176,069)</b>
Total Comprehensive Income and Expenditure	31,298	(5,773)	25,525	0	0	0	26,448	0	26,448
Adjustments between Accounting Basis and Funding Basis under Regulations	(22,278)	5,773	(16,505)	15,645	(5,773)	9,872	40,107	(5,773)	34,334
Net (Increase) / Decrease	<b>9,020</b>	<b>0</b>	<b>9,020</b>	<b>15,645</b>	<b>(5,773)</b>	<b>9,872</b>	<b>66,555</b>	<b>(5,773)</b>	<b>60,782</b>
Balance at 31st March 2017	<b>(73,965)</b>	<b>0</b>	<b>(73,965)</b>	<b>(417,540)</b>	<b>(56,357)</b>	<b>(473,897)</b>	<b>(58,930)</b>	<b>(56,357)</b>	<b>(115,287)</b>

## Cash Flow Statement

	Original	Impact of 2nd Change	Restated
	£000	£000	£000
Net Surplus or Deficit on the Provision of Services	<b>31,298</b>	<b>(5,773)</b>	<b>25,525</b>
Adjust Net Surplus or Deficit on the Provision of Services for Non Cash Movements	(122,782)	5,773	(117,009)

### 3.37 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 18th May 2018. There have been no events after 31<sup>st</sup> March 2018 requiring the financial

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

### 3.38 Contingent Liabilities and Assets

#### **Contingent Liabilities**

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

The Council is currently facing a Judicial Review claim (JR2) relating to the sale of a lease extension on the Ricoh Arena to London Wasps Holdings Ltd who became 100% owners of Arena Coventry Ltd (ACL) in November 2014. Although permission to bring this second claim was initially rejected by the High Court on 14th July 2017, the Court of Appeal subsequently ordered that the decision to refuse permission can be appealed and an appeal hearing is currently scheduled for June 2018 unless all parties can reach a resolution through mediation. 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 £8m. The Council's participation in the West Midlands Business Rates Pilot means that a further equivalent values of appeals loss could also be at stake locally in relation to what was previously the central share of Business Rates.

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

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

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

The Council has previously invested capital resources into a number of children's centres in the city funded by Government grants including Surestart Grant. Some of these buildings are amongst those 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 £2.1m.

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

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

case from the Ministry of Housing, Communities and Local Government.

Following the audit the Council has submitted supporting paperwork justifying its position and the matter is subject to an ongoing dialogue. The

Council's continued stance is that the claw-back argument is also based on a flawed understanding of the procurement process, form of contract and the contract management process in relation to grant funding claimed on the project. No current liability has been demonstrated and there is no

indication of the size of any potential claw-back. However, given that the overall value of ERDF Bridgedeck expenditure amounts to £3.5m it is appropriate to record this as a contingent liability.

### 3.39 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	2016/17 Council Tax £000	Total £000	Collection Fund	Business Rates £000	2017/18 Council Tax £000	Total £000
<b>INCOME</b>						
0	(130,265)	(130,265)	Council Tax Receivable	0	(138,854)	(138,854)
(123,104)	0	(123,104)	Business Rates Receivable	(122,276)	0	(122,276)
126	0	126	Transitional Relief	4,922	0	4,922
<b>(122,978)</b>	<b>(130,265)</b>	<b>(253,243)</b>	<b>Total Income</b>	<b>(117,354)</b>	<b>(138,854)</b>	<b>(256,208)</b>
<b>EXPENDITURE: Precepts, Demands &amp; Shares</b>						
59,640	0	59,640	Central Government	0	0	0
58,447	110,817	169,264	Coventry City Council	114,325	118,492	232,817
0	8,648	8,648	West Midlands Police	0	9,204	9,204
1,193	4,343	5,536	West Midlands Fire	1,155	4,512	5,667
119,280	123,808	243,088	Total: Precepts, Demands & Shares:	115,480	132,208	247,688
<b>Distribution of previous years' surplus/deficit</b>						
(363)	0	(363)	Central Government	1,255	0	1,255
(355)	4,464	4,109	Coventry City Council	1,230	2,725	3,955
0	346	346	West Midlands Police	0	213	213
(7)	178	171	West Midlands Fire	25	107	132
(725)	4,988	4,263	Total: Distribution of previous years Surplus/(Deficit)	2,510	3,045	5,555
<b>118,555</b>	<b>128,796</b>	<b>247,351</b>	<b>TOTAL EXPENDITURE</b>	<b>117,990</b>	<b>135,253</b>	<b>253,243</b>
<b>Charges to Collection Fund</b>						
998	1,418	2,416	Less: Write offs uncollectable amounts	1,265	1,263	2,528
(332)	(669)	(1,001)	Less: Increase/(Decrease) in Bad Debt Provision	(338)	19	(319)
(1,332)	0	(1,332)	Less: Increase/(Decrease) in Appeals Provision	1,084	0	1,084
379	0	379	Less: Costs of Collection	373	0	373
<b>(287)</b>	<b>749</b>	<b>462</b>	<b>Total Charges to Collection Fund</b>	<b>2,384</b>	<b>1,282</b>	<b>3,666</b>
<b>(4,710)</b>	<b>(720)</b>	<b>(5,430)</b>	<b>(Surplus)/Deficit Arising During Year</b>	<b>3,020</b>	<b>(2,319)</b>	<b>701</b>
1,942	(8,033)	(6,091)	(Surplus)/Deficit b/fwd	(2,768)	(8,753)	(11,521)
(2,768)	(8,753)	(11,521)	(Surplus)/Deficit c/fwd	252	(11,072)	(10,820)
<b>Commitments</b>						
2,510	3,045	5,555	Surplus/(Deficit) committed in future year's budget setting	(269)	5,708	5,439
(258)	(5,708)	(5,966)	<b>Excess (Surplus)/Deficit c/fwd to following year's tax setting.</b>	(17)	(5,364)	(5,381)

### **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 2017/18 was 98.2%. The Government determines the level of rates payable, which was 47.9p per £ of rateable value (49.7p in 2016/17).

The Valuation Office Agency sets the rateable value of each property and the total was £312,922,430 at 31st March 2018 (£300,731,063 at 31st March 2017). 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 140,130 of which 7,266 are exempt. Details of the Tax Base calculation are shown in the table below:

<b>Valuation Band</b>	<b>Number of Dwellings subject to tax</b>	<b>Band D Equivalent</b>
Band A entitled to disabled relief	137	57.7
A	53,414	25,777.4
B	39,840	23,460.7
C	22,233	15,157.0
D	9,006	6,993.0
E	4,531	4,370.7
F	2,265	2,593.3
G	1,343	1,780.9
H	95	146.9
<b>Total</b>	<b>132,864</b>	<b>80,337.6</b>
Estimated eventual collection rate		98.3%
Total Council Tax Base Band D 2017/18		78,971.9
Total Council Tax Base Band D 2016/17		77,525.1

## Provisions and Write Offs

Level of Provisions & Write Offs	Business Rates Bad Debt Provision	Council Tax Bad Debt Provision	Business Rates Appeals Provision *
	£000	£000	£000
<b>Provision brought forward</b>	<b>(2,712)</b>	<b>(4,857)</b>	<b>(7,288)</b>
Written off in year	1,265	1,263	1,633
(Increase)/decrease in provision	(927)	(1,282)	(2,717)
<b>Provision carried forward</b>	<b>(2,374)</b>	<b>(4,876)</b>	<b>(8,372)</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>5,547</b>	<b>12,521</b>
<b>Gross Debtors carried forward</b>	<b>4,511</b>	<b>12,992</b>

## Precepts and Demands on the Collection Fund

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

2016/17		2017/18		
Total £000	Council Tax	Precept / Demand £000	Share of surplus /(deficit) £000	Total £000
115,932	Coventry City Council	118,492	4,794	123,286
9,045	West Midlands Fire Service	9,204	391	9,595
4,538	West Midlands Police	4,512	179	4,691
<b>129,515</b>	<b>Total</b>	<b>132,208</b>	<b>5,364</b>	<b>137,572</b>

2016/17		2017/18			
Total £000	Business Rates	Precept £000	Share of surplus /(deficit) £000	Top Up £000	Total £000
61,633	Central Government (50%)	0	(255)	0	(255)
77,135	Coventry City Council (49%)	114,325	(250)	1,278	115,353
1,233	West Midlands Fire Service (1%)	1,155	(5)	0	1,150
<b>140,001</b>	<b>Total</b>	<b>115,480</b>	<b>(510)</b>	<b>1,278</b>	<b>116,248</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.

Where applicable these group statements have been restated in a way that is consistent with the Prior Period Restatements note and its impact on the single entity accounts.

Note 3.34 to Coventry City Council's balance sheet shows details of the various companies in which it has an interest. Coombe Abbey Park Ltd (CAPL), North Coventry Holding (NCH) and

Coventry North Regeneration (CNR) are included as subsidiaries within the Group, and Coventry & Solihull Waste Disposal Company (CSWDC) 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, Coventry & Warwickshire Local Enterprise Partnership Limited and UK Battery Industrialisation Centre UK Ltd have not been included as it was considered by doing so it would not have had a material effect on the Group Accounts.

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

subsidiaries, associates and jointly controlled entities shall be prepared as of the same date. Where this does not happen, for consolidation purposes, additional financial statements, as of the same date as the reporting authority shall be prepared unless it is impracticable to do so. For consolidation purposes draft accounts as at 31st March 2018 for NCH, CNR and CSWDC have been used. For CAPL draft accounts as at 31<sup>st</sup> December 2017 and management accounts for January to March 2018 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	2016/17		SERVICE ANALYSIS	2017/18		
	Gross Income *restated £000	Net Expenditure *restated £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	22,658	(20,888)		1,770	20,482	(19,343)
1,396	(278)	1,118	1,541	(126)	1,415	
242,376	(210,721)	31,655	222,180	(203,590)	18,590	
84,631	(8,661)	75,970	82,940	(9,717)	73,223	
112,319	(31,695)	80,624	115,985	(38,602)	77,383	
15,846	(3,171)	12,675	7,567	(3,154)	4,413	
2,426	(606)	1,820	1,685	(574)	1,111	
23,286	(5,647)	17,639	20,837	(6,408)	14,429	
33,546	(13,509)	20,037	37,618	(16,654)	20,964	
43,307	(13,675)	29,632	45,870	(15,949)	29,921	
12,474	(1,984)	10,490	6,291	(1,548)	4,743	
138,257	(128,865)	9,392	132,493	(122,436)	10,057	
11,620	(17,304)	(5,684)	6,854	(21,573)	(14,719)	
<b>744,142</b>	<b>(457,004)</b>	<b>287,138</b>	<b>702,343</b>	<b>(459,674)</b>	<b>242,669</b>	
		42,335			39,946	
		22,029			26,481	
		0			0	
		(325,860)			(309,686)	
		<b>25,642</b>	<b>(Surplus) / Deficit on the Provision of Services</b>		<b>(590)</b>	
		(4,925)	Associates and JVs accounted for on Equity Basis		(7,095)	
		933	Tax Expenses		1,375	
		<b>21,650</b>	<b>Group (Surplus) or Deficit</b>		<b>(6,310)</b>	
		(16,438)	(Surplus)/Deficit on revaluation of non current assets		(22,803)	
		(9,317)	(Surplus)/Deficit on revaluation of available for sale financial assets		5,962	
		52,203	Actuarial (gains) or losses on pension assets and liabilities		(31,045)	
		3,204	Share of other comprehensive income and expenditure of associates & joint ventures		812	
		<b>29,652</b>	<b>Sub-total of other Comprehensive Income and Expenditure</b>		<b>(47,074)</b>	
		<b>51,302</b>	<b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>		<b>(53,384)</b>	

\* Section 3.36 provides the details of the restatements made prior to 2017/18



### 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 2017</b>	<b>(73,965)</b>	<b>(9,737)</b>	<b>(20,489)</b>	<b>(104,191)</b>	<b>(91,593)</b>	<b>(195,784)</b>
Total Comprehensive Income and Expenditure	(648)	0	0	(648)	(52,736)	(53,384)
Adjustments between Accounting Basis and Funding Basis under Regulations	(16,796)	2,558	(3,489)	(17,727)	17,727	0
<b>Net (Increase) / Decrease</b>	<b>(17,444)</b>	<b>2,558</b>	<b>(3,489)</b>	<b>(18,375)</b>	<b>(35,009)</b>	<b>(53,384)</b>
<b>31st March 2018</b>	<b>(91,409)</b>	<b>(7,179)</b>	<b>(23,978)</b>	<b>(122,566)</b>	<b>(126,602)</b>	<b>(249,168)</b>

#### Group Unusable Reserves

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

### Group Usable Reserves and Overall Position Comparatives

	General Fund Balance *restated £000	Capital Grants Unapplied Account £000	Usable Capital Receipts Reserve £000	Total Usable Reserves *restated £000	Unusable Reserves *restated £000	Total Authority Reserves *restated £000
<b>31st March 2016</b>	<b>(82,985)</b>	<b>(5,736)</b>	<b>(6,660)</b>	<b>(95,381)</b>	<b>(151,705)</b>	<b>(247,086)</b>
Total Comprehensive Income and Expenditure	25,525	0	0	25,525	25,777	51,302
Adjustments between Accounting Basis and Funding Basis under Regulations	(16,505)	(4,001)	(13,829)	(34,335)	34,335	0
<b>(Increase) / Decrease in Year</b>	<b>9,020</b>	<b>(4,001)</b>	<b>(13,829)</b>	<b>(8,810)</b>	<b>60,112</b>	<b>51,302</b>
<b>31st March 2017</b>	<b>(73,965)</b>	<b>(9,737)</b>	<b>(20,489)</b>	<b>(104,191)</b>	<b>(91,593)</b>	<b>(195,784)</b>

### Group Unusable Reserves Comparatives

	Capital Adjustment Account *restated £000	Revaluation Reserve £000	Deferred Capital Receipts Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Pensions Reserve £000	Accumulated Absences Account £000	Available for Sale £000	Authority's share of the reserves of subsidiaries, associates and joint ventures £000	Total Unusable Reserves *restated £000
<b>31st March 2016</b>	<b>(516,959)</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>(151,705)</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	9,873	24,303	(4,959)	(103)	(2,960)	7,481	746	(46)	0	34,335
<b>Net (Increase) / Decrease</b>	<b>9,873</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>60,112</b>
<b>31st March 2017</b>	<b>(507,086)</b>	<b>(169,486)</b>	<b>(10,830)</b>	<b>1,777</b>	<b>(9,198)</b>	<b>613,236</b>	<b>4,121</b>	<b>(24,343)</b>	<b>10,216</b>	<b>(91,593)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

## 4.4 Group Balance Sheet

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

31st March 2017 Group Balance Sheet		31st March 2018		
*restated £000		£000		Section Ref.
804,442	Property, Plant and Equipment	854,146		4.6
25,893	Heritage Assets	25,893		
163,877	Investment Property	174,310		
38,021	Long Term Investments	29,169		4.6
25,679	Investment in Associates and Joint Ventures	23,114		4.6
20,452	Long Term Debtors	20,890		
<b>1,078,364</b>	<b>Long Term Assets</b>	<b>1,127,522</b>		
120,001	Short Term Investments	45,119		
249	Inventories	264		4.6
48,287	Short Term Debtors	58,933		4.6
17,169	Cash and Cash Equivalents	19,636		4.6
5,008	Assets held for Sale	4,819		
<b>190,714</b>	<b>Current Assets</b>	<b>128,771</b>		
(13,560)	Short Term Borrowing	(39,892)		
(68,184)	Short Term Creditors	(70,878)		4.6
(1,698)	Short Term Provisions	(2,288)		
0	Liabilities in Disposal Groups	0		
<b>(83,442)</b>	<b>Current Liabilities</b>	<b>(113,058)</b>		
(8,684)	Long Term Provisions	(9,582)		
(359,545)	Long Term Borrowing	(333,115)		4.6
(613,236)	Net Pension Liability	(542,245)		
(1,104)	Donated Assets Account	(1,312)		
(4,605)	Capital Grants Receipts in Advance	(4,693)		
(2,678)	Other Long Term Liabilities	(3,120)		
<b>(989,852)</b>	<b>Long Term Liabilities</b>	<b>(894,067)</b>		
<b>195,784</b>	<b>Net Assets</b>	<b>249,168</b>		
(104,191)	Usable Reserves	(122,566)		
(91,593)	Unusable Reserves	(126,602)		4.6
<b>(195,784)</b>	<b>Total Reserves</b>	<b>(249,168)</b>		

\* Section 3.36 provides the details of the restatements made prior to 2017/18

## 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.

2016/17 *restated £000's	Cash Flow Statement	2017/18 £000's
21,650	Net (Surplus) or Deficit on the Provision of Services	(6,310)
(113,134)	Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(58,417)
54,214	Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	41,136
<b>(37,270)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(23,591)</b>
(10,628)	Investing Activities	19,611
48,379	Financing Activities	1,513
<b>481</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(2,467)</b>
(17,650)	Cash and Cash Equivalents at the Beginning of the Reporting Period	(17,169)
(17,169)	Cash and Cash Equivalents at the End of the Reporting Period	(19,636)

\* Section 3.36 provides the details of the restatements made prior to 2017/18

Note 3.27 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

2016/17 *restated £000	Reconciliation of Single Entity to Group (Surplus)/Deficit	2017/18 £000
25,525	(Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year	(648)
(18)	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	(37)
<b>25,507</b>	<b>(Surplus)/Deficit in the Group Income &amp; Expenditure attributable to the Authority</b>	<b>(685)</b>
	Add: (Surplus)/Deficit arising from other entities included in the Group Accounts	
18	Subsidiaries	53
(3,875)	Joint Ventures	(5,678)

\* Section 3.36 provides the details of the restatements made prior to 2017/18

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

2016/17		2017/18
*restated £000	Reconciliation of Single Entity to Group Cash Flow Adjustment for Non-Cash Items	£000
(117,009)	Single Entity Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	(64,079)
3,875	Total Non Cash Adjustments included in the Group Accounts	5,662
<b>(113,134)</b>	Group Accounts: Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements	<b>(58,417)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

### Balance Sheet Adjustments

As at 31st March 2017				As at 31st March 2018		
Single Entity *restated £000	Group Adjustment £000	Group Accounts *restated £000	Balance Sheet Category	Single Entity £000	Group Adjustment £000	Group Accounts £000
804,441	0	<b>804,441</b>	Property, Plant and Equipment	852,981	1,165	<b>854,146</b>
87,391	(49,370)	<b>38,021</b>	Long Term Investment	95,545	(66,376)	<b>29,169</b>
0	25,679	<b>25,679</b>	Investment in Associates and Joint Ventures	0	23,114	<b>23,114</b>
249	0	<b>249</b>	Inventories	227	37	<b>264</b>
48,289	(2)	<b>48,287</b>	Short Term Debtors	57,402	1,531	<b>58,933</b>
17,169	0	<b>17,169</b>	Cash and Cash Equivalents	16,193	3,443	<b>19,636</b>
(68,183)	(1)	<b>(68,184)</b>	Short Term Creditors	(69,599)	(1,279)	<b>(70,878)</b>
(359,545)	0	<b>(359,545)</b>	Long Term Borrowing	(332,927)	(188)	<b>(333,115)</b>
(115,286)	23,694	<b>(91,592)</b>	Unusable Reserves	(165,155)	38,553	<b>(126,602)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

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.

<b>2016/17</b>	<b>Group Tax Expense</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
	<b>CURRENT TAX:</b>	
1,034	Current Tax Expense / (Income)	1,356
(3)	Adjustment Recognised in the Period for Current Tax of Prior Periods	8
<b>1,031</b>	<b>Total Current Tax</b>	<b>1,364</b>
	<b>DEFERRED TAX:</b>	
(57)	Origination and Reversal of Temporary Differences	15
(40)	Changes in Tax Rates or the Imposition of New Taxes	(2)
0	Adjustment Recognised in the Period for Deferred Tax of Prior Periods	(3)
<b>(97)</b>	<b>Total Deferred Tax</b>	<b>10</b>
<b>934</b>	<b>Total Tax Expense</b>	<b>1,374</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 2018 the Company had Capital Commitments of £372,000.

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.

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

Coventry City Council holds 100% of the shares (value £12.0m) in CAPL. CAPL is included within the Council's group accounts as a subsidiary. The Council is fully responsible for meeting any accumulated deficits or losses of the company.

### **Related Party Transactions**

Details of related party transactions are provided in section 3.10.

## 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 £51,667k in CSWDC, £2,703k in NCH and £12,006k in CAPL 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 2018	CSWDC £000	CAPL £000	NCH £000	Total £000
Share in Gross Assets of Joint Ventures and Subsidiaries	34,939	8,371	2,739	46,049
Share in Gross Liabilities of Joint Ventures and Subsidiaries	(11,825)	(6,389)	(13)	(18,227)
<b>Total</b>	<b>23,114</b>	<b>1,982</b>	<b>2,726</b>	<b>27,822</b>

31st March 2017	CSWDC £000	CAPL £000	NCH £000	Total £000
Share in Gross Assets of Joint Ventures and Subsidiaries	34,023	0	2,703	36,726
Share in Gross Liabilities of Joint Ventures and Subsidiaries	(11,046)	0	(4)	(11,050)
<b>Total</b>	<b>22,977</b>	<b>0</b>	<b>2,699</b>	<b>25,676</b>

### Unusable Reserves

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

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

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



<b>Unusable Reserves</b>	<b>2016/17</b>	<b>2017/18</b>
	*restated	
	<b>£000</b>	<b>£000</b>
Single Entity	(115,287)	(165,155)
CSWDC	23,690	28,552
CAPL	0	10,024
NCH	4	(23)
<b>Group Unusable Reserves</b>	<b>(91,593)</b>	<b>(126,602)</b>

\* Section 3.36 provides the details of the restatements made prior to 2017/18

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

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st

March 2018 . It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 – 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 £542m at the end of the 2017/18 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 2017/18, the updating of data and assumptions by the Council's actuaries has led to a decrease in the net pension liability of £71m.

**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 Critical Judgements in Applying Accounting Policies

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

#### Going Concern Status

There is a high degree of uncertainty about future levels of funding for Local Government

and the potential for local authorities to suffer financial difficulties as a result of a loss of resources. 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. In addition, the Code of Practice is clear that it would not be appropriate for local authority statements to be prepared on anything other than a going concern basis given the measures that would be implemented by central government in the event of a failure

within local government. The Council's Narrative Statement sets out the Council's view that it continues to maintain significant financial resilience which should help to protect it from the financial challenges that it faces. 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 no obligations to/from the Dioceses in respect of them. The Dioceses also have the right to terminate the Council's occupation of the relevant land and buildings. Neither the revenue transactions nor

the assets of academy schools are reflected within the accounts.

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

Coventry City Council and Coventry and Rugby Clinical Commissioning Group (CCG) drew up an agreement to operate a Better Care Fund (BCF) pooled budget from 1st April 2015, with the purpose of further integrating the health and social care services within Coventry. Note 3.11 details the respective contributions to the pooled budget during 2017/18 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were envisaged at the time, including management and control of expenditure decisions. However, the details of the expenditure identified in note

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

## 5.4 Accounting standards issued, but not yet adopted

### IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- Payden & Rygel Sterling Reserve Fund
- CCLA Local Authorities Property Fund – Lamit Fund
- Royal London Cash Plus Fund
- Royal London Enhanced Cash Plus Fund
- Deutsche Bank Managed Sterling Short Fixed Income Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements.

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

- IFRS 15 Revenue from Contracts with Customers;
- IAS 12 Income Taxes;
- IAS 7 Statement of Cashflows; and
- IFRS 16 Leases.

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

## 5.5 Changes in Accounting Policies

There have been no changes in accounting policies during 2017/18.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Discretionary Employee Benefits**

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

### **Overheads and Support Services**

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

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

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

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

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

### **Group Accounts**

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

### **Cash and Cash Equivalents**

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

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

### **Joint Operations**

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

### **Schools**

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

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

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

#### Adjusting Events

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

#### Non-adjusting Events

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

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

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

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

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

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



## 6 Glossary of Terms

### Accruals

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

### Actuarial Assumptions

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

### Amortisation

The gradual write off of initial costs of intangible assets.

### Bad Debt Provision

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

### Business Rates

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

### Capital Contract

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

### Capital Adjustment Account

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

### Capital Receipts

Income received from selling fixed assets.

### CIPFA

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

### Contingent Liabilities

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

### Council Tax

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

### Creditors

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

#### Current Assets

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

#### Debtors

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

#### Depreciation

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

#### Donated Assets

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

#### Earmarked Reserves

Money set aside for a specific purpose.

#### Fair Value

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

#### Finance Lease

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

#### Financial Instrument

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

#### Financial Year

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

#### Fixed Assets

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

#### Heritage assets

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

#### IFRS

International Financial Reporting Standards

#### Impairment

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

#### Intangible Assets

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

#### Inventories

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

#### Investment Properties

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

#### LASAAC

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

#### Liabilities

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

#### Liquid Resources

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

#### Levy

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

#### Market Value of Assets

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

#### Materiality

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

#### Movement in Reserves Statement (MIRS)

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

#### Net asset value

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

#### Net Book Value (NBV)

The value of an asset after depreciation has been deducted.

#### Operating Leases

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

#### Precept

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

#### Prior Year Adjustments

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

#### Provisions

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

#### Revaluation Reserve

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

#### Revenue Expenditure Funded From Capital Under Statute

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

#### Revenue Support Grant (RSG)

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

#### SOLACE

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

#### Specific Revenue Grants

Grants received from Central Government in respect of specific services.

#### Work in Progress

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

**7 Audit Certificate**

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