



# **Coventry City Council's 2018-19 Statement of Accounts**

This document presents the Council's financial performance  
for the year ending 31<sup>st</sup> March 2019.

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# 1 An Overview of the Council's Performance

## 1.1 Introduction

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

presents the Council's financial performance for the year ending 31st March 2019. The narrative report below helps to explain some of the key elements of the Council's role, its impact on major developments in the city and its performance for

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

## 1.2 Narrative Report

Coventry is a city with exciting and challenging times ahead. Over the years the city has continually reinvented itself to rise to fresh challenges. In recent years, the city's population has been growing, changing and becoming more diverse: Now home to over 360,100 people, Coventry is a young city, with a median age of 32 compared to the England average of 40 years; and the city has seen a high rate of population growth amongst its young adult population of students and young professionals aged 18-29 in particular. The population is also changing in respect of the growth in over 65s, a group that is expected to increase in the next 10-15 years. The city is diverse and multicultural – not only does it have a global recognition for its work in peace and reconciliation, but the city itself is also becoming increasingly diverse, with 49% of the city's schoolchildren from a Black and Minority Ethnic background. Although the city is cohesive, and people from different backgrounds report that they mix and get on well with one another, there is evidence to show that people do not feel they have influence over local decisions, which may create future barriers to cohesion.

Employment and skills have continued to increase, particularly in highly skilled jobs. The city's advanced manufacturing sector is growing, helped by the increase in the city's working age population that is highly skilled and qualified. Education standards have also increased, with 94% of primary and 74% of secondary students attending a good/outstanding school; and fewer young people not in education, employment or training. However, significant pockets of deprivation limit people's opportunities to succeed in life, with nearly one in five neighbourhoods considered to be amongst the 10% most deprived neighbourhoods in England. In addition, 10% of the population have no qualifications at all, limiting their ability to gain better paid employment in the city. To transform life chances in these areas and thereby increase everybody's opportunity to succeed in life requires ensuring every child achieves a good level of development by the age of five. This is because social inequalities are already established from the early years of life.

The vast majority of people are satisfied with their local area as a place to live. Most people live

within walking distance of a general/grocery shop, public transport links, parks, pubs, GP surgery/health centre, or a place of worship; providing opportunities to socialise, exercise and enjoy their lives. However, overall health in the city is below average, with residents living in more deprived parts of the city not only living shorter lives, but also spending a greater proportion of their shorter lives in poor health than those living in less deprived parts of the city.

As the city's population ages in the next 10-15 years, it is important therefore to focus upon steps to improve the health of all social groups in a way that reflects each group's assets and needs, making use of communities, as they have the networks, understanding and legitimacy amongst their peers to address health challenges; in order to ensure that the expected increase in demand for adult social care services can be met in the future.

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

Coventry City Council is a metropolitan district authority organised into two Directorates which

cover the full range of local government responsibilities. Professional support functions are delivered by teams located within both Directorates. The People Directorate focuses on co-ordinating, commissioning or directly providing health, care, housing and education services for local residents, while the Place Directorate's focus is on the city's economic growth and prosperity, environment and cultural life. The city's emerging One Coventry approach is working towards ensuring that services in both Directorates, along with partner agencies and local community groups, work together collaboratively to make the biggest positive impact on the lives of local people.

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

In October 2018, the Council invited a Local Government Association (LGA) Peer Challenge Team to provide challenge and share learning. As part of the review, the team of senior officers and councillors from local authorities from across the UK, supported by the LGA, spoke with external stakeholders, partners, Council officers and councillors. The LGA is the national voice of local government, working with councils to support, promote and improve local government. As a part of its work, it offers a Peer Challenge Review to

every council every four or five years. The report recognised the Council's success in "successfully meeting the financial challenge to date", "combining its traditional values centred on delivering for local people with a growing track record of innovation and managed risk taking", as well as the city's "strong reputation as an evidence-led organisation" and in being "one of the most pro-active local authorities to work with in terms of promoting social value". It also made a number of recommendations, around prioritising action to tackle homelessness; learning from other public sector organisations on best practice on industrial relations, pay and reward, and HR policy and partnership; driving the digital agenda; and building a shared vision for working in partnership. Over the past six months, steps have been taken to begin addressing these challenges and recommendations identified by the Peer Challenge Review.

A person's lifelong health, happiness and productivity in society are influenced by their early years, and continued investment into early identification and intervention is critical. With the city's investment into family hubs, the city has seen an increase in the percentage of five year olds achieving a good level of development. However, this is still below the rates seen in similar authorities and nationally. As a child ages, it is the quality of education that makes a difference, and attendance at good schools are important – and in terms of education, the vast majority of primary school pupils continue to attend schools rated good/outstanding and more pupils finish year 6 reaching the expected standard in reading, writing and maths. At secondary level, more pupils now attend a good/outstanding school, and attainment and progress measures at year 11 have seen improvement. With two good universities and an

increasing range of highly paid jobs available in the city, there has also been a decrease in the number of young people not in education, employment or training – although further work needs to be done to raise aspirations of young people to take on the significant and growing opportunities available in the city and region.

Social care services in the city have seen a marked improvement although the sector faces significant and sustained pressures. In children's services, there has been an increase in the overall number of looked after children, as well as an increase in re-referrals. In adult social care, the number of people in long term support has increased – but remains within the expected range.

The city is facing a huge challenge around homelessness, both in terms of financial costs and poor outcomes, around placements in temporary bed and breakfast accommodation. This year has seen the creation of an integrated housing team bringing together housing strategy, housing options (choice-based lettings) and homelessness prevention; and the bringing together of the Council's Housing First and "making every adult matter" approach for people who experience rough sleeping, substance misuse and other severe and multiple disadvantage.

Like other cities, there has been a surge in concern about crime and violence, particularly knife crime, and consequential effects on perceptions of safety. The city has seen an increase in crime rates, however rates are still lower than other areas in the West Midlands such as Birmingham or Wolverhampton. The city is adopting a public health approach to tackling violence that is looking at violence not as isolated

incidents or solely a police enforcement problem but considering it as a preventable consequence of a range of factors, such as adverse early-life experiences, or harmful social or community experiences and influences.

The city's economy is strong, with a growing advanced manufacturing sector, increasing rates of employment and decreasing rates of unemployment, and more residents with high level qualifications. More residents are working in highly-skilled and higher paid jobs. The city continues to attract external investment, leading to a rapidly changing city skyline – from the demolition of old tower blocks to the construction of new buildings including student accommodation and apartment blocks to meet the changing needs of the city. This is predicted to lead to further private sector investment into the city centre including Cathedral Lanes, the Upper Precinct, and City Centre South.

To support the growth of the city's economy and to provide a pleasant environment for local people, the Council has responsibilities around networks, air quality, green spaces and cleanliness. The city's road network continues to be in a good/acceptable condition, having improved markedly from previous years. However, the city faces challenges around littering and fly-tipping, with a marked increase in the number of fly-tips reported. Despite the increase in fly-tipping, the Council continues to successfully attend to and address the same proportion of fly-tips; and has developed metrics to identify, determine and address the levels of cleanliness across the city.

The Council has had to respond to reductions in its funding from Government of around £113m

between 2010/11 and 2018/19. Challenges around the achievement of some savings and the emergence of new expenditure pressures has meant that the Council had needed to address a significant financial gap. The uncertainty over the future local government funding model means that the proposals do not provide the Council with a balanced budget beyond 2019/20. The budgetary position will need to be determined by the revised funding announcements that will arise from the expected changes to local government finance this year, and progress made towards addressing the budgetary gap.

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

## The Council's Financial Performance – Revenue

In February 2018, the Council set an overall budget for its revenue expenditure of £727m. The following table shows how it was planned that this expenditure would be funded.

|                            | Budget<br>£m   |
|----------------------------|----------------|
| Council Tax                | (127.3)        |
| Local Business Rates       | (107.5)        |
| Specific Government Grants | (401.9)        |
| Fees and Charges           | (90.2)         |
| <b>Total</b>               | <b>(726.9)</b> |

The grants actually received are set out in note 3.8 Analysis of Revenue Grants.

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 £234m. After setting aside £4.6m as a targeted contribution to its General Fund Balance, discussed below, the Council has achieved a residual underspend against budget for 2018/19 of £1.0m.

The first Resilience Index published by CIPFA in 2019 indicated that the Council had a very low balance of general reserves (as a proportion of budget) compared with its peer authorities. In response the Council has specifically set aside £4.6m to increase its General Fund Balance ensuring that this is more in line with balances held by other similar councils. This contribution

and the residual outturn underspend referenced above total £5.6m as set out in the table overleaf and more fully in note 3.4 Revenue Outturn.

These accounts reflect the structure incorporating the Council's two main service directorates – the People Directorate and Place Directorate. The table overleaf includes the key service areas that sit within these two Directorates.

Within 2018/19 there were two main areas of budgetary overspend. One of these involved services relating to housing and homelessness where the overall overspend was £3.0m. Coventry has continued to face a large number of people and families that require housing and for whom the Council has had to arrange temporary accommodation. Only part of this cost is covered by Housing Benefit Subsidy and the remainder has had to be funded by the Council.

Given the financial challenges in these services the Council has taken forward a number of approaches to address the underlying issues in 2018/19, amongst them the purchase of Council owned temporary accommodation and creation of additional management capacity to help deliver housing services more effectively. Some of these approaches will take some time to be fully effective but the intention is that the budgetary position will have stabilised for 2019/20.

The other significant area of overspend relates to the Council's Waste and Fleet services, which have suffered a budgetary overspend of £2.7m. Much of this results from the disposal costs of both commercial and domestic waste as well as additional employee and ancillary costs of these services and a delay in securing sufficient additional business growth within the commercial sector to cover cost increases.

Other areas within the accounts have witnessed one-off windfalls amounting to around £8m. These include: additional dividends from its shareholdings in the Coventry and Warwickshire Waste Disposal Company and Coombe Abbey Park Limited; a surplus generated via the Coventry and Warwickshire Business Rates Pool; additional treasury management investment income; cost avoidance from the capitalisation of interest costs; and lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund. In addition the Council has incurred lower than budgeted costs in relation to redundancy and early retirement and capital programme financing costs. Taken together these have allowed the Council to strengthen its level of reserves set aside for potential future workforce restructuring costs and provide funding for future commercial development opportunities, in addition to the contributions to the General Fund Balance referenced above.

The purpose of the Council's key financial statements is explained in section 2.1. These include 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 £48.3m 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 £48.3m in the year.



## Summary of the Council's Revenue Outturn

| 2018/19   | Total Income   | Total Expenditure<br>(including reserve movements) | Net Expenditure | Budget       | Overspend/<br>(Underspend) |
|---|----------------|--|-----------------|--------------|----------------------------|
|   | £m             | £m   | £m              | £m           | £m                         |
| Public Health   | (23.6)         | 26.3   | 2.7             | 3.5          | (0.8)                      |
| People Directorate Management   | (0.1)          | 1.5  | 1.4             | 1.4          | 0.0                        |
| Education and Skills  | (200.5)        | 213.8  | 13.3            | 12.9         | 0.4                        |
| Children and Young People's Services  | (10.8)         | 81.7   | 70.9            | 71.9         | (1.0)                      |
| Adult Social Care   | (45.9)         | 120.3  | 74.4            | 74.4         | 0.0                        |
| Customer Services & Transformation  | (3.9)          | 15.1   | 11.2            | 9.2          | 2.0                        |
| Place Directorate Management  | (0.7)          | 2.1  | 1.4             | 1.4          | 0.0                        |
| Business, Investment & Culture  | (6.8)          | 14.8   | 8.0             | 7.5          | 0.5                        |
| Transportation & Highways   | (15.1)         | 19.3   | 4.2             | 4.4          | (0.2)                      |
| Streetscene & Regulatory Services   | (15.7)         | 45.5   | 29.8            | 26.8         | 3.0                        |
| Project Management and Property Services  | (17.6)         | 9.9  | (7.7)           | (7.5)        | (0.2)                      |
| Finance & Corporate Services  | (114.8)        | 121.1  | 6.3             | 7.0          | (0.7)                      |
| Contingency and Central Budgets   | (120.7)        | 133.5  | 12.8            | 21.4         | (8.6)                      |
| <b>Total</b>  | <b>(576.2)</b> | <b>804.9</b>                                       | <b>228.7</b>    | <b>234.3</b> | <b>(5.6)</b>               |
| Contribution to the General Fund Balance to increase the Council's financial resilience |                |  |                 |              | (4.6)                      |
| Residual underspend   |                |  |                 |              | (1.0)                      |
| <b>Total</b>  |                |  |                 |              | <b>(5.6)</b>               |

### The Council's Financial Performance – Capital

Final Capital Programme spend for the year was £147m compared with a budget of £263m. Although a number of schemes made much slower progress than planned within the year the final level of capital expenditure was still the highest experienced in the modern era. The majority of the expenditure was funded from a combination of external grants and prudential

borrowing, as set out in note 3.18 Capital Expenditure and Capital Financing. The most significant schemes undertaken in the year included investment in the city's Battery Industrialisation Centre, near completion of the city's new destination leisure facility, infrastructure works within the Whitley South scheme and purchase of the Council's share in the Friargate Joint Venture.

On the 17<sup>th</sup> December 2018 the City Council acquired 50% of the ordinary share capital of Friargate JV Project Ltd, established to develop new buildings as part of the creation of a business district within the city.

The Council had previously (February 2018) incorporated the UK Battery Industrialisation Centre as sole shareholder. The purpose of the company is to run the National Battery



Development Facility which is currently being constructed and equipped. The capital costs are included within the Council's single entity accounts such that any transactional activity within the company is at a minimum currently.

The city's new destination swimming and leisure facility 'The Wave' is planned to open early in 2019/20. In close proximity to the Salt Lane multi-storey car park (also nearing completion) and the newly opened restaurants within the Cathedral Lanes complex, the facility is further evidence of the Council's efforts to regenerate the city.

Like many other areas, changes in the current model of retail led urban centres is proving very challenging with an increasing number of high profile brands disappearing from the high street. This helps to explain, in part, the delay in bringing forward the proposed development of City Centre South, a regeneration scheme planned for a major part of the area within the city's ring-road. It will be vital, particularly in such a volatile environment, that the Council and its chosen development partner, secure a model that delivers a robust and sustainable project which includes an appropriate mix of retail, leisure, residential and commercial provision.

As part of its overall financial plans, the Council has continued to generate capital receipts from the sale of assets and to invest some of the proceeds into assets providing a higher return. This model remains an option for the Council going forward but will be limited by the Council's ability and desire to continue to identify potential property assets from what is a reducing pool. The use of external grants (rather than receipts) to part fund 2018/19 capital expenditure has enabled the Council to carry forward capital resources to fund future expenditure plans. These

resources are included within 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 out any long-term borrowing within 2018/19 in terms of its treasury management activity. 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 £333m to £317m.

### **Reserve Balances**

The total level of reserves owned and controlled by the Council to support its revenue spending activities has gone up by £9m in 2018/19 and now stands at £71m. A further £26m 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 £23m.

The revenue reserves are held for a number of reasons. Several of the largest balances include: £10m set aside to deliver the Council's long-term Private Finance Initiative specific projects, £10m 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.

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 2017/18) the Council continues to hold more modest reserve balances (relative to its size) than much of the rest of local government hence the decision to increase its General Fund Balance, held to manage any unforeseen financial challenges, to £10m. 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 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. The long-term borrowing position at the end of 2018/19 stands at its lowest level for some years. This position will continue to be kept under review and will be informed by the Council's cash-flow position and prevailing interest rate conditions 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 £759m or 61% of the Long Term Assets figure. Its pension liabilities represent £554m or 61% of its Long-Term Liabilities.

| <b>Balance Sheet Category</b>                                      | <b>2017/18<br/>£m</b> | <b>2018/19<br/>£m</b> |
|--|-----------------------|-----------------------|
| Long-Term Assets   | 1,170                 | 1,238                 |
| Net Current Assets<br>(Current Assets less<br>Current Liabilities) | 12                    | 1                     |
| Long Term Liabilities  | (894)                 | (903)                 |
| <b>Net Assets</b>  | <b>288</b>            | <b>336</b>            |
| Represented by:  |                       |                       |
| Useable Reserves   | (123)                 | (132)                 |
| Unuseable Reserves   | (165)                 | (204)                 |
| <b>Total Reserves</b>  | <b>(288)</b>          | <b>(336)</b>          |

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 is for many other local authorities, and as it is likely to do for some years to come. The balance sheet shows a shortfall of £554m between the current value of amounts paid into the pension fund and the forecast cost of pensions that will need to be paid out in future. This is slightly higher than the deficit recorded in the 2017/18 accounts and, when compared with the total value of everything the Council owns (£1,381m), the overall pension deficit remains a significant matter for consideration.

There are a number of contributory reasons why local government pension deficits have risen over the past ten or so 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 made year-on-year increases in employer pension contributions between 2014/15 and 2017/18 as part of the two most recent three yearly reviews 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 took the opportunity to pay a sum in 2017/18, equivalent to all of its employer pension contributions for the three year period 2017/18 to 2019/20, to the West Midlands Pension Fund. The nature and longevity of the investment opportunities available to the Pension Fund mean that they 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 £554m 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 £31m representing a divergence between the Pension Liability and Pension Reserve which is allowable under the circumstances described here.

This divergence represents a favourable movement in pensions' liability in 2018/19. Other than this the most significant changes have been: a decrease in the discount rate (which drives up the value of pension benefits and increase current service costs) and a decrease in life expectancy which results in a decrease in liabilities. Overall these movements have broadly balanced each other out and increased the liability slightly from 2017/18.

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

Two Coventry schools transferred to academy status in 2018/19. 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 £8m will not be included in the Council's accounts in future and £18m of asset value has been removed from the Council's accounts in the year. In overall terms, the increase in investment property value in the balance sheet is the most significant movement in asset values in the year resulting principally from additions to the portfolio.

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, and a number of councils issuing warnings about their future financial viability.

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.

## **Exit From the European Union**

On 23 June 2016 a referendum of British voters determined that Britain should leave the European Union (EU) and an initial leaving date

of 29<sup>th</sup> March 2019 was subsequently agreed. The negotiations surrounding this process have been a matter of significant public debate and disagreement and have provided much of the political and financial backdrop to the 2018/19 financial year. As the leaving date approached it was first delayed until 12<sup>th</sup> April and then again to 31<sup>st</sup> October 2019.

It would be reasonable for the reader of the accounts to ask what impact this has had and continues to have on the City Council's financial position but the reality is that the Council's accounts do not reflect any large, distinct and demonstrable impacts of the exit process. There have been no major shocks to the Council's ongoing service provision, the value of its property assets or the collection of its Business Rates for instance. Although there have been warnings about the impact (potential and actual) on some local employers, this has not, at the time of writing, manifested itself in major economic disruption with financial consequences for the Council.

The position assumed within these accounts is that, although there could yet be unplanned and unforeseen impacts, exit from the EU is not specifically identified as a factor within the accounting position of the Council. The range of potential political outcomes and resulting wider implications is so broad and subject to contention, that they cannot be reliably reflected within this accounting statement. The negotiations and outcomes of the process will continue to be in a state of flux over the months covering the drafting, auditing and approval of these accounts and any material impact identified will clearly need to be incorporated and will be monitored closely over this period.

### **The Ricoh Arena**

For several years the Council has faced a judicial review claim relating to the sale of a lease extension on the Ricoh Arena to London Wasps Holdings Ltd. This had resulted in a contingent liability being recorded in the Council's accounts. On 16<sup>th</sup> April 2019 a decision by the Supreme Court rejected the final appeal to take this claim forward meaning that the Council is no longer required to record a contingent liability.

### **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 £43m in this area as part of an overall pooled budget of £94m. 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 very large, this has led the Council to recognise this as a contingent liability in note 3.37.



### **City of Culture 2021**

The Council agreed in December 2017 to become a guarantor for the UK City of Culture 2021 programme. The Council's assessment is that this does not represent a significant financial risk given the nature of the guarantee and the robust governance and management structures surrounding the Trust's activities.

### **Accounting Policies**

The most significant change in accounting policies in 2018/19 relates to IFRS (International Financial Reporting Standard) 9. The standard requires the Council to make an assessment of its financial assets covering how gains and losses are calculated and future expected credit losses.

The Council has also incorporated the requirements of IFRS 15 Revenue from Contracts with Customers and IFRS 4 Insurance Contracts, although these have not led to significant changes to these accounts.



## **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, which itself is subject to significant refurbishment and redevelopment. Plans are now underway to begin work on a second new building at Friargate following the Council's investment in a joint venture company designed specifically to regenerate the area.

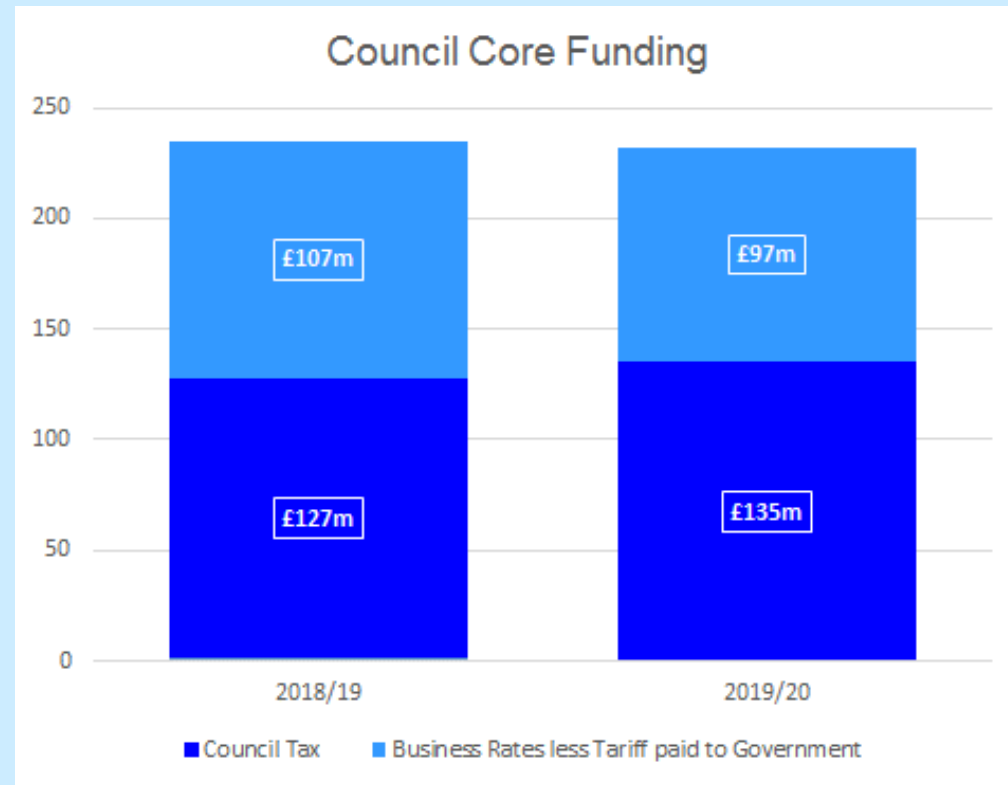
In close proximity to this, the construction phases of the city's new swimming and leisure facility and the Salt Lane multi-storey car park are now virtually complete with plans for both to open in mid-2019. These are tangible signs of the action that the Council is taking to improve the attractiveness 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 is well under way at the Alan Higgs Centre in the city.

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. For Coventry,

Devolution Deal related projects have incurred £11m of spend within the 2018/19 accounts. Some projects within the Deal have not yet begun and will ultimately rely upon funding streams being confirmed in the future. The Council continues to work with the WMCA and the other West Midlands councils to secure this funding.

Progress is anticipated on a range of key projects in the year, not least the Whitley South Infrastructure Project aimed at supporting Jaguar Land Rover and local manufacturers and

businesses in the supply chain. Project completion is expected for 'The Wave' destination swimming and leisure facility and adjoining Salt Lane car park, significant further construction headway is expected for the Coventry Station Masterplan and the UK Battery Industrialisation plant and the next steps planned for the Friargate regeneration area in the city. Add to this plans for further enrichment of the public realm and the cultural fabric of the city centre and it is clear that the Council is committed to its continuing ambitious investment in the city.



Like many councils, Coventry's general grant resources from Government have reduced each year since 2010 and the Council's medium term financial plans include future projected reductions. In reality it is very difficult to make any robust predictions on this given the changes facing the local government sector outlined below.

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 2018/19, a position that will continue for the duration of the Pilot.

One of the consequences of 99% retention has been that the Council has moved from a position where it received a resource top-up from Government to one where it paid a resource tariff to Government. This tariff was over £9m in 2018/19 and will rise to nearly £20m in 2019/20.

The Council's participation in the Pilot and in the Coventry and Warwickshire Business Rates Pool will prolong the optimisation of financial gain that can be achieved from the existing arrangements surrounding local government finance. Nevertheless, it is difficult to ignore the prospective changes that lay ahead via the Government's Spending Review, expected changes to the local government fair funding review, a shift to a 75% Business Rates and 3 yearly Business Rates revaluations. At the time of writing, doubt still exists over the precise timing of these events as well as their extent and impact. 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.

Whilst future changes promise to deliver greater autonomy to local government they also represent significant risks. It will be important that a degree of national resource equalisation is maintained within local government finances to protect services in more deprived areas of the country and care will also need to be taken to ensure that 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.

The reduction in and uncertainty of future revenue resources and a need to manage spending pressures means that the identification of ways in which the Council can balance future budgets will attract a renewed emphasis ahead of setting the 2020/21 budget. Given the large degree of uncertainty over the resource envelope that the Council will face, it will need to build a significant degree of flexibility into its financial plans to allow it to respond to a range of financial scenarios. 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 approaching 3,000 compared with the equivalent figure in 2010. Although this has been required by the financial position faced in recent years, the trend in 2018/19 indicates a significantly lower rate of reduction. The Council now faces a key challenge to balance its employee cost base with the need to ensure a sufficient quantity and calibre of employees to deliver the challenging programme of activity including forthcoming major capital projects and the UK City of Culture.

The 2018/19 outturn position indicate that the Council has made good strides in providing budgetary provision for several key revenue issues within children's services and housing and homelessness. However, whereas the children's services position has stabilised to a good degree, the city still faces some volatility in terms of the demand for services and budgetary position within housing and homelessness. This and the control of costs within the Council's waste services will be the initial focus of management attention in the early part of 2019/20.

The Council has been able to stabilise the budgetary pressure within adult social care in recent years. However, in common with the wider funding arrangements for local government, the position beyond 2019/20 remains unclear for this area. It will be essential for the Government to provide the necessary clarification via its plans for Improved Better Care Funding and its much delayed Adult Social Care Green Paper to enable this sector to be put on a firm financial footing and continue the closer working relationship to deliver services that has developed between the Council and the health sector locally.

The Council will continue to work with its key local partners and arms-length organisations in 2019/20 to help strengthen its financial position and drive regenerative and enriching change to the city and its surrounds.

Work will continue through the Coventry and Warwickshire Local Enterprise Partnership and the West Midlands Combined Authority to implement major transport, regeneration and business focussed projects and initiatives. These will be supplemented by further strands of activity taken forward through the newly establishment Friargate Project and Battery Industrialisation

Centre companies in which the Council is a shareholder.

Through its role as a major funder and partner the Council will work with the City of Culture Trust as preparations accelerate towards the UK City of Culture 2021 celebrations. More immediately in 2019 the Council is supporting Coventry's role as European City of Sport and the city's Year of Wellbeing, promoting a vision 'to promote and celebrate, in every community, the benefits of sport and physical activity, and to be the catalyst for a fitter, healthier city in the future'.

Reference is made elsewhere in this Narrative Report to the significance of the cost of pensions to the Council's financial position. The rate of employer contributions are currently reviewed every three years and this will happen once again in 2019, ahead of the 2020/21 financial year. Council officers will work closely with the West Midlands Pension Fund and the Fund's actuary to establish a sustainable and affordable contribution rate.

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

Given the financial challenges that face the Council and the desire to avoid further cuts to services, the Council continues to seek to explore and pursue new commercial opportunities and to maximise the financial return that it is able to achieve from its assets. 2018/19 has seen further

investment in commercial properties and external company shareholdings designed to secure financial returns over the long-term as well as broadening the Council's strategic mix of assets. The Council's activity will continue to be developed with due regard to guidance from the Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) issued with the intention of ensuring that authorities stay within prudent and reasonable parameters of activity. The Council is clear that the risk of not pursuing such opportunities is that it will need to make additional cuts to services, a risk that it is keen to avoid.

What is clear is that the Council's financial plans will need to maintain a degree of flexibility and ensure that some additional resilience is incorporated to protect the Council's medium term financial position.

The Council's response to the key governance issues that it faces in 2018/19 are set out in the Annual Governance Statement (AGS) below. Apart from some of the existing financial and service challenges that are referred to within the AGS, it is worth noting that the Council has added actions in relation to the management of data access to its key systems, the governance of its relationships with key partners and governance over its programme of capital projects.



## 1.3 Statement of Responsibilities

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

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

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

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

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

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

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

The Director of Finance and Corporate Services has also:

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

### **Certification of the Accounts**

I certify that the Statement of Accounts presents a true and fair view of Coventry City Council at 31st March 2019 and its income and expenditure for the year ended 31st March 2019, and that the accounts are authorised for issue.

Barry Hastie, CPFA  
Director of Finance and Corporate Services  
2 September 2019

This Statement of Accounts was approved by the Audit and Procurement Committee of Coventry City Council on 2 September 2019.

Cllr Ram Lakha  
Chair of Audit and Procurement Committee  
2 September 2019

## 1.4 Annual Governance Statement

### **Scope of responsibility**

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

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

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

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

### **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 2019 and up to the date of approval of the Statement of Accounts.

### **The governance framework**

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

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

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

available and the performance management framework are available on the Council's website.

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

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

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

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

- Roles and responsibilities of both Councillors and officers, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.
- How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Constitution includes the Council's senior management structure and a scheme of

delegation which sets out the principles for decision making and responsibility for functions. The Council facilitates policy and decision making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee. The Member decision making, advisory and scrutiny bodies are available on the Council's website.

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

The Council has an Equality, Diversity and Inclusion Commitment which is available on our website. This sets out the Council's commitment to meeting all areas of the public sector equality duty and to ensure equality of opportunity, both as a provider and commissioner of services and as a large employer. The commitment is implemented through setting equality objectives linked to the Council Plan.

Progress is monitored and reported to the Cabinet Member (Policing & Equalities) and the latest progress reports are available on our website. 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 2018-19, the Director of Finance and Corporate Services was the nominated Section 151 officer with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. In assessing this role against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016), the Authority meets the five principles 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. The senior management structure within the Council is regularly reviewed and changes made as required to help the management team focus on the current challenges and opportunities as well as to look ahead.

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 2019:

- The Coventry and Solihull Waste Disposal Company Limited is owned jointly by Coventry City Council, Solihull Metropolitan Borough Council, Warwickshire County Council and Leicestershire County Council. A formal agreement sets out the governance arrangements between the shareholders. The Company is subject to the Industrial Emissions Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the Company monitors its activities through an Environmental Management System accredited to the ISO 14001 standard, its Health and Safety Management System which is certified to the OHSAS 18001 standard and the Cyber Essentials accreditation it has achieved for its IT systems. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2018, did not highlight any concerns.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. All the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2018. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although it is also engaged in providing business development services to the City Council.



- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. All 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 2018.

- Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. Three of the four Directors of the Company during 2018/19 are senior officers of Coventry City Council. As part of the original acquisition, the Council secured external independent advice from a number of sources to support the financial and legal due diligence assessment, 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, a 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 completed, including the restructuring of the Board, as well as recruitment of a new senior Operations Manager and finance staff. The Company has appointed RSM UK Audit LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2018, did not highlight any significant concerns.

- The UK Battery Industrialisation Centre Ltd was incorporated on 27th February 2018 and the Council is currently the sole shareholder with 1 share which has a nominal value of £1. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The Council has appointed two of its officers as directors on the board. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group and Coventry & Warwickshire Local Enterprise Partnership each appointing two directors. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency. As a result, activity within the company has been minimal to date.

- The Friargate Joint Venture Project Ltd was incorporated on 17th December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited,

established to develop new buildings within the Friargate district of the city. Each of, Coventry City Council and Friargate Holdings 2 Ltd have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board. The company is still very much in its infancy and as a result, activity within the company has been minimal to date.

### **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 Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.



Arrangements to assess the effectiveness of the governance framework include:

- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members against targets and objectives set out in the Council's Plan.
- Regular meetings of the Council's Governance Steering Board to consider on-going and emerging governance issues and co-ordinate actions required. Updates on this work are provided to Strategic Management Board every month.
- Consideration of ethical governance matters by the Ethics Committee, including reflecting on national governance failings to identify if there are any lessons learnt for the Council to take forward.
- On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.
- Regular reviews of the Council's strategies and procedures to ensure they continue to reflect the needs of the Council.
- An annual review against the principles and best practice set out in the Code of Corporate Governance and which is used to identify improvements to strengthen the Council's governance arrangements.

The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- An annual assessment of the adequacy of internal controls/governance arrangements by each Deputy Chief Executive.
- The Council's Corporate Risk Register.
- The work of the Internal Audit Service during 2018-19. The Service works to a risk based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.

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 2017-18 Annual Governance Statement.

**Table One**

| Ref | Governance issues identified in 2017-18   | 2018-19 Update  |
|-----|---|---|
| 1   | 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. |
| 2   | Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy   | The Council has set a balanced budget despite shortfalls in the delivery of some savings targets and the emergence of new expenditure pressures in areas including housing and homelessness and waste disposal. The new proposals to balance the budget involve some technical measures and the identification of income streams and a more commercial approach across some areas of the Council.   |
| 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 | Following the completion of Friargate in October 2016 and the successful migration of staff, the Kickstart programme has been completed. All the associated capital disposals have been completed, savings achieved and new ways of working embraced. City centre regeneration continues at pace, which will drive future business rates. As the governance of this is now under a different work-stream (and is identified as a separate issue in the statement), the Kickstart Programme has not been carried forward as a significant governance issue for 2019-20.  |
| 4   | Raising educational standards   | Evaluation of Primary Networks and Secondary Collaboratives evidences increased capacity for school-to school support and continued school improvement. As of December 2018, Coventry's Ofsted profile (i.e. the proportion of pupils attending good or outstanding provision) was above national and   |



|   |   |  |
|---|---|--|
|   |   | <p>statistical neighbours for primary, secondary and special. In 2018 other notable improvements included:</p> <ul style="list-style-type: none"> <li>• Upward trend for Early Years Foundation Stage and Year 1 phonics</li> <li>• Improvement in Key Stage 2 results, specifically attainment, including for disadvantaged and Special Educational Need support</li> <li>• Upward trend and improvements at a faster rate than national for almost all Key Stage 4 indicators, including for pupils with an Education, Health and Care Plan and White British boys</li> <li>• Coventry NEET (not in education, employment or training) rate below (better than) national.</li> </ul>   |
| 5 | Implementation of the Information Management Strategy                                       | The actions in the plan arising from the Information Commissioner's Office audit continued to be implemented during the year and progress was reported to the Audit and Procurement Committee in February 2019. The Training Strategy was approved and implemented.  |
| 6 | Long term sustainability of adult social care in the context of financial and demand issues | Coventry Adult Social Care remains a comparatively low spend per 100k population although is challenged by increasing care costs, and increasing referrals. However, the numbers of people supported overall remains relatively stable. Our approach to short term services and using the voluntary sector helps reduce the numbers of people entering ongoing care and support. The Council is currently reliant on the Better Care Fund to support financial pressures in social care and reduce the impact on health associated with social care and work with our colleagues in the Clinical Commissioning Group flexibly in order to achieve short term sustainability, with long term issues of sustainability being subject to the spending review and local government settlement later in 2019. The Adult Social Care green paper has been further delayed so the government's long term policy direction and possible funding solutions are also unclear. The social care precept supports the ongoing financial position but with Adult Social Care being the single biggest Council cost further financial pressure is to be expected. From a governance perspective, as this is intrinsically linked to delivery of the Medium Term Financial Strategy, this has not been carried forward as a stand-alone issue for 2019-20. |
| 7 | Delivery of the workforce strategy  | <p>The Council has made progress in relation to the delivery of its 2017-2020 workforce strategy:</p> <p><b>Planning</b> – The development and enhancement of robust management information (HR analytics), to inform strategic decision making and to track progress has been embedded over 2018/19.</p> <p><b>Supporting</b> – The 2018 staff engagement survey has provided the Council with a range of improvement areas to develop a more supportive offer for all of our employees, which has helped inform the One Coventry approach, Year of Wellbeing, our Organisational Development programme for 2019/20 as well as the Let's Talk sessions between Senior Management Board and the wider workforce. Good progress is being made in the implementation of the Council appraisal system. The Council has re-launched its commitment to Equality, Diversity &amp; Inclusion.</p> <p><b>Enabling</b> – The Council, through the implementation of tools such as SKYPE for Business continues to support staff to work more flexibly and more effectively. A new digital training package and additional resource has also been implemented to increase digital skill levels across the Council.</p>   |

|    |  |  |
|----|--|--|
|    |  | <p><b>Transforming</b> – The Council’s Our Future Workforce programme (formally Workforce Reform) seeks to modernise our terms, conditions and culture. Progress has been challenging and will be a key area of focus for 2019/20 across the Council.</p> <p>Oversight and strategic leadership of this area has been recently strengthened with the establishment and successful recruitment to a Director of Human Resources post reporting in to the Senior Management Board.</p>   |
| 8  | Establishing a Counter Fraud Framework | <p>A new Fraud and Corruption Strategy, including the Counter Fraud Framework was considered by the Audit and Procurement Committee in June 2018 and approved by the Cabinet Member for Policy and Leadership in July 2018. The actions linked to the various elements of the framework are now part of operational activity within Internal Audit. Oversight of this work is provided by the Audit and Procurement Committee as part of their role to monitor the Fraud and Corruption Strategy. Consequently, as the Counter Fraud Framework has now been established and forms part of the annual programme of work undertaken by Internal Audit, this has not been carried forward as a significant governance issue for 2019-20.</p>  |
| 9  | Risk Management Strategy               | <p>The Risk Management Policy and Strategy were formally adopted in 2017-18. The process for identifying and reporting on Corporate Risks is well established and oversight of the Corporate Risk Register is provided by the Audit and Procurement Committee. During 2018-19 actions were taken to embed risk management practice in the organisation. Risk Registers are in place for each Director’s area of operation and are reviewed at Leadership Team meetings on a regular basis. As a result, this has not been carried forward as a significant governance issue for 2019-20.</p>   |
| 10 | Governance Steering Board              | <p>The Governance Steering Board was established in September 2018. The Board (which is chaired by the Council’s Monitoring Officer and includes members from Procurement, Finance, Human Resources, Internal Audit and Governance Services) meets on a regular basis to review the effectiveness of the governance framework throughout the year, help raise the profile of governance across the Council and co-ordinate improvement actions. Updates on this work are provided to the Strategic Management Board every month. As the Board is now embedded within the overall governance framework of the Council, this has not been carried forward as a significant governance issue for 2019-20.</p>   |
| 11 | Delivery of the ICT Strategy           | <p>Significant progress has been made during 2018/19 with regards to the delivery of the ICT Strategy. The Council have significantly increased the capacity of the ICT Security team and also introduced new cyber security toolsets to help protect our estate. The Council have undertaken a major restructure of the ICT &amp; Digital service to introduce new senior management roles which will directly support the ongoing development and delivery of the ICT Strategy. Significant improvements have also been made to our unified communications platform to enable a more flexible and effective workforce. Two digital trainers have been introduced to the service who are taking responsibility for digital skills development across the organisation through our “DigiKnow” brand. In terms of the development of a revised ICT Strategy, the ICT service have engaged with the Corporate Leadership Team, Finance, and Corporate Services Scrutiny Board who have given direct input into how the</p> |

|    |   |   |
|----|---|---|
|    |   | Strategy is taking shape. The Council are also continuing to engage Gartner for external input and verification to the Strategy and approach.   |
| 12 | Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation | The Council has made a significant investment into its housing service, which is specifically tasked to tackle the city's homelessness. A refreshed Housing and Homeless Strategy was adopted by Council in late 2018/19 which focuses on prevention, supporting homeless households, improving existing accommodation and increasing housing supply. The Strategy also aims to reduce the existing financial pressure by 2020/21. A number of key appointments and new roles have been made to increase the Council's capacity and capability to address the significant issues. The action plan to deliver the improvements is led by the Chief Executive at the Strategic Housing Board. |

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 2019-20  | Responsibility                             | Timescale     |
|-----|--|--|--|---------------|
| 1   | Sustainable improvement in Children's Services   | A new Executive Improvement Board has been established to drive forward continuous improvement of Children's Services. A new Children's Safeguarding Partnership is due to be launched later in the year in line with revised statutory guidance. A review of the re-design has been concluded and small service changes will be made this year in response. A further phase of transformational activity will commence to support further improvement activity. Service Performance reviews will be implemented service wide and Quality Assurance visits by Children's Services Leadership Team will commence. | Director of Children's Services            | On-going      |
| 2   | Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term | The Council faces uncertainty due to anticipated changes in the Local Government finance system and a lack of clarity on the future of some major income streams such as Better Care Fund resources. Initial estimates indicate a significant financial gap and work has begun at an early stage to identify a range of options to enable the Council to respond to the  | Director of Finance and Corporate Services | February 2020 |

|   |   |   |  |            |
|---|---|---|--|------------|
|   | Financial Strategy                                    | possible range of budget scenarios. Members will receive regular briefings on potential new areas of policy development and these will be formally reported to Cabinet Members, Cabinet and Council as appropriate.   |  |            |
| 3 | Raising educational standards                         | <p>Continue to improve outcomes for ALL pupils, including pupils with an Education, Health and Care Plan (EHCP) and receiving Special Educational Needs (SEN) support, so they are in line with or better than national by ensuring that individual school, Primary Network and Secondary Collaborative priorities align with and contribute to specific citywide priorities:</p> <p><b>Early Years:</b> Improving Good Level of Development (GLD)</p> <p><b>Primary:</b><br/>Increasing the proportion of children achieving Greater Depth in Writing and making accelerated progress in writing by the end of Key Stage 2</p> <p><b>Secondary and 16-18:</b></p> <ul style="list-style-type: none"> <li>• Improving Progress 8</li> <li>• Improving progress in both English and Maths by the end of 16-18 (GCSE resits)</li> </ul> <p><b>All phases:</b> Narrowing the gap to national for our vulnerable groups:</p> <ul style="list-style-type: none"> <li>• GLD for all groups</li> <li>• Key Stage 1 and Key Stage 2 achievement for children with SEN and an EHCP</li> <li>• Key Stage 4 progress for disadvantaged and pupils receiving SEN support</li> </ul> | <p>Director of Education and Skills</p> <p>Head of Education Improvement and Standards 0-19</p> <p>Senior Adviser Education Improvement 11-19 (25)</p> | On-going   |
| 4 | Implementation of the Information Management Strategy | Review and update of Information Management Strategy and Information Management Training Strategy.  | Head of Information Governance   | March 2020 |
| 5 | Delivery of the Workforce Strategy                    | <p>During 2019/20 the following actions are planned:</p> <ul style="list-style-type: none"> <li>• The further development and implementation of the workforce strategy to embed the Council's One Coventry approach</li> </ul>  | <p>Director of Housing and Transformation</p> <p>(Responsibility will transfer to the Director</p>   | On-going   |

|   |   |  |   |   |
|---|---|--|---|---|
|   |   | <ul style="list-style-type: none"> <li>• The launch of a new Equality, Diversity &amp; Inclusion project focusing on recruitment and selection</li> <li>• A focus on ensuring that our case work is improved and timely</li> <li>• The progression of 'Our Future Workforce' change programme</li> <li>• Creating opportunities for talent mapping and career progressions at all levels across the organisation</li> <li>• Improved Employee Engagement which can be measured through job satisfaction</li> <li>• Continued development of industrial relations</li> <li>• Improvement in digital skills across the workforce</li> <li>• The continuation of ensuring the safety and wellbeing of our employees.</li> </ul> | of Human Resources once in post in July 2019) |   |
| 6 | Delivery of the ICT Strategy  | During 2019/20 the Council will publish an updated ICT Strategy which will continue to provide assurance with regards to our core infrastructure, cyber security plans and digital skills development whilst also supporting innovation and our digitalisation agenda. The ICT Strategy will align with the One Coventry approach.   | Head of ICT & Digital                         | September 2019<br><br>(delivery of the Strategy will be on-going) |
| 7 | Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation | To deliver to the Housing and Homelessness Strategy and the agreed action plan through the Council's Strategic Housing Board.  | Director of Housing and Transformation        | On-going  |
| 8 | Corporate data access standard  | Development and implementation of a corporate access standard and protocol for all systems that hold personal data.  | Members and Elections Team Manager            | December 2019   |

|    |  |  |                                 |          |
|----|--|--|---------------------------------|----------|
| 9  | Governance over relationships with partners and outside bodies | <p>The Council has a strong foundation of partnership working, which was positively recognised in our recent Local Government Association (LGA) Corporate Peer Challenge. This has included our pivotal involvement in forming the West Midlands Combined Authority, the Place Forum and the Coventry and Warwickshire Local Enterprise Partnership. However, it is recognised that in order to continue to respond to challenges and to adapt to new approaches in terms of the role of the local authority in the community, the Council needs to ensure that there are effective arrangements over its relationships with partners and outside bodies which provide governance and flexibility to deliver effective outcomes. Partnership working principles have been established and work is planned in 2019/20 to develop protocols to underpin this. These will be used to gain assurance that key relationships, such as with the City of Culture Trust and the Friargate Joint Venture are being appropriately governed. In addition, a People Partnership is in its early stages of implementation with a focus on strengthening partnership arrangements across the City and working together to improve collaboration and connectivity in spirit of our One Coventry approach.</p> | Deputy Chief Executive (People) | On-going |
| 10 | Governance over the programme of capital projects              | <p>The Council has an ambitious programme of capital projects, which in 2019/20 will continue to accelerate in advance of the Council becoming City of Culture in 2021. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. Governance arrangements are established with delivery overseen by project boards who report to the responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Place Programme Delivery Board. In 2019/20 the focus will be on ensuring that as the programme continues to move at pace, governance arrangements remain embedded</p>   | Deputy Chief Executive (Place)  | On-going |

|  |  |  |  |  |
|--|--|--|--|--|
|  |  | and integral to programme delivery whilst also ensuring that there are effective processes in place to maintain a view of the overall programme, so its inter-dependencies are managed / joined up, maintaining momentum on the Council's wider aspirations. |  |  |
|--|--|--|--|--|

We are satisfied that these steps will address the need for improvements that were identified in our review and we will monitor their implementation and operation, as part of our next annual review.



Cllr George Duggins  
Leader of Coventry City Council



Martin Reeves  
Chief Executive of Coventry City Council



## 2 Main Financial Statements

### 2.1 Overview of Main Financial Statements

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

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

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

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

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

amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following these adjustments. Changes have been made to improve and simplify the presentation to the Movement in Reserves Statement in accordance with recommendations in the Code of Practice. Details of the movements in 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

| 2017/18           |                  |                  | Service segment  | 2018/19           |                  |                  | Section Ref. |
|-------------------|------------------|------------------|--|-------------------|------------------|------------------|--------------|
| Gross Expenditure | Gross Income     | Net Expenditure  |  | Gross Expenditure | Gross Income     | Net Expenditure  |              |
| £000              | £000             | £000             |  | £000              | £000             | £000             |              |
| 20,482            | (19,343)         | 1,139            | Public Health  | 25,704            | (23,642)         | 2,062            | 3.2          |
| 1,541             | (126)            | 1,415            | People Directorate Management                                    | 1,598             | (126)            | 1,472            | 3.2          |
| 222,180           | (203,590)        | 18,590           | Education and Skills   | 226,899           | (200,536)        | 26,363           | 3.2          |
| 82,940            | (9,717)          | 73,223           | Children and Young People's Services                             | 81,485            | (10,787)         | 70,698           | 3.2          |
| 115,985           | (38,602)         | 77,383           | Adult Social Care  | 123,777           | (45,885)         | 77,892           | 3.2          |
| 7,567             | (3,154)          | 4,413            | Customer Services & Transformation                               | 19,344            | (3,741)          | 15,603           | 3.2          |
| 1,685             | (574)            | 1,111            | Place Directorate Management                                     | 5,338             | (732)            | 4,606            | 3.2          |
| 20,837            | (6,408)          | 14,429           | Business, Investment & Culture                                   | 36,186            | (6,842)          | 29,344           | 3.2          |
| 37,618            | (16,654)         | 20,964           | Transportation & Highways  | 32,723            | (14,783)         | 17,940           | 3.2          |
| 44,187            | (14,051)         | 30,136           | Streetscene & Regulatory Services                                | 48,708            | (15,619)         | 33,089           | 3.2          |
| 6,291             | (1,548)          | 4,743            | Project Management and Property Services                         | 7,730             | (2,102)          | 5,628            | 3.2          |
| 132,388           | (122,432)        | 9,956            | Finance & Corporate Services                                     | 121,071           | (114,451)        | 6,620            | 3.2          |
| 6,854             | (21,573)         | (14,719)         | Contingency and Central Budgets                                  | 24,060            | (18,333)         | 5,727            | 3.2          |
| <b>700,555</b>    | <b>(457,772)</b> | <b>242,783</b>   | <b>Cost of Services</b>  | <b>754,623</b>    | <b>(457,579)</b> | <b>297,044</b>   |              |
|                   |                  | <b>39,946</b>    | <b>Other Operating Expenditure</b>                               |                   |                  | <b>32,786</b>    | 3.1          |
|                   |                  | <b>26,309</b>    | <b>Finance and Investment Income and Expenditure</b>             |                   |                  | <b>9,621</b>     | 3.1          |
|                   |                  | <b>(309,686)</b> | <b>Taxations and Non-Specific Grant Income</b>                   |                   |                  | <b>(324,924)</b> | 3.1          |
|                   |                  | <b>(648)</b>     | <b>(Surplus)/Deficit on the Provision of Services</b>            |                   |                  | <b>14,527</b>    |              |
|                   |                  | <b>(67,595)</b>  | <b>Sub-total of Other Comprehensive Income &amp; Expenditure</b> |                   |                  | <b>(62,835)</b>  | 3.1          |
|                   |                  | <b>(68,243)</b>  | <b>Total Comprehensive Income &amp; Expenditure</b>              |                   |                  | <b>(48,308)</b>  |              |

## 2.3 Movement in Reserves Statement

### Usable Reserves and Overall Position 2018/19

|  | General Fund Balance<br>£000 | Capital Grants Unapplied Account<br>£000 | Usable Capital Receipts Reserve<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|------------------------------|--|---|-------------------------------|---------------------------------|----------------------------------|
| <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>                 |
| Total Comprehensive Income and Expenditure                               | 14,527                       | 0  | 0                                       | 14,527                        | (62,835)                        | (48,308)                         |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (31,279)                     | 5,285                                    | 2,511                                   | (23,483)                      | 23,483                          | 0                                |
| <b>Net (Increase)/ Decrease</b>  | <b>(16,752)</b>              | <b>5,285</b>                             | <b>2,511</b>                            | <b>(8,956)</b>                | <b>(39,352)</b>                 | <b>(48,308)</b>                  |
| <b>31st March 2019</b>   | <b>(108,161)</b>             | <b>(1,894)</b>                           | <b>(21,467)</b>                         | <b>(131,522)</b>              | <b>(204,507)</b>                | <b>(336,029)</b>                 |

### Unusable Reserves 2018/19

|  | Capital Adjustment Account<br>£000 | Revaluation Reserve<br>£000 | Deferred Capital Receipts Reserve<br>£000 | Financial Instruments Adjustment Account<br>£000 | Financial Instruments Revaluation Reserve | Collection Fund Adjustment Account<br>£000 | Pensions Reserve<br>£000 | Accumulated Absences Account<br>£000 | Available for Sale<br>£000 | Total Unusable Reserves<br>£000 |
|--|------------------------------------|-----------------------------|---|--|---|--|--------------------------|--------------------------------------|----------------------------|---------------------------------|
| <b>31st March 2018 (Prior to IFRS 9 adjustment)</b>                      | <b>(499,833)</b>                   | <b>(194,404)</b>            | <b>(5,487)</b>                            | <b>11,300</b>                                    | <b>0</b>                                  | <b>(9,785)</b>                             | <b>604,445</b>           | <b>4,219</b>                         | <b>(75,610)</b>            | <b>(165,155)</b>                |
| Impact of transition to IFRS 9   | 0                                  | 0                           | 0   | 0  | (75,610)                                  | 0  | 0                        | 0                                    | 75,610                     | 0                               |
| <b>31st March 2018</b>   | <b>(499,833)</b>                   | <b>(194,404)</b>            | <b>(5,487)</b>                            | <b>11,300</b>                                    | <b>(75,610)</b>                           | <b>(9,785)</b>                             | <b>604,445</b>           | <b>4,219</b>                         | <b>0</b>                   | <b>(165,155)</b>                |
| Total Comprehensive Income and Expenditure                               | 0                                  | (6,259)                     | 0   | 0  | (4,419)                                   | 0  | (52,157)                 | 0                                    | 0                          | (62,835)                        |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (33,341)                           | 19,216                      | 2,858                                     | (384)  | 537                                       | 2,608                                      | 32,717                   | (728)                                | 0                          | 23,483                          |
| <b>Net (Increase)/ Decrease</b>  | <b>(33,341)</b>                    | <b>12,957</b>               | <b>2,858</b>                              | <b>(384)</b>                                     | <b>(3,882)</b>                            | <b>2,608</b>                               | <b>(19,440)</b>          | <b>(728)</b>                         | <b>0</b>                   | <b>(39,352)</b>                 |
| <b>31st March 2019</b>   | <b>(533,174)</b>                   | <b>(181,447)</b>            | <b>(2,629)</b>                            | <b>10,916</b>                                    | <b>(79,492)</b>                           | <b>(7,177)</b>                             | <b>585,005</b>           | <b>3,491</b>                         | <b>0</b>                   | <b>(204,507)</b>                |

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

**Usable Reserves and Overall Position 2017/18 Comparatives.**

|  | General Fund Balance<br>£000 | Capital Grants Unapplied Account<br>£000 | Usable Capital Receipts Reserve<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Authority Reserves<br>£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 Comparatives**

|  | Capital Adjustment Account<br>£000 | Revaluation Reserve<br>£000 | Deferred Capital Receipts Reserve<br>£000 | Financial Instruments Adjustment Account<br>£000 | Collection Fund Adjustment Account<br>£000 | Pensions Reserve<br>£000 | Accumulated Absences Account<br>£000 | Available for Sale<br>£000 | Total Unusable Reserves<br>£000 |
|--|------------------------------------|-----------------------------|---|--|--|--------------------------|--------------------------------------|----------------------------|---------------------------------|
| <b>31st March 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>                |

## 2.4 Balance Sheet

| 31st March<br>2018<br>£000 | Balance Sheet                      | 31st March<br>2019<br>£000 | Section Ref. |
|----------------------------|------------------------------------|----------------------------|--------------|
| 852,981                    | Property, Plant and Equipment      | 861,338                    | 3.15         |
| 25,893                     | Heritage Assets                    | 25,893                     | 3.16         |
| 174,310                    | Investment Property                | 215,173                    | 3.17         |
| 95,545                     | Long Term Investments              | 110,809                    | 3.21         |
| 20,890                     | Long Term Debtors                  | 24,883                     | 3.22         |
| <b>1,169,619</b>           | <b>Long Term Assets</b>            | <b>1,238,096</b>           |              |
| 45,119                     | Short Term Investments             | 37,285                     | 3.34         |
| 227                        | Inventories                        | 363                        |              |
| 57,402                     | Short Term Debtors                 | 75,870                     | 3.23         |
| 16,193                     | Cash and Cash Equivalents          | 26,621                     | 2.5          |
| 4,819                      | Assets held for Sale               | 2,938                      | 3.17         |
| <b>123,760</b>             | <b>Current Assets</b>              | <b>143,077</b>             |              |
| (39,892)                   | Short Term Borrowing               | (65,572)                   | 3.34         |
| (69,599)                   | Short Term Creditors               | (74,388)                   | 3.24         |
| (2,288)                    | Short Term Provisions              | (1,946)                    | 3.25         |
| <b>(111,779)</b>           | <b>Current Liabilities</b>         | <b>(141,906)</b>           |              |
| (9,582)                    | Long Term Provisions               | (12,329)                   | 3.25         |
| (332,927)                  | Long Term Borrowing                | (317,344)                  | 3.34         |
| (542,245)                  | Net Pension Liability              | (553,905)                  | 3.31         |
| (1,312)                    | Donated Assets Account             | (1,447)                    | 3.28         |
| (4,693)                    | Capital Grants Receipts in Advance | (8,256)                    | 3.7          |
| (3,120)                    | Other Long Term Liabilities        | (9,957)                    | 3.26         |
| <b>(893,879)</b>           | <b>Long Term Liabilities</b>       | <b>(903,238)</b>           |              |
| <b>287,721</b>             | <b>Net Assets</b>                  | <b>336,029</b>             |              |
| (122,566)                  | Usable Reserves                    | (131,522)                  | 2.3          |
| (165,155)                  | Unusable Reserves                  | (204,507)                  | 2.3          |
| <b>(287,721)</b>           | <b>Total Reserves</b>              | <b>(336,029)</b>           |              |

The unaudited accounts were authorised for issue on 24<sup>th</sup> May 2019 and the audited accounts were authorised for issue on 2 September 2019.

## 2.5 Cash Flow Statement

| 2017/18<br>£000's | Cash Flow Statement  | 2018/19<br>£000's |
|-------------------|--|-------------------|
| (648)             | Net (Surplus) or Deficit on the Provision of Services  | 14,527            |
| (64,079)          | Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements  | (120,572)         |
| 41,136            | Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities | 70,491            |
| <b>(23,591)</b>   | <b>Net Cash Flows from Operating Activities</b>  | <b>(35,554)</b>   |
| 23,054            | Investing Activities   | 31,338            |
| 1,513             | Financing Activities   | (6,212)           |
| <b>976</b>        | <b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>   | <b>(10,428)</b>   |
| (17,169)          | Cash and Cash Equivalents at the Beginning of the Reporting Period (Asset)/Liability   | (16,193)          |
| (16,193)          | Cash and Cash Equivalents at the End of the Reporting Period (Asset)/Liability   | (26,621)          |

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

| 2017/18          |  | 2018/19          |              |
|------------------|--|------------------|--------------|
| Net Expenditure  | Category of Income or Expenditure                                | Net Expenditure  | Section Ref. |
| £000             |  | £000             |              |
| 24,646           | (Gain)/Loss on Disposal of Fixed Assets*                         | 17,985           |              |
| 15,270           | Levy Payments to Other Bodies                                    | 14,770           |              |
| 30               | Precepts of Local Precepting Authorities                         | 31               |              |
| <b>39,946</b>    | <b>Other Operating Expenditure</b>                               | <b>32,786</b>    |              |
| 30,572           | Interest Payable and Similar Charges                             | 19,537           | 3.34         |
| (2,429)          | External Investment Income                                       | (2,857)          | 3.34         |
| 14,913           | Net interest on the net defined benefit liability                | 13,681           | 3.31         |
| (16,242)         | Commercial Property Income                                       | (17,225)         |              |
| 7,300            | Commercial Property Expenditure                                  | 6,772            |              |
| (7,805)          | Dividends  | (9,191)          | 3.34         |
| 0                | (Gain)/loss on impairment of assets                              | 122              |              |
| 0                | (Gain)/loss on revaluation of financial instruments              | (1,218)          | 3.34         |
| <b>26,309</b>    | <b>Finance and Investment Income and Expenditure</b>             | <b>9,621</b>     |              |
| (123,286)        | Council Tax  | (131,404)        | 3.39         |
| (114,075)        | Retained Business Rates  | (114,554)        | 3.39         |
| (1,278)          | Business Rates (Top-up)/Tariff                                   | 7,857            | 3.39         |
| (13,698)         | General Government Grants  | (12,370)         |              |
| (57,291)         | Capital Grants   | (74,380)         | 3.7          |
| (58)             | Donated Assets - amortised credits                               | (73)             | 3.28         |
| <b>(309,686)</b> | <b>Taxations and Non-Specific Grant Income</b>                   | <b>(324,924)</b> |              |
| (31,950)         | (Gain)/loss on revaluation of non current assets                 | (6,259)          | 3.13         |
| (4,600)          | (Gain)/loss on revaluation of financial instruments              | (4,419)          |              |
| (31,045)         | Remeasurement of the net defined benefit liability               | (52,157)         | 3.31         |
| <b>(67,595)</b>  | <b>Sub-total of Other Comprehensive Income &amp; Expenditure</b> | <b>(62,835)</b>  |              |

\*The 2018/19 'Loss on Disposal of Fixed Assets' includes £17,818k of derecognition as a result of schools transferring to academy status during the year. The equivalent figure for 2017/18 was £23,079.



### 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).

| 2017/18  |  |   | 2018/19                                  |  |  |   |
|--|--|---|--|--|--|---|
| Net Expenditure Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 | Service segment                          | Net Expenditure Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
| 1,476  | (337)  | 1,139   | Public Health                            | 2,090  | (28)   | 2,062   |
| 1,415  | 0  | 1,415   | People Directorate Management            | 1,472  | 0  | 1,472   |
| (14,454)   | 33,044   | 18,590  | Education and Skills                     | (7,671)  | 34,034   | 26,363  |
| 73,111   | 112  | 73,223  | Children and Young People's Services     | 70,197   | 501  | 70,698  |
| 75,016   | 2,367  | 77,383  | Adult Social Care                        | 74,002   | 3,890  | 77,892  |
| 2,622  | 1,791  | 4,413   | Customer Services & Transformation       | 11,630   | 3,973  | 15,603  |
| 1,111  | 0  | 1,111   | Place Directorate Management             | 1,110  | 3,496  | 4,606   |
| 7,852  | 6,577  | 14,429  | Business, Investment & Culture           | 8,493  | 20,851   | 29,344  |
| (482)  | 21,446   | 20,964  | Transportation & Highways                | 337  | 17,603   | 17,940  |
| 28,563   | 1,573  | 30,136  | Streetscene & Regulatory Services        | 30,105   | 2,984  | 33,089  |
| 2,571  | 2,172  | 4,743   | Project Management and Property Services | 2,477  | 3,151  | 5,628   |
| 9,954  | 2  | 9,956   | Finance & Corporate Services             | 6,618  | 2  | 6,620   |
| (7,909)  | (6,810)  | (14,719)  | Contingency and Central Budgets          | 2,859  | 2,868  | 5,727   |
| <b>180,846</b>   | <b>61,937</b>  | <b>242,783</b>  | <b>Net Cost of Services</b>              | <b>203,719</b>   | <b>93,325</b>  | <b>297,044</b>  |
| (198,290)  | (45,141)   | (243,431)   | Other Income and Expenditure             | (220,471)  | (62,046)   | (282,517)   |
| <b>(17,444)</b>  | <b>16,796</b>  | <b>(648)</b>  | <b>(Surplus) or Deficit</b>              | <b>(16,752)</b>  | <b>31,279</b>  | <b>14,527</b>   |
| (73,965)   |  |   | Opening General Fund                     | (91,409)   |  |   |
| (17,444)   |  |   | Plus (Surplus)/Deficit on General Fund   | (16,752)   |  |   |
| <b>(91,409)</b>  |  |   | <b>Closing General Fund at 31 March</b>  | <b>(108,161)</b>                                       |  |   |

### 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

| 2017/18                                  |   |                            |                   |  | 2018/19                                  |   |                            |                   |
|--|---|----------------------------|-------------------|--|--|---|----------------------------|-------------------|
| Adjustment for Capital Purposes (Note 1) | Net Changes for the Pension Adjustment (Note 2) | Other Differences (Note 3) | Total Adjustments | Directorate Analysis                     | Adjustment for Capital Purposes (Note 1) | Net Changes for the Pension Adjustment (Note 2) | Other Differences (Note 3) | Total Adjustments |
| £000                                     | £000  | £000                       | £000              |  | £000                                     | £000  | £000                       | £000              |
| (337)                                    | 0   | 0                          | (337)             | Public Health                            | (28)                                     | 0   | 0                          | (28)              |
| 0  | 0   | 0                          | 0                 | People Directorate Management            | 0  | 0   | 0                          | 0                 |
| 33,044                                   | 0   | 0                          | 33,044            | Education and Skills                     | 34,034                                   | 0   | 0                          | 34,034            |
| 112                                      | 0   | 0                          | 112               | Children and Young People's Services     | 501                                      | 0   | 0                          | 501               |
| 2,367                                    | 0   | 0                          | 2,367             | Adult Social Care                        | 3,890                                    | 0   | 0                          | 3,890             |
| 1,791                                    | 0   | 0                          | 1,791             | Customer Services & Transformation       | 3,973                                    | 0   | 0                          | 3,973             |
| 0  | 0   | 0                          | 0                 | Place Directorate Management             | 3,496                                    | 0   | 0                          | 3,496             |
| 6,577                                    | 0   | 0                          | 6,577             | Business, Investment & Culture           | 20,851                                   | 0   | 0                          | 20,851            |
| 21,446                                   | 0   | 0                          | 21,446            | Transportation & Highways                | 17,603                                   | 0   | 0                          | 17,603            |
| 1,573                                    | 0   | 0                          | 1,573             | Streetscene & Regulatory Services        | 2,984                                    | 0   | 0                          | 2,984             |
| 2,172                                    | 0   | 0                          | 2,172             | Project Management and Property Services | 3,151                                    | 0   | 0                          | 3,151             |
| 2  | 0   | 0                          | 2                 | Finance & Corporate Services             | 2  | 0   | 0                          | 2                 |
| (26,514)                                 | 22,254  | 9,806                      | 5,546             | Contingency and Central Budgets          | (14,111)                                 | 19,036  | (2,058)                    | 2,867             |
| <b>42,233</b>                            | <b>22,254</b>                                   | <b>9,806</b>               | <b>74,293</b>     | <b>Net Cost of Services</b>              | <b>76,346</b>                            | <b>19,036</b>                                   | <b>(2,058)</b>             | <b>93,324</b>     |
| (56,910)                                 | 0   | (587)                      | (57,497)          | Other Income and Expenditure             | (78,334)                                 | 13,681  | 2,608                      | (62,045)          |
| <b>(14,677)</b>                          | <b>22,254</b>                                   | <b>9,219</b>               | <b>16,796</b>     | <b>(Surplus) or Deficit</b>              | <b>(1,988)</b>                           | <b>32,717</b>                                   | <b>550</b>                 | <b>31,279</b>     |

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 3.2.

| 2018/19                                  | Net Expenditure Chargeable to the General Fund | Adjustment for elements within the Provision of Service that are not included in the Cost of Services | Contributions to/(from) revenue earmarked reserves | Revenue Outturn Position | Budget         | Overspend/ (Underspend) |
|--|--|---|--|--------------------------|----------------|-------------------------|
|  | £000   | £000  | £000   | £000                     | £000           | £000                    |
| Public Health                            | 2,090  | 155   | 398  | 2,643                    | 3,453          | (810)                   |
| People Directorate Management            | 1,472  | 0   | 0  | 1,472                    | 1,441          | 31                      |
| Education and Skills                     | (7,671)  | 18,767  | 2,211  | 13,307                   | 12,940         | 367                     |
| Children and Young People's Services     | 70,197   | 35  | 695  | 70,927                   | 71,945         | (1,018)                 |
| Adult Social Care                        | 74,002   | 1,484   | (1,060)  | 74,426                   | 74,426         | 0                       |
| Customer Services & Transformation       | 11,630   | (848)   | 365  | 11,147                   | 9,192          | 1,955                   |
| Place Directorate Management             | 1,110  | 3,790   | (3,538)  | 1,362                    | 1,361          | 1                       |
| Business, Investment & Culture           | 8,493  | (288)   | (175)  | 8,030                    | 7,523          | 507                     |
| Transportation & Highways                | 337  | 4,498   | (604)  | 4,231                    | 4,430          | (199)                   |
| Streetscene & Regulatory Services        | 30,105   | (42)  | (280)  | 29,783                   | 26,759         | 3,024                   |
| Project Management and Property Services | 2,477  | (10,883)  | 676  | (7,730)                  | (7,504)        | (226)                   |
| Finance & Corporate Services             | 6,618  | (330)   | 3  | 6,291                    | 7,009          | (718)                   |
| Contingency and Central Budgets          | 2,859  | (1,721)   | 12,486   | 13,624                   | 21,415         | (7,791)                 |
| <b>Net Cost of Services</b>              | <b>203,719</b>                                 | <b>14,617</b>   | <b>11,177</b>                                      | <b>229,513</b>           | <b>234,390</b> | <b>(4,877)</b>          |
| Other Income and Expenditure             | (220,471)                                      | (14,617)  | 0  | (235,088)                | (234,390)      | (698)                   |
| <b>Surplus or Deficit</b>                | <b>(16,752)</b>                                | <b>0</b>  | <b>11,177</b>                                      | <b>(5,575)</b>           | <b>0</b>       | <b>(5,575)</b>          |

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

### 3.5 Segmental Analysis

This note provides an analysis of income by segment and details of the revenue outturn position. These figures exclude the impact of internal recharges.

| 2018/19                                  | Income from Grants and Contributions | Tax Income       | Income from Fees and Charges | Total Income     | Total Expenditure | Net Total Expenditure | Contributions to/(from) revenue earmarked reserves | Revenue Outturn Position |
|--|--------------------------------------|------------------|------------------------------|------------------|-------------------|-----------------------|--|--------------------------|
| Service Segment                          | £000                                 | £000             | £000                         | £000             | £000              | £000                  | £000   | £000                     |
| Public Health                            | (23,555)                             | 0                | (87)                         | (23,642)         | 25,887            | 2,245                 | 398  | 2,643                    |
| People Directorate Management            | (126)                                | 0                | 0                            | (126)            | 1,598             | 1,472                 | 0  | 1,472                    |
| Education and Skills                     | (195,577)                            | 0                | (4,959)                      | (200,536)        | 211,632           | 11,096                | 2,211  | 13,307                   |
| Children and Young People's Services     | (9,631)                              | 0                | (1,156)                      | (10,787)         | 81,019            | 70,232                | 695  | 70,927                   |
| Adult Social Care                        | (28,516)                             | 0                | (17,369)                     | (45,885)         | 121,371           | 75,486                | (1,060)  | 74,426                   |
| Customer Services & Transformation       | (910)                                | 0                | (2,948)                      | (3,858)          | 14,640            | 10,782                | 365  | 11,147                   |
| Place Directorate Management             | (662)                                | 0                | (70)                         | (732)            | 5,632             | 4,900                 | (3,538)  | 1,362                    |
| Business, Investment & Culture           | (5,429)                              | (15)             | (1,398)                      | (6,842)          | 15,047            | 8,205                 | (175)  | 8,030                    |
| Transportation & Highways                | (5,436)                              | 0                | (9,620)                      | (15,056)         | 19,891            | 4,835                 | (604)  | 4,231                    |
| Streetscene & Regulatory Services        | (960)                                | 0                | (14,701)                     | (15,661)         | 45,724            | 30,063                | (280)  | 29,783                   |
| Project Management and Property Services | (326)                                | 0                | (17,273)                     | (17,599)         | 9,193             | (8,406)               | 676  | (7,730)                  |
| Finance & Corporate Services             | (111,929)                            | 0                | (2,851)                      | (114,780)        | 121,068           | 6,288                 | 3  | 6,291                    |
| Contingency and Central Budgets          | (90,343)                             | (3,711)          | (26,064)                     | (120,118)        | 120,558           | 440                   | 12,486   | 12,926                   |
| <b>Total</b>                             | <b>(473,400)</b>                     | <b>(3,726)</b>   | <b>(98,496)</b>              | <b>(575,622)</b> | <b>793,260</b>    | <b>217,638</b>        | <b>11,177</b>                                      | <b>228,815</b>           |
| Net Budget Requirement                   | 0                                    | (234,390)        | 0                            | (234,390)        | 0                 | (234,390)             | 0  | (234,390)                |
| <b>Surplus or Deficit</b>                | <b>(473,400)</b>                     | <b>(238,116)</b> | <b>(98,496)</b>              | <b>(810,012)</b> | <b>793,260</b>    | <b>(16,752)</b>       | <b>11,177</b>                                      | <b>(5,575)</b>           |

| 2017/18                                  | Income from Grants and Contributions | Tax Income       | Income from Fees and Charges | Total Income     | Total Expenditure | Net Total Expenditure | Contributions to/(from) revenue earmarked reserves | Revenue Outturn Position |
|--|--------------------------------------|------------------|------------------------------|------------------|-------------------|-----------------------|--|--------------------------|
| Service Segment                          | £000                                 | £000             | £000                         | £000             | £000              | £000                  | £000   | £000                     |
| Public Health                            | (19,257)                             | 0                | (86)                         | (19,343)         | 20,860            | 1,517                 | (135)  | 1,382                    |
| People Directorate Management            | (126)                                | 0                | 0                            | (126)            | 1,541             | 1,415                 | 0  | 1,415                    |
| Education and Skills                     | (198,704)                            | 0                | (4,886)                      | (203,590)        | 213,355           | 9,765                 | 2,437  | 12,202                   |
| Children and Young People's Services     | (8,948)                              | 0                | (769)                        | (9,717)          | 82,549            | 72,832                | 148  | 72,980                   |
| Adult Social Care                        | (22,192)                             | 0                | (16,411)                     | (38,603)         | 114,963           | 76,360                | 4,351  | 80,711                   |
| Customer Services & Transformation       | (653)                                | 0                | (2,501)                      | (3,154)          | 5,809             | 2,655                 | 973  | 3,628                    |
| Place Directorate Management             | (516)                                | 0                | (58)                         | (574)            | 2,254             | 1,680                 | 2,082  | 3,762                    |
| Business, Investment & Culture           | (4,926)                              | 0                | (1,482)                      | (6,408)          | 13,410            | 7,002                 | 455  | 7,457                    |
| Transportation & Highways                | (6,066)                              | 0                | (10,646)                     | (16,712)         | 20,793            | 4,081                 | 492  | 4,573                    |
| Streetscene & Regulatory Services        | (642)                                | 0                | (13,439)                     | (14,081)         | 42,614            | 28,533                | (169)  | 28,364                   |
| Project Management and Property Services | (384)                                | 0                | (15,996)                     | (16,380)         | 8,471             | (7,909)               | (482)  | (8,391)                  |
| Finance & Corporate Services             | (118,769)                            | (13)             | (4,066)                      | (122,848)        | 132,385           | 9,537                 | (163)  | 9,374                    |
| Contingency and Central Budgets          | (74,732)                             | (6,158)          | (27,467)                     | (108,357)        | 115,925           | 7,568                 | 5,887  | 13,455                   |
| <b>Total</b>                             | <b>(455,915)</b>                     | <b>(6,171)</b>   | <b>(97,807)</b>              | <b>(559,893)</b> | <b>774,929</b>    | <b>215,036</b>        | <b>15,876</b>                                      | <b>230,912</b>           |
| Net Budget Requirement                   | 0                                    | (232,480)        | 0                            | (232,480)        | 0                 | (232,480)             | 0  | (232,480)                |
| <b>Surplus or Deficit</b>                | <b>(455,915)</b>                     | <b>(238,651)</b> | <b>(97,807)</b>              | <b>(792,373)</b> | <b>774,929</b>    | <b>(17,444)</b>       | <b>15,876</b>                                      | <b>(1,568)</b>           |

### 3.6 Income and Expenditure Analysis

This note provides an analysis of the income received and expenditure incurred within the Provision of Services in the Comprehensive Income and Expenditure Statement. These figures exclude the impact of internal recharges and the 2017/18 figures have been restated to reflect this treatment.

| Expenditure/ Income                                 | 2017/18          | 2018/19          |
|---|------------------|------------------|
|   | £000             | £000             |
| <b>Income</b>                                       |                  |                  |
| Fees, charges and other service income              | (72,732)         | (69,707)         |
| Interest and investment income                      | (25,087)         | (28,804)         |
| Income from council tax and non-domestic rates      | (238,639)        | (238,101)        |
| Government grants and contributions                 | (455,915)        | (473,400)        |
| <b>Total Income</b>                                 | <b>(792,373)</b> | <b>(810,012)</b> |
| <b>Expenditure</b>                                  |                  |                  |
| Employee benefits expenses                          | 281,821          | 297,512          |
| Other services expenses                             | 391,669          | 391,488          |
| Depreciation, amortisation, impairment              | 32,804           | 70,753           |
| Interest payments                                   | 45,485           | 33,218           |
| Precept and levies                                  | 15,300           | 14,801           |
| Payments to Housing Capital Receipts Pool           | 0                | 0                |
| (Gain)/Loss on Disposal of Assets                   | 24,646           | 17,985           |
| (Gain)/loss on revaluation of financial instruments | 0                | (1,218)          |
| <b>Total Expenditure</b>                            | <b>791,725</b>   | <b>824,539</b>   |
| <b>Surplus/ Deficit on the Provison of Services</b> | <b>(648)</b>     | <b>14,527</b>    |

### 3.7 Analysis of Capital Grants

| 2017/18<br>£000 | Grant / Grant Body                             | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 351             | Innovate UK*                                   | 28,839          |
| 26,164          | Department for Communities & Local Government  | 18,689          |
| 3,066           | Education Funding Agency                       | 12,890          |
| 10,821          | West Midlands Combined Authority               | 7,117           |
| 2,199           | Whitefriars                                    | 3,549           |
| 862             | European Regional Development Fund             | 2,839           |
| 6,431           | Department for Transport                       | 2,369           |
| 23              | ULEV Taxi Infrastructure Scheme                | 703             |
| 0               | Department for Education                       | 189             |
| 0               | Centro   | 63              |
| 0               | Government Office                              | 24              |
| 4,964           | Department for Business, Innovation & Skills   | 0               |
| 1,455           | Sports England                                 | 0               |
| 3,513           | Other Capital Grants & Contributions (Non-Gov) | 2,394           |
| <b>59,849</b>   | <b>Total</b>                                   | <b>79,665</b>   |

The Capital Grant total of £79,665k is the amount of grant applied during 2018/19. This represents the total level of grant received of £74,380k plus £5,285k which has been transferred from the Capital Grants Unapplied Reserve (see section 2.3). In addition the Council's Balance Sheet (as at 31/03/2019) reflects Capital Grants received in advance of £8,256k

\*The significant increase in the grant from Innovate UK was due to £28.8m being received for the new Battery Plant facility



### 3.8 Analysis of Revenue Grants

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

| 2017/18<br>£000 | Grant  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 167,813         | Dedicated Schools Grant*                       | 168,239         |
| 116,033         | Housing Benefit Subsidy                        | 109,377         |
| 18,069          | Better Care Fund                               | 23,211          |
| 22,539          | Public Health                                  | 21,969          |
| 10,914          | Pupil Premium Grant                            | 10,756          |
| 8,607           | Private Finance Initiative Grants              | 8,607           |
| 5,743           | Small Business Rates Relief Compensation Grant | 6,891           |
| 5,738           | Skills Funding Agency                          | 5,636           |
| 7,615           | New Homes Bonus                                | 5,060           |
| 3,418           | Universal Free School Meals Grant              | 3,276           |
| 2,464           | Migration Projects                             | 2,820           |
| 2,474           | Department of Health - Independent Living Fund | 2,396           |
| 2,870           | Education Funding Agency                       | 2,343           |
| 24,325          | Other revenue grants & contributions           | 28,122          |
| <b>398,622</b>  | <b>Total</b>                                   | <b>398,703</b>  |

\*The difference between the level of Dedicated Schools Grant (DSG) provided in this table and the amount provided within Deployment of Dedicated Schools Grant note (section 3.9) is due to adjustments agreed with the Department for Education.

### 3.9 Deployment of Dedicated Schools Grant

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

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

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

Details of the deployment of DSG receivable for 2018/19 are as follows:

| Notes    | Schools Budget Funded by Dedicated Schools Grant      | Central Expenditure<br>£000 | Individual Schools Budget<br>£000 | Total<br>£000  |
|----------|---|-----------------------------|-----------------------------------|----------------|
| <b>A</b> | Final DSG for 2018/19 before Academy Recoupment       | 33,910                      | 263,865                           | 297,775        |
| <b>B</b> | Academy figure recouped for 2018/19                   | 0                           | 126,604                           | 126,604        |
| <b>C</b> | <b>Total DSG after Academy Recoupment for 2018/19</b> | <b>33,910</b>               | <b>137,261</b>                    | <b>171,171</b> |
| <b>D</b> | Plus: Brought forward from 2017/18                    | 4,741                       | 0                                 | 4,741          |
| <b>E</b> | Less: Carry forward to 2019/20 agreed in advance      | 3,979                       | 0                                 | 3,979          |
| <b>F</b> | Agreed initial budgeted distribution in 2018/19       | 34,672                      | 137,261                           | 171,933        |
| <b>G</b> | In year adjustments                                   | 0                           | (2,626)                           | (2,626)        |
| <b>H</b> | Final budgeted distribution for 2018/19               | 34,672                      | 134,635                           | 169,307        |
| <b>I</b> | Less: Actual central expenditure                      | 32,568                      | 0                                 | 32,568         |
| <b>J</b> | Less: Actual ISB deployed to schools                  | 0                           | 134,635                           | 134,635        |
| <b>K</b> | Plus: Local authority contribution for 2018/19        | 0                           | 0                                 | 0              |
| <b>L</b> | <b>Carry forward to 2019/20</b>                       | <b>2,104</b>                | <b>0</b>                          | <b>6,083</b>   |

#### Notes

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2019 early years block adjustment.

B: Figure recouped from the authority in 2018/19 by the DfE for the conversion of maintained schools into Academies.

C: Total figure after EFA Academy recoupment for 2018/19

D: Figure brought forward from 2017/18 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 2019.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2019/20 rather than distribute in 2018/19.

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 2018/19 - 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 2018/19 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry forward to 2019/20, 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 2019/20 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 £1,024,951, and the Council received £15,000 in 2018/19. CWLEP is a company limited by guarantee and aims to coordinate 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 2018/19, works and services to the value of £804,536 were commissioned from organisations that 18 members had an interest in (most of which are not for profit). Contracts were entered into in full compliance with the council's standing orders. In addition, the Council paid grants totalling £3,931,090 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 Councils website.

The sum of £703,784 was received from organisations with which 17 members declared an interest. There was a debtors balance of £234,127 with companies in which 18 members declared an interest; and a creditors balance of £200,895 in which 15 members declared an interest.

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

#### **Senior Officers**

In addition, during 2018/19, works and services to the value of £43,903 were commissioned from companies that 2 senior officers had an interest. Grants to the value of £792,621 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 £661,469 was received from organisations with which 2 senior officers declared an interest. There was a debtors balance of £78,724 with companies in which 2 senior officers declared an interest; and a creditors balance of £276,429 in which 2 senior officer declared an interest.

#### **Central Government**

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

#### **Other Public Bodies**

The 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 3.38).
- Levy payments are made Environment Agency.
- Payments to the West Midlands Combined Authority of £15,955,209, of which £15,177,290 was a levy, and other contributions totalling £777,919. We received income of £12,500 and Capital grants which are detailed in Section 3.7.
- 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 interests (shareholdings), representation at board of director level and significant financial influence in a number of companies. Details of transactions with those companies are as follows;

#### **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 £7,485,109 to the company for services received and in return provided services to the value of £111,297 of which £18,656 was unpaid as at 31<sup>st</sup> March 2019.

In addition, the Council received Business Rates payments of £625,635 and dividends of £7,040,052

#### **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 2018/19 the total was £4,963 of which £2,800 related to administrative services provided by the City Council.

During 2018/19 NCH placed a cash deposit of £2,700,000 with the City Council. This was repaid to NCH including interest of £19,722 in March 2019. NCH supplied services to the City Council to the value of £191,206. The City Council provided services to the value of £7,312.

#### **Culture Coventry Ltd**

Payment of £1,527,811 was made to Culture Coventry Trust on a long term arrangement for the provision of museum and tourist information services on behalf of the authority. In addition, the authority provided;

- Services to the Trust totalling £69,135 of which £2,457 was unpaid as at 31<sup>st</sup> March 2019.
- A revolving cash flow facility of £600k of which £62,953 was repaid this year leaving £199,224 outstanding.
- Contributions to restructure, exit and redundancy costs of £110,555.

The Trust paid the City Council

- £200,173 to cover part of their pension deficit
- £23,800 in interest in respect of the revolving cash flow facility

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

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

CAPL paid the City Council £850,403 in respect of rent on long lease agreements and £733,530 in respect of loan repayments.

The City Council provided services to CAPL totalling £77,492 of which £13,582 was unpaid as at 31<sup>st</sup> March 2019. The City Council also provided further a loan facility of £732,000.

CAPL provided services to the City Council totalling £73,741

#### **UK Battery Industrialisation Centre UK Ltd (UKBIC)**

The City Council paid UKBIC £578,846 towards running costs.

#### **Friargate JV Project Ltd**

The City Council paid £494,750 to cover it's share of a Stamp Duty Land Tax liability.

## 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.

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

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

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

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

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

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

The following table provides details of the total contribution and expenditure made by the two partner organisations during 2018/19, with comparative information for the previous year.

| (Surplus) / Deficit | Coventry<br>City Council | Coventry and<br>Rugby CCG | Total           | Coventry<br>City Council | Coventry and<br>Rugby CCG | Total           |
|---------------------|--------------------------|---------------------------|-----------------|--------------------------|---------------------------|-----------------|
|                     | 2018/19                  | 2018/19                   | 2018/19         | 2017/18                  | 2017/18                   | 2017/18         |
|                     | £000                     | £000                      | £000            | £000                     | £000                      | £000            |
| Contribution        | (35,955)                 | (58,347)                  | <b>(94,302)</b> | (30,920)                 | (57,258)                  | <b>(88,178)</b> |
| Expenditure         | 42,589                   | 47,527                    | <b>90,116</b>   | 36,872                   | 47,802                    | <b>84,674</b>   |
| <b>Net Position</b> | <b>6,634</b>             | <b>(10,820)</b>           | <b>(4,186)</b>  | <b>5,952</b>             | <b>(9,456)</b>            | <b>(3,504)</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 2019 are outlined in the following table, together with the position as at 31<sup>st</sup> March 2018 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   |                |
|                     | 2019           | 2019         |                | 2018           | 2018         |                |
|                     | £000           | £000         | £000           | £000           | £000         | £000           |
| Retained            | (2,643)        | 0            | <b>(2,643)</b> | (3,196)        | 0            | <b>(3,196)</b> |
| Carried Forward     | (1,543)        | 0            | <b>(1,543)</b> | (308)          | 0            | <b>(308)</b>   |
| <b>Total</b>        | <b>(4,186)</b> | <b>0</b>     | <b>(4,186)</b> | <b>(3,504)</b> | <b>0</b>     | <b>(3,504)</b> |

### 3.12 External Audit Costs

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

| 2017/18*   | Audit Fees   | 2018/19    |
|------------|--|------------|
| £000       |  | £000       |
| 176        | Fees Payable to external auditors with regard to external audit services carried out by the appointed auditor for the year | 134        |
| 34         | Fees payable in respect of other services provided by external auditors during the year in relation to other services      | 30         |
| <b>210</b> | <b>Total Fees</b>  | <b>164</b> |

\*2017/18 costs have been restated for an additional charge relating to an enhanced audit report.

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 2018/19 relate to certification of the Teachers' Pension return (£4,200), provision of the CFO Insights online tool that delivers financial analysis against all local authority accounts (£10,000) and the certification of the Housing Benefit Subsidy Claim (£16,000).

### 3.13 Usable and Unusable Reserves

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

#### Usable Reserves

| Usable Reserves                                   | Balance at 31st March 2017<br>£000 | Contributions from reserves 2017/18<br>£000 | Contributions to reserves 2017/18<br>£000 | Balance at 31st March 2018<br>£000 | Contributions from reserves 2018/19<br>£000 | Contributions to reserves 2018/19<br>£000 | Balance at 31st March 2019<br>£000 |
|---|------------------------------------|---|---|------------------------------------|---|---|------------------------------------|
| <b>General Fund Balance - Uncommitted *</b>       | <b>(3,134)</b>                     | <b>0</b>                                    | <b>(1,568)</b>                            | <b>(4,702)</b>                     | <b>0</b>                                    | <b>(5,575)</b>                            | <b>(10,277)</b>                    |
| <b>Earmarked Revenue Reserves:</b>                |                                    |   |   |                                    |   |   |                                    |
| Schools Reserves (specific to individual schools) | (18,126)                           | 0   | (1,464)                                   | (19,590)                           | 0   | (718)                                     | (20,308)                           |
| Schools Reserves (retained centrally)             | (4,493)                            | 1,053                                       | (1,302)                                   | (4,742)                            | 1,834                                       | (3,176)                                   | (6,084)                            |
| <b>Total Schools Reserves</b>                     | <b>(22,619)</b>                    | <b>1,053</b>                                | <b>(2,766)</b>                            | <b>(24,332)</b>                    | <b>1,834</b>                                | <b>(3,894)</b>                            | <b>(26,392)</b>                    |
| Adult Social Care                                 | (18)                               | 19  | (4,799)                                   | (4,798)                            | 6,187                                       | (4,923)                                   | (3,534)                            |
| Public Health                                     | (740)                              | 402   | (268)                                     | (606)                              | 199   | (381)                                     | (788)                              |
| Troubled Families                                 | (686)                              | 200   | 0   | (486)                              | 531   | (1,140)                                   | (1,095)                            |
| Leisure Development                               | (894)                              | 416   | (1,121)                                   | (1,599)                            | 320   | (55)                                      | (1,334)                            |
| Kickstart Project                                 | (2,986)                            | 280   | (2,362)                                   | (5,068)                            | 3,790                                       | 0   | (1,278)                            |
| City of Culture                                   | 0                                  | 0   | (4,750)                                   | (4,750)                            | 0   | 0   | (4,750)                            |
| Potential Loss of Business Rates Income           | (1,970)                            | 700   | (2,144)                                   | (3,414)                            | 0   | (4,321)                                   | (7,735)                            |
| Early Retirement and Voluntary Redundancy         | (8,261)                            | 0   | 0   | (8,261)                            | 0   | (1,809)                                   | (10,070)                           |
| Commercial Developments                           | 0                                  | 0   | 0   | 0                                  | 0   | (4,000)                                   | (4,000)                            |
| Insurance Fund                                    | (1,786)                            | 1,415                                       | (1,224)                                   | (1,595)                            | 989   | (1,092)                                   | (1,698)                            |
| Management of Capital                             | (5,566)                            | 721   | (1,487)                                   | (6,332)                            | 2,120                                       | (1,187)                                   | (5,399)                            |
| Private Finance Initiatives                       | (11,308)                           | 1,324                                       | (797)                                     | (10,781)                           | 1,341                                       | (729)                                     | (10,169)                           |
| Other Directorate                                 | (5,839)                            | 4,972                                       | (6,327)                                   | (7,194)                            | 4,926                                       | (7,221)                                   | (9,489)                            |
| Other Directorate funded by Grant                 | (2,785)                            | 963   | (371)                                     | (2,193)                            | 1,146                                       | (517)                                     | (1,564)                            |
| Other Corporate                                   | (5,373)                            | 962   | (887)                                     | (5,298)                            | 1,319                                       | (4,610)                                   | (8,589)                            |
| <b>Revenue Earmarked Reserves (Non-School)</b>    | <b>(48,212)</b>                    | <b>12,374</b>                               | <b>(26,537)</b>                           | <b>(62,375)</b>                    | <b>22,868</b>                               | <b>(31,985)</b>                           | <b>(71,492)</b>                    |
| <b>Total Revenue Earmarked Reserves</b>           | <b>(70,831)</b>                    | <b>13,427</b>                               | <b>(29,303)</b>                           | <b>(86,707)</b>                    | <b>24,702</b>                               | <b>(35,879)</b>                           | <b>(97,884)</b>                    |
| <b>Other Usable Reserves:</b>                     |                                    |   |   |                                    |   |   |                                    |
| Useable Capital Receipts Reserve                  | (20,489)                           | 13,063                                      | (16,552)                                  | (23,978)                           | 10,752                                      | (8,241)                                   | (21,467)                           |
| Capital Grant Unapplied Account                   | (9,737)                            | 9,737                                       | (7,179)                                   | (7,179)                            | 14,359                                      | (9,074)                                   | (1,894)                            |
| <b>Total Other Usable Reserves</b>                | <b>(30,226)</b>                    | <b>22,800</b>                               | <b>(23,731)</b>                           | <b>(31,157)</b>                    | <b>25,111</b>                               | <b>(17,315)</b>                           | <b>(23,361)</b>                    |
| <b>Total Usable Reserves</b>                      | <b>(104,191)</b>                   | <b>36,227</b>                               | <b>(54,602)</b>                           | <b>(122,566)</b>                   | <b>49,813</b>                               | <b>(58,769)</b>                           | <b>(131,522)</b>                   |

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

**Unusable Reserves**

| Capital Adjustment Account [CAA] £000 | 2017/18                       |                        | Category of Reserve Movement                | 2018/19                               |                               |                        |
|---------------------------------------|-------------------------------|------------------------|---|---------------------------------------|-------------------------------|------------------------|
|                                       | Revaluation Reserve [RR] £000 | CAA & RR Combined £000 |   | Capital Adjustment Account [CAA] £000 | Revaluation Reserve [RR] £000 | CAA & RR Combined £000 |
|                                       |                               |                        |   |                                       |                               |                        |
| <b>(473,897)</b>                      | <b>(169,486)</b>              | <b>(643,383)</b>       | <b>Opening Balance</b>                      | <b>(499,833)</b>                      | <b>(194,404)</b>              | <b>(694,237)</b>       |
| 25,426                                | 0                             | 25,426                 | Depreciation                                | 28,157                                | 0                             | 28,157                 |
| 35,833                                | 0                             | 35,833                 | Derecognitions                              | 35,416                                | 0                             | 35,416                 |
| (5,202)                               | (31,950)                      | (37,152)               | Revaluations                                | 6,006                                 | (6,259)                       | (253)                  |
| (15,721)                              | 0                             | (15,721)               | Investment Property Revaluations            | (8,237)                               | 0                             | (8,237)                |
| 1,988                                 | 0                             | 1,988                  | Intangibles                                 | 1,340                                 | 0                             | 1,340                  |
| (59,849)                              | 0                             | (59,849)               | Capital grants and contributions applied    | (79,665)                              | 0                             | (79,665)               |
| 14,687                                | 0                             | 14,687                 | Revenue Expenditure funded from Capital     | 25,767                                | 0                             | 25,767                 |
| (12,211)                              | 0                             | (12,211)               | Capital receipts applied                    | (10,586)                              | 0                             | (10,586)               |
| 10,029                                | 0                             | 10,029                 | Disposal of Assets                          | 4,870                                 | 0                             | 4,870                  |
| 766                                   | 0                             | 766                    | Repayment of Loans                          | 514                                   | 0                             | 514                    |
| (2,680)                               | 0                             | (2,680)                | Capital Expenditure funded from Revenue     | (2,771)                               | 0                             | (2,771)                |
| (1,137)                               | 0                             | (1,137)                | Issue of Loans                              | (1,250)                               | 0                             | (1,250)                |
| (7,032)                               | 7,032                         | 0                      | Written out of the Revaluations Reserve     | (19,216)                              | 19,216                        | 0                      |
| (10,241)                              | 0                             | (10,241)               | Revenue provision for the Repayment of Debt | (10,904)                              | 0                             | (10,904)               |
| (721)                                 | 0                             | (721)                  | Management of Capital Reserve               | (1,764)                               | 0                             | (1,764)                |
| (58)                                  | 0                             | (58)                   | Deferred Capital - Amortised credit         | (73)                                  | 0                             | (73)                   |
| 0                                     | 0                             | 0                      | Impairment of Financial Assets              | 78                                    | 0                             | 78                     |
| 0                                     | 0                             | 0                      | Revaluation of Financial Assets             | (1,218)                               | 0                             | (1,218)                |
| 187                                   | 0                             | 187                    | Other Gains and Losses                      | 195                                   | 0                             | 195                    |
| <b>(499,833)</b>                      | <b>(194,404)</b>              | <b>(694,237)</b>       | <b>Closing Balance</b>                      | <b>(533,174)</b>                      | <b>(181,447)</b>              | <b>(714,621)</b>       |

### **Capital Adjustment Account**

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

### **Revaluation Reserve**

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

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

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

### **Financial Instruments Adjustment Account**

This account provides a balancing mechanism between the different rates at which the gains and losses (such as premiums on the early repayment

of debt) are recognised under the Code Of Practice on Local Authority Accounting and those required by statute to be met from the General Fund.

### **Collection Fund Adjustment Account**

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

### **Pension Reserve**

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

### **Accumulated Absences Account**

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

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

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

### **Financial Instruments Revaluation Reserve**

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

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

### **Deferred Capital Receipts Reserve**

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

### 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.

| 2017/18<br>£000 | Adjustments made to Comprehensive Income and Expenditure Statement (CIES)   | 2018/19<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Reversal of items debited or credited to the CIES</b>  |                 |
|                 | <b>Usable Reserves</b>  |                 |
| (2,558)         | <b>Capital grants &amp; contributions unapplied movement to CIES</b>  | (5,285)         |
|                 | <b>Unusable Reserves</b>  |                 |
| (25,428)        | Charges for depreciation of non-current assets  | (28,159)        |
| (35,833)        | Charges for derecognition of non-current assets   | (35,416)        |
| 20,923          | Revaluation of Property, Plant & Equipment & Assets Held for sale   | 2,231           |
| (1,988)         | Amortisation of intangible assets   | (1,340)         |
| 59,849          | Capital grants and contributions applied  | 79,665          |
| (14,687)        | Revenue expenditure funded from capital under statute   | (25,767)        |
| (437)           | Loss on Disposal funded from Capital Receipts   | (167)           |
| (22,254)        | Retirement benefit adjustments debited or credited to the CIES  | (32,717)        |
| 587             | Collection Fund Adjustment Account (difference between amount credited to CIES & tax income for the year)             | (2,608)         |
| (98)            | Accumulated Absences Account (difference between remuneration charged to the CIES and remuneration paid for the year) | 728             |
| (185)           | Rescheduling of Finance Lease Repayments  | (193)           |
| (10,398)        | Movement in Debt Redemption Premia  | 384             |
| 875             | Reversal of impact of Soft Loans and Stepped Loan on the General Fund Balance, in line with statutory requirements    | 0               |
| 58              | Amortised Deferred Receipts   | 73              |
| 0               | Loss on impairment of debtors   | (78)            |
| 0               | (Gain)/Loss on Revaluation of Fair Value through Profit & Loss Financial Instruments                                  | 1,218           |
|                 | <b>Inclusion of items not debited or credited to the CIES</b>   |                 |
| 10,241          | Statutory provision for the financing of capital investment   | 10,904          |
| 1,137           | Repayment of Transferred Debt Principal   | 1,250           |
| 3,400           | Capital expenditure charged against the General Fund balance.   | 4,535           |
| 0               | Crystallisation of Financial Instrument revaluation (gains)/losses  | (537)           |
| <b>(14,238)</b> | <b>Subtotal of adjustments affecting Unusable Reserves</b>  | <b>(25,994)</b> |
| <b>(16,796)</b> | <b>Total Adjustments</b>  | <b>(31,279)</b> |

### 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<br>£000 | Vehicles, Plant & Equip't<br>£000 | Infra-structure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Under Construction<br>£000 | Total<br>£000    |
|---|--------------------------------|-----------------------------------|--------------------------------|--------------------------|------------------------|----------------------------|------------------|
| <b>Cost or Valuation</b>  |                                |                                   |                                |                          |                        |                            |                  |
| <b>1st April 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> |
| Additions   | 7,537                          | 2,240                             | 16,084                         | 436                      | 0                      | 44,124                     | 70,421           |
| Revaluation increase/(decreases) to Revaluation Reserve                             | 4,500                          | 0                                 | 0                              | 0                        | 0                      | 0                          | 4,500            |
| Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services | (10,680)                       | 0                                 | 0                              | 0                        | 859                    | 0                          | (9,821)          |
| Disposals   | (2,275)                        | 0                                 | 0                              | 0                        | 0                      | 0                          | (2,275)          |
| Derecognition   | (23,168)                       | 0                                 | (7,284)                        | (426)                    | 0                      | 0                          | (30,878)         |
| Reclassifications   | 6,998                          | 0                                 | (7)                            | 0                        | 2,249                  | (9,180)                    | 60               |
| <b>31st March 2019</b>  | <b>852,831</b>                 | <b>38,962</b>                     | <b>435,327</b>                 | <b>15,982</b>            | <b>3,272</b>           | <b>80,522</b>              | <b>1,426,896</b> |
| <b>Depreciation and Impairment</b>  |                                |                                   |                                |                          |                        |                            |                  |
| <b>1st April 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>   |
| Depreciation Charge   | 16,666                         | 2,495                             | 8,998                          | 0                        | 0                      | 0                          | 28,159           |
| Disposals   | 0                              | 0                                 | 0                              | 0                        | 0                      | 0                          | 0                |
| Depreciation written out to the Revaluation Reserve                                 | (692)                          | 0                                 | 0                              | 0                        | 0                      | 0                          | (692)            |
| Depreciation written out to the Surplus/Deficit on the Provision of Services        | (3,817)                        | 0                                 | 0                              | 0                        | 0                      | 0                          | (3,817)          |
| 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   | 0                              | 0                                 | 0                              | 0                        | 0                      | 0                          | 0                |
| <b>31st March 2019</b>  | <b>411,459</b>                 | <b>31,525</b>                     | <b>122,556</b>                 | <b>0</b>                 | <b>18</b>              | <b>0</b>                   | <b>565,558</b>   |
| <b>Net Book Value</b>   |                                |                                   |                                |                          |                        |                            |                  |
| <b>31st March 2019</b>  | <b>441,372</b>                 | <b>7,437</b>                      | <b>312,771</b>                 | <b>15,982</b>            | <b>3,254</b>           | <b>80,522</b>              | <b>861,338</b>   |
| <b>1st April 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>   |



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<br>£000 | Vehicles, Plant & Equip't<br>£000 | Infra-structure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Under Construction<br>£000 | Total<br>£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                             | (18,534)                       | 0                                 | 0                              | 0                        | 0                      | 0                          | (18,534)         |
| Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services | 22,518                         | 0                                 | 0                              | 0                        | 0                      | 0                          | 22,518           |
| 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>   |

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

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

the regulatory environment, and internal factors, such as obsolescence and physical damage. There was also a review of specialist PPE, of which schools are the most significant. For the build costs the BCIS all-in Tender Price Index was applied and for land the Knight Frank Residential Development land Index. There was no change

required to the value of schools because of this review.

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

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

### 3.16 Heritage Assets

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

Heritage assets that have been included in the financial statements at valuation are based on external or internal insurance valuations. These valuations were last updated in 2007 and have not been reassessed during 2018/19 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 2018 and the carried forward balance on 31st March 2019. 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 2018<br>£000 | 31st March 2019<br>£000 |
|-----------------------------|-------------------------|-------------------------|
| Transport Museum Collection | 6,933                   | 6,933                   |
| Scientific                  | 20                      | 20                      |
| Clocks                      | 265                     | 265                     |
| Arms & Armour               | 35                      | 35                      |
| Textiles                    | 5,035                   | 5,035                   |
| Silver                      | 375                     | 375                     |
| General                     | 132                     | 132                     |
| Natural History             | 40                      | 40                      |
| Works of Art                | 232                     | 232                     |
| Furniture                   | 140                     | 140                     |
| Visual Arts                 | 12,438                  | 12,438                  |
| Civic Regalia               | 248                     | 248                     |
| <b>Total</b>                | <b>25,893</b>           | <b>25,893</b>           |

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

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

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

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

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

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

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

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

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

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

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

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

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



### 3.17 Non-Operational Assets

The tables below show the movement in the City Council's Non-Operational Assets during 2018/19, followed by comparative movements for the previous year.

|   | Investment<br>Property | Assets Held<br>for Sale | Heritage<br>Assets | Under<br>Construction* | Total          |
|---|------------------------|-------------------------|--------------------|------------------------|----------------|
|   | £000                   | £000                    | £000               | £000                   | £000           |
| <b>1st April 2018</b>   | <b>165,407</b>         | <b>4,819</b>            | <b>25,893</b>      | <b>8,903</b>           | <b>205,022</b> |
| Additions   | 6,873                  | 0                       | 0                  | 29,999                 | 36,872         |
| Revaluation increase/(decrease) to Revaluation Reserve                              | 0                      | 1,066                   | 0                  | 0                      | 1,066          |
| Revaluation increase/(decrease) to the Surplus/Deficit on the Provision of Services | 8,298                  | (61)                    | 0                  | 0                      | 8,237          |
| Disposals   | 0                      | (2,595)                 | 0                  | 0                      | (2,595)        |
| Derecognition   | (4,246)                | (292)                   | 0                  | 0                      | (4,538)        |
| Reclassifications   | (61)                   | 1                       | 0                  | 0                      | (60)           |
| <b>31st March 2019</b>  | <b>176,271</b>         | <b>2,938</b>            | <b>25,893</b>      | <b>38,902</b>          | <b>244,004</b> |

|   | Investment<br>Property | Assets Held<br>for Sale | Heritage<br>Assets | Under<br>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> |

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

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

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

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

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

| Type of Investment Property | 31st March<br>2018<br>£000 | 31st March<br>2019<br>£000 |
|-----------------------------|----------------------------|----------------------------|
| Commercial                  | 138,215                    | 137,689                    |
| Office Units                | 16,930                     | 17,803                     |
| Agricultural                | 4,730                      | 10,307                     |
| Residential                 | 2,359                      | 7,811                      |
| Other                       | 3,173                      | 2,661                      |
| <b>Total</b>                | <b>165,407</b>             | <b>176,271</b>             |



### 3.18 Capital Expenditure and Capital Financing

The table below shows how capital expenditure in 2018/19 has been financed:

| 31st March<br>2018<br>£000 |   | 31st March<br>2019<br>£000 |
|----------------------------|---|----------------------------|
| <b>380,813</b>             | Opening Capital Financing Requirement                       | <b>400,518</b>             |
|                            | <b>Capital Investment</b>                                   |                            |
| 74,456                     | Property, Plant and Equipment                               | 70,421                     |
| 6,531                      | Investment Properties                                       | 36,872                     |
| 1,988                      | Intangible Assets   | 1,340                      |
| 14,687                     | Revenue Expenditure Funded from Capital Under Statute       | 25,767                     |
| 9,147                      | Investments   | 10,495                     |
| 0                          | Debtors   | 2,010                      |
| <b>106,809</b>             | <b>Total Capital Investment</b>                             | <b>146,905</b>             |
|                            | <b>Sources of Finance</b>                                   |                            |
| (12,211)                   | Capital Receipts  | (10,586)                   |
| (59,849)                   | Government Grants and Other Contributions                   | (79,665)                   |
| (3,400)                    | Revenue Contributions                                       | (4,535)                    |
| (10,241)                   | Revenue Provision for Debt Repayment                        | (10,904)                   |
| (266)                      | Donated Assets  | (208)                      |
| (1,137)                    | Other Adjustments   | (1,250)                    |
| <b>(87,104)</b>            | <b>Total from Sources of Finance</b>                        | <b>(107,148)</b>           |
| <b>400,518</b>             | <b>Closing Capital Financing Requirement</b>                | <b>440,275</b>             |
|                            | <b>Explanation of movement in year</b>                      |                            |
| (10,241)                   | Revenue Provision for Debt Repayment                        | (10,904)                   |
| (1,014)                    | Repayment of Transferred Debt Principal                     | (1,115)                    |
| 31,083                     | Capital Investment funded by borrowing                      | 51,911                     |
| 0                          | Capital Receipts Applied to Repay Debt                      | 0                          |
| 0                          | Assets acquired under PFI/PPP contracts                     | 0                          |
| 0                          | Reduction of Capitalised Provision                          | 0                          |
| (123)                      | Restatement of Historic Debt Liability                      | (135)                      |
| <b>19,705</b>              | <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>39,757</b>              |

The Council's capital spending for the year, outlined in section 1.2 and identified in its management accounting reports (£146,697) includes all the items recorded under capital investment above (£146,905k) less new assets recorded as part of the Street Lighting PFI contract (£208k) 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 2014/15 to 2018/19. 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<br>& Buildings<br>£000 | Vehicles,<br>Plant &<br>Equipment<br>£000 | Infra-<br>structure<br>Assets<br>£000 | Community<br>Assets<br>£000 | Surplus<br>Assets<br>£000 | Assets Under<br>Construction<br>£000 | Total<br>£000  |
|--------------------------------|-----------------------------------|---|---------------------------------------|-----------------------------|---------------------------|--------------------------------------|----------------|
| Carried at Historical Cost     | 0                                 | 7,437                                     | 312,771                               | 15,982                      | 0                         | 80,522                               | 416,712        |
| Valued at current value as at: |                                   |   |                                       |                             |                           |                                      |                |
| 31st March 2015                | 53,819                            | 0   | 0                                     | 0                           | 0                         | 0                                    | 53,819         |
| 31st March 2016                | 5,740                             | 0   | 0                                     | 0                           | 146                       | 0                                    | 5,886          |
| 31st March 2017                | 18,934                            | 0   | 0                                     | 0                           | 0                         | 0                                    | 18,934         |
| 31st March 2018                | 270,003                           | 0   | 0                                     | 0                           | 0                         | 0                                    | 270,003        |
| 31st March 2019                | 92,876                            | 0   | 0                                     | 0                           | 3,108                     | 0                                    | 95,984         |
| <b>Total Cost or Valuation</b> | <b>441,372</b>                    | <b>7,437</b>                              | <b>312,771</b>                        | <b>15,982</b>               | <b>3,254</b>              | <b>80,522</b>                        | <b>861,338</b> |

### 3.20 Capital Commitments

The City Council 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 2019.

| Significant Capital Commitments<br>2018/19                                  | Outstanding<br>Commitment<br>£000 | Contract<br>Value<br>£000 | Date for<br>Completion |
|---|-----------------------------------|---------------------------|------------------------|
| Whitley South (Buckingham Group)  | 29,210                            | 46,552                    | 01/09/2020             |
| Alan Higgs 50m Project (Galliford Try)                                      | 7,477                             | 11,325                    | 15/10/2019             |
| Nuneaton Town Centre Transformation (Warwickshire County Council)           | 7,340                             | 7,500                     | 31/12/2021             |
| Station Masterplan - FB&C Construction Costs (Buckingham Group)             | 6,579                             | 9,518                     | 06/05/2020             |
| Salt Lane Car Park (Buckingham Group)                                       | 5,269                             | 11,262                    | 05/08/2019             |
| Coventry Very Light Rail (University of Warwick)                            | 4,120                             | 6,007                     | 31/03/2021             |
| WMG Apprenticeship Learning Academy (Warwick University)                    | 4,061                             | 10,000                    | 31/12/2019             |
| A452 Europa Way Corridor (Warwickshire County Council)                      | 3,574                             | 3,600                     | 31/03/2021             |
| A46 N-S Corridor (Stanks) - (Warwickshire County Council)                   | 3,450                             | 4,100                     | 31/12/2019             |
| City Centre South -Developer Agreement (Shearer Property Group)             | 3,204                             | 3,204                     | 21/03/2023             |
| City Centre South - Cov Point demolition contractor (CNC Group Holding Ltd) | 2,651                             | 2,756                     | 22/05/2020             |
| City Centre Destination Lesiure Facility (Buckingham Group)                 | 1,805                             | 29,114                    | 18/04/2019             |
| Warwick Arts Centre 20:20 (Warwick University)                              | 1,146                             | 2,000                     | 31/03/2020             |
| RSC Costume Workshop Redevelopment (Royal Shakespeare Company)              | 1,000                             | 1,000                     | 31/03/2020             |
| CSW Broadband (Warwickshire County Council)                                 | 791                               | 1,000                     | 31/12/2019             |
| Station Masterplan - Phase 2 (Buckingham Group)                             | 739                               | 739                       | 08/06/2019             |
| New Offices at Friargate (Friargate LLP)                                    | 670                               | 40,500                    | 31/03/2020             |
| Station Masterplan - Foot Bridge & Canopies APA Agreement (Network Rail)    | 661                               | 914                       | 06/05/2020             |
| Heatline (Engie)  | 538                               | 1,230                     | 01/05/2019             |
| Shakespeare's Henley Street (Royal Shakespeare Company)                     | 462                               | 462                       | 31/03/2021             |
| Station Masterplan - Highways Detailed Design (Atkins)                      | 138                               | 138                       | 08/08/2019             |
| ICT Strategy Systems & Development (Arcus Global Ltd)                       | 133                               | 250                       | 31/03/2020             |
| Swanswell Viaduct Refurbishment (Jackson Civil Engineering)                 | 113                               | 4,600                     | 31/03/2020             |
| Station Masterplan Consultancy Fees (WSP Ltd)                               | 112                               | 1,091                     | 31/12/2020             |
|   | <b>85,243</b>                     | <b>198,862</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<br>2018<br>£000 | Long Term Investments                          | 31st March<br>2019<br>£000 |
|----------------------------|--|----------------------------|
| 51,667                     | Coventry Solihull Waste Disposal Co (CSWDC)    | 57,000                     |
| 29,169                     | Birmingham Airport Holdings Ltd                | 29,252                     |
| 12,006                     | Coombe Abbey Park Ltd                          | 11,359                     |
| 0                          | Friargate Joint Venture Project Limited        | 10,495                     |
| 2,703                      | North Coventry Holdings Limited                | 2,703                      |
| 0                          | UK Battery Industrialisation Centre Limited    | 0                          |
| 0                          | Uni Warwick Science Park Innovation Centre Ltd | 0                          |
| <b>95,545</b>              | <b>Total Long Term Investments</b>             | <b>110,809</b>             |

A valuation exercise undertaken jointly with BDO LLP in 2018 valued the Council's shareholding in Birmingham Airport Holdings Limited at £29.2m. A subsequent valuation in 2019 again undertaken jointly with BDO LLP has resulted in a marginally increased valuation of £29.3m.

A valuation exercise undertaken jointly with BDO LLP in 2018 valued the Council's shareholding in the Coventry and Solihull Waste Disposal Company at £51.7m. A subsequent valuation exercise in 2019 again undertaken jointly with BDO LLP has resulted in a revised valuation of £57.0m.

The Council completed the purchase of a 100% shareholding in Coombe Abbey Park Limited in December 2017. The Company owns and operates the Coombe Abbey Hotel which is situated just outside the city boundary. The fair value of the investment was calculated to be

£12.0m in 2017/18. An updated valuation exercise undertaken jointly with BDO LLP in 2019 has reduced the valuation to £11.4m.

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

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

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 2019.

The UK Battery Industrialisation Centre Ltd was incorporated in February 2018 and the Council is currently the sole shareholder. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group and Coventry & Warwickshire Local Enterprise Partnership. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency. As a result, activity within the company has been minimal to date and it is held at nil value as at 31<sup>st</sup> March 2019.

See section 3.35 for further details regarding the Council's company interests.

## 3.22 Long Term Debtors

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

Long term debtors include a number of different types of financial assets, including loans provided for service purposes and debtors arising from finance lease disposals. Under IFRS9 debtors are accounted for as either at amortised cost or fair value through profit and loss, with the former being assessed for impairment. Transitional disclosures are included in section 3.34.

| 31st March<br>2018 | Long Term Debtors                                       | 31st March 2019                  |                             |                            |
|--------------------|---|----------------------------------|-----------------------------|----------------------------|
|                    |   | Gross<br>Debtor<br>£000          | Impairment<br>£000          | Net Debtor<br>£000         |
| £000               |   |                                  |                             |                            |
| 0                  | Museum of British Road Transport                        | 110                              | 0                           | 110                        |
| 67                 | Housing Loans   | 67                               | 0                           | 67                         |
| 1,066              | Binley Innovation Centre                                | 1,066                            | (43)                        | 1,023                      |
| 846                | Residential Property Debts                              | 706                              | 0                           | 706                        |
| 5                  | Coventry North Regeneration Ltd                         | 5                                | 0                           | 5                          |
| 130                | Mortgages   | 118                              | 0                           | 118                        |
| 236                | Belgrade Theatre  | 222                              | 0                           | 222                        |
| 36                 | Commercial Property                                     | 0                                | 0                           | 0                          |
| 4,733              | City College Car Park                                   | 4,337                            | (13)                        | 4,324                      |
| 2                  | Car Loans   | 2                                | 0                           | 2                          |
| 4,472              | Coombe (2013)   | 4,013                            | (9)                         | 4,004                      |
| 2,629              | BDW Trading Ltd   | 0                                | 0                           | 0                          |
| 510                | Culture Coventry Trust - Pension                        | 120                              | (20)                        | 100                        |
| 262                | Culture Coventry Trust - Revolving Loan                 | 199                              | (13)                        | 186                        |
| 3,787              | Belgrade Plaza  | 3,789                            | 0                           | 3,789                      |
| 0                  | Friargate LLP   | 5,051                            | (11)                        | 5,040                      |
| 0                  | Coombe (2018)   | 600                              | 0                           | 600                        |
| 0                  | CAWAT   | 1,150                            | (13)                        | 1,137                      |
| <b>18,781</b>      | <b>Total held at amortised cost</b>                     | <b>21,555</b>                    | <b>(122)</b>                | <b>21,433</b>              |
|                    |   | <b>Gross<br/>Debtor<br/>£000</b> | <b>Revaluation<br/>£000</b> | <b>Net Debtor<br/>£000</b> |
| <b>£000</b>        |   | <b>£000</b>                      | <b>£000</b>                 | <b>£000</b>                |
| 128                | Pathways to Care Loans                                  | 265                              | 87                          | 352                        |
| 1,981              | Kickstart   | 1,966                            | 1,132                       | 3,098                      |
| <b>2,109</b>       | <b>Total held at fair value through profit and loss</b> | <b>2,231</b>                     | <b>1,219</b>                | <b>3,450</b>               |
| <b>20,890</b>      | <b>Total Long Term Debtors</b>                          | <b>23,786</b>                    | <b>1,097</b>                | <b>24,883</b>              |

### 3.23 Short Term Debtors

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

| 31st March 2018 |                       |                         |               | Debtors<br>Classification        | 31st March 2019 |                       |                         |               |
|-----------------|-----------------------|-------------------------|---------------|----------------------------------|-----------------|-----------------------|-------------------------|---------------|
| Debtor          | Payment In<br>Advance | Impairment<br>Allowance | Total         |                                  | Debtor          | Payment In<br>Advance | Impairment<br>Allowance | Total         |
| £000s           | £000s                 | £000s                   | £000s         |                                  | £000s           | £000s                 | £000s                   | £000s         |
| 12,424          | 0                     | 0                       | <b>12,424</b> | Central Government Bodies        | 15,289          | 0                     | 0                       | <b>15,289</b> |
| 7,129           | 0                     | 0                       | <b>7,129</b>  | Other Local Authorities          | 4,934           | 13                    | 0                       | <b>4,947</b>  |
| 632             | 0                     | 0                       | <b>632</b>    | NHS Bodies                       | 1,810           | 0                     | 0                       | <b>1,810</b>  |
| 0               | 0                     | 0                       | <b>0</b>      | Public Corporations              | 0               | 0                     | 0                       | <b>0</b>      |
| 31,849          | 10,841                | (13,794)                | <b>28,896</b> | All Other Bodies                 | 46,788          | 9,841                 | (12,493)                | <b>44,136</b> |
| 13,854          | 0                     | (5,533)                 | <b>8,321</b>  | Debts Relating to Local Taxation | 17,123          | 0                     | (7,435)                 | <b>9,688</b>  |
| <b>65,888</b>   | <b>10,841</b>         | <b>(19,327)</b>         | <b>57,402</b> | <b>Total Debtors</b>             | <b>85,944</b>   | <b>9,854</b>          | <b>(19,928)</b>         | <b>75,870</b> |

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

| 31st March 2018 |                |              | Debts Relating to Local Tax | 31st March 2019 |                |              |
|-----------------|----------------|--------------|-----------------------------|-----------------|----------------|--------------|
| Council Tax     | Business Rates | Total        |                             | Council Tax     | Business Rates | Total        |
| £000s           | £000s          | £000s        |                             | £000s           | £000s          | £000s        |
| 3,467           | 741            | 4,208        | Less than one year          | 3,982           | 1,172          | 5,154        |
| 1,343           | 230            | 1,573        | 1-2 years                   | 1,450           | 427            | 1,877        |
| 1,951           | 76             | 2,027        | 2-6 years                   | 2,013           | 176            | 2,189        |
| 513             | 0              | 513          | More than 6 years           | 468             | 0              | 468          |
| <b>7,274</b>    | <b>1,047</b>   | <b>8,321</b> | <b>Total</b>                | <b>7,913</b>    | <b>1,775</b>   | <b>9,688</b> |



### 3.24 Short Term Creditors

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

| 31st March 2018    |                              |                 | Creditors Classification           | 31st March 2019    |                              |                 |
|--------------------|------------------------------|-----------------|------------------------------------|--------------------|------------------------------|-----------------|
| Creditors<br>£000s | Receipts in Advance<br>£000s | Total<br>£000s  |                                    | Creditors<br>£000s | Receipts in Advance<br>£000s | Total<br>£000s  |
| (8,620)            | (332)                        | <b>(8,952)</b>  | Central Government Bodies          | (12,707)           | (1,589)                      | <b>(14,296)</b> |
| 344                | (20)                         | <b>324</b>      | Other Local Authorities            | (402)              | (86)                         | <b>(488)</b>    |
| (2,857)            | (5)                          | <b>(2,862)</b>  | NHS Bodies                         | (3,343)            | (5)                          | <b>(3,348)</b>  |
| 0                  | 0                            | <b>0</b>        | Public Corporations                | (15)               | 0                            | <b>(15)</b>     |
| (40,192)           | (9,014)                      | <b>(49,206)</b> | All Other Bodies                   | (42,551)           | (7,708)                      | <b>(50,259)</b> |
| (4,759)            | (4,144)                      | <b>(8,903)</b>  | Credits Relating to Local Taxation | (601)              | (5,381)                      | <b>(5,982)</b>  |
| <b>(56,084)</b>    | <b>(13,515)</b>              | <b>(69,599)</b> | <b>Total Creditors</b>             | <b>(59,619)</b>    | <b>(14,769)</b>              | <b>(74,388)</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 2018/19 is explained below:

| Provisions              | Self-Insurance | Business Rates Appeals | Other        | Total           |
|-------------------------|----------------|------------------------|--------------|-----------------|
|                         | £000           | £000                   | £000         | £000            |
| <b>31st March 2018</b>  | <b>(6,048)</b> | <b>(5,403)</b>         | <b>(419)</b> | <b>(11,870)</b> |
| Increase in provision   | 0              | (9,732)                | 0            | (9,732)         |
| Amounts used            | 0              | 3,799                  | 4            | 3,803           |
| Unused amounts reversed | 608            | 2,837                  | 79           | 3,524           |
| <b>31st March 2019</b>  | <b>(5,440)</b> | <b>(8,499)</b>         | <b>(336)</b> | <b>(14,275)</b> |

The split between short and long term provisions, as at 31st March 2019, is provided in the following table:

| Provisions            | Self-Insurance | Business Rates Appeals | Other        | Total           |
|-----------------------|----------------|------------------------|--------------|-----------------|
|                       | £000           | £000                   | £000         | £000            |
| Short Term Provisions | 0              | (1,921)                | (25)         | <b>(1,946)</b>  |
| Long Term Provisions  | (5,440)        | (6,578)                | (311)        | <b>(12,329)</b> |
| <b>Total</b>          | <b>(5,440)</b> | <b>(8,499)</b>         | <b>(336)</b> | <b>(14,275)</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 Council also maintains an insurance earmarked reserve that is set aside for claims that have been incurred but not yet received as detailed within the note on usable and usable reserves.

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. One of the implications for this is that the Council is required to make provisions for refunding ratepayers who successfully appeal against the rateable value of their properties including amounts relating to 2018/19 and earlier financial years although the amount and timing of future payments are uncertain.

### 3.26 Other Funds

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

| Other Funds  | 31st March 2018 | 31st March 2019 |
|--|-----------------|-----------------|
|  | £000            | £000            |
| <b>Trust Funds:</b>  |                 |                 |
| Tenant Contributions towards essential repairs & maintenance | (1,715)         | (1,581)         |
| Social Services Client Funds                                 | (176)           | (149)           |
| <b>Trust Funds Total</b>                                     | <b>(1,891)</b>  | <b>(1,730)</b>  |
| Other (e.g. Bequests & Charity donations)                    | (580)           | (754)           |
| Developer Contributions (e.g. S106)                          | (10,422)        | (18,785)        |
| <b>Total</b>   | <b>(12,893)</b> | <b>(21,269)</b> |
| <b>Of which:</b>   |                 |                 |
| Short Term Creditors   | (9,773)         | (11,313)        |
| Other Long Term Liabilities                                  | (3,120)         | (9,957)         |

### 3.27 Notes to the Cash Flow

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

| 2017/18<br>£000 | Adjustments for Non Cash Movements  | 2018/19<br>£000  |
|-----------------|---|------------------|
| (25,428)        | Depreciation  | (28,159)         |
| (35,833)        | Derecognition of Non-current Assets   | (35,416)         |
| 20,923          | Revaluation of Non-current Assets   | 2,231            |
| (1,988)         | Amortisation  | (1,340)          |
| (575)           | (Increase)/ Decrease in Impairment Provision for Bad Debts                      | 1,301            |
| 184             | (Increase)/ Decrease in Creditors and Provisions                                | (14,029)         |
| 914             | Increase/ (Decrease) in Debtors   | 18,202           |
| (22)            | Increase/ (Decrease) in Inventory   | 136              |
| (22,254)        | Pension Liability   | (63,817)         |
| 0               | Other Non Cash items charged to Net Surplus or Deficit on Provision of Services | 319              |
| <b>(64,079)</b> | <b>Total</b>  | <b>(120,572)</b> |

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

| £000          | Investing and Financing Activities             | £000          |
|---------------|--|---------------|
| 42,604        | Net Application of grants to capital financing | 74,380        |
| (1,468)       | Council Tax & Business Rates Adjustments       | (3,889)       |
| <b>41,136</b> | <b>Total</b>                                   | <b>70,491</b> |

| 2017/18<br>£000 | Cash Flows from Investing Activities   | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 94,619          | Purchase of Property, Plant and Equipment, Investment Property & Intangible Assets             | 108,633         |
| (10,029)        | Proceeds from the Sale of Property, Plant & Equipment, Investment Property & Intangible Assets | (4,870)         |
| 74,832          | Purchase of Short Term and Long Term Investments   | 176,734         |
| (150,424)       | Proceeds from Short Term & Long Term Investments   | (183,721)       |
| 71,347          | Other Payments for Investing Activities  | 12,505          |
| (57,291)        | Other Receipts from Investing Activities   | (77,943)        |
| <b>23,054</b>   | <b>Total</b>   | <b>31,338</b>   |

| 2017/18<br>£000 | Cash Flows from Financing Activities  | 2018/19<br>£000 |
|-----------------|---|-----------------|
| (44,995)        | Cash Receipts of Short and Long Term Borrowing  | (66,662)        |
| 1,468           | Council Tax & Business Rates Adjustments  | 3,889           |
| 2,394           | Cash Payments for the Reduction of the outstanding liability relating to a Finance Lease and on Balance Sheet PFI Contracts | 2,670           |
| 42,646          | Repayments of Short and Long Term Borrowing   | 53,876          |
| 0               | Other Payments for Financing Activities   | 15              |
| <b>1,513</b>    | <b>Total</b>  | <b>(6,212)</b>  |

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

The cash flows for operating activities include the following items:

| 2017/18<br>£000 | Cash Flows from Interest and Dividends | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 30,572          | Interest received                      | (2,857)         |
| (2,429)         | Interest paid                          | 19,537          |
| (7,805)         | Dividends received                     | (9,191)         |
| <b>20,338</b>   | <b>Total</b>                           | <b>7,489</b>    |

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

| 2017/18<br>£000 | Breakdown of Cash and Cash Equivalents | 2018/19<br>£000 |
|-----------------|--|-----------------|
| (132)           | Cash held by the council               | (32)            |
| (13,561)        | Bank current accounts                  | (26,164)        |
| (2,500)         | On call deposits                       | (425)           |
| <b>(16,193)</b> | <b>Total</b>                           | <b>(26,621)</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, with the lease of the site to the school. This transfer did not result in any fundamental changes to the PFI contract itself. However, as a result of the transfer the value of the school's land and buildings was removed (as an impairment) from the Council's balance sheet.

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

In 2018/19 expenditure on unitary charge payments to the contractor was £3,152k, compared with £3,109k, in 2017/18. In each of these years £1,875k of PFI grant was received, giving a net cost of £1,277k in 2018/19 (£1,234k in 2017/18). The school contribution was £667k in 2018/19 (£669k in 2017/18). The unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

| Year              | Service Charge<br>£000 | Repayment<br>of Liability<br>£000 | Interest<br>Charge<br>£000 | Total Unitary<br>Charge<br>£000 |
|-------------------|------------------------|-----------------------------------|----------------------------|---------------------------------|
| 2019/20           | 1,404                  | 712                               | 690                        | 2,806                           |
| 2020/21 - 2023/24 | 6,438                  | 2,546                             | 2,069                      | 11,053                          |
| 2024/25 - 2028/29 | 9,339                  | 3,126                             | 1,136                      | 13,601                          |
| 2029/30 - 2033/34 | 9,802                  | 3,800                             | (66)                       | 13,536                          |
| 2034/35           | 1,510                  | 658                               | (124)                      | 2,044                           |
| <b>Total</b>      | <b>28,493</b>          | <b>10,842</b>                     | <b>3,705</b>               | <b>43,040</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 2018/19 are shown in the tables below.

| Loans  | £000            |
|--|-----------------|
| <b>Liability brought forward</b>                   | (11,531)        |
| Unitary Charge (Lease repayment)                   | 689             |
| <b>Liability carried forward (breakdown below)</b> | <b>(10,842)</b> |
| Long term liability                                | (10,130)        |
| Current liability                                  | (712)           |

### 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 2018/19 expenditure on unitary charge payments to the contractor was £7,308k, compared with £7,016k in 2017/18. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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

| Year              | Service Charge<br>£000 | Repayment<br>of Liability<br>£000 | Interest<br>Charge<br>£000 | Total Unitary<br>Charge<br>£000 |
|-------------------|------------------------|-----------------------------------|----------------------------|---------------------------------|
| 2019/20           | 5,247                  | 571                               | 1,679                      | 7,497                           |
| 2020/21 - 2023/24 | 21,578                 | 3,460                             | 6,971                      | 32,009                          |
| 2024/25 - 2028/29 | 31,806                 | 5,770                             | 7,393                      | 44,969                          |
| 2029/30 - 2032/33 | 22,728                 | 5,509                             | 4,232                      | 32,469                          |
| <b>Total</b>      | <b>81,359</b>          | <b>15,310</b>                     | <b>20,275</b>              | <b>116,944</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 2018/19 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                                      | (13,396)        |
| Revaluation  | (1,459)         |
| Carried forward                                      | (14,855)        |
| <b>Balance Sheet carried forward</b>                 | <b>6,903</b>    |
| <b>Balance Sheet brought forward</b>                 | <b>8,362</b>    |
|  |                 |
| <b>Long Term Loans</b>                               | <b>£000</b>     |
| <b>Liability brought forward</b>                     | <b>(16,144)</b> |
| Unitary Charge (Lease repayment)                     | 0               |
| <b>Liability carried forward (breakdown below)</b>   | <b>(15,310)</b> |
| Long term liability                                  | (14,739)        |
| Current liability                                    | (571)           |

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 2018/19 expenditure on unitary charge payments to the contractor was £7,927k, compared with £7,585k in 2017/18. This unitary charge is divided into three elements; service charge, repayment of the liability and interest.

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



| Year              | Service Charge<br>£000 | Repayment<br>of Liability<br>£000 | Interest<br>Charge<br>£000 | Total Unitary<br>Charge<br>£000 |
|-------------------|------------------------|-----------------------------------|----------------------------|---------------------------------|
| 2019/20           | 1,871                  | 1,249                             | 4,358                      | 7,478                           |
| 2020/21 - 2023/24 | 9,321                  | 5,323                             | 15,976                     | 30,620                          |
| 2024/25 - 2028/29 | 12,333                 | 10,742                            | 16,934                     | 40,009                          |
| 2029/30 - 2033/34 | 14,364                 | 16,885                            | 10,923                     | 42,172                          |
| 2034/35 - 2035/36 | 4,670                  | 7,386                             | 1,814                      | 13,870                          |
| <b>Total</b>      | <b>42,559</b>          | <b>41,585</b>                     | <b>50,005</b>              | <b>134,149</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                        | 50,245        |
| Initial recognition - Donated Asset    | 208           |
| Carried forward                        | 50,453        |
| <b>Depreciation and Impairments</b>    |               |
| Brought forward                        | (5,530)       |
| Adjustment to brought forward position | 0             |
| Charged this year                      | (1,349)       |
| Carried forward                        | (6,879)       |
| <b>Balance Sheet carried forward</b>   | <b>43,574</b> |
| <b>Balance Sheet brought forward</b>   | <b>44,715</b> |

| Long Term Loans                                    | £000            |
|--|-----------------|
| <b>Liability brought forward</b>                   | <b>(42,732)</b> |
| Adjustment to brought forward position             | 0               |
| Unitary Charge (Lease repayment)                   | 1,147           |
| <b>Liability carried forward (breakdown below)</b> | <b>(41,585)</b> |
| Long term liability                                | (40,336)        |
| Current liability                                  | (1,249)         |

| Donated Assets Account                                 | £000           |
|--|----------------|
| <b>Donated Assets account brought forward</b>          | <b>(1,312)</b> |
| Donated Assets recognised in year                      | (208)          |
| Credited to Comprehensive Income & Expenditure account | 73             |
| <b>Donated Assets account carried forward</b>          | <b>(1,447)</b> |

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 2018<br>£000 | 31st March 2019<br>£000 |
|--|-------------------------|-------------------------|
| Other Land and Buildings                 | 2,348                   | 2,426                   |
| Vehicles, Plant, Furniture and Equipment | 3                       | 0                       |
|  | <b>2,351</b>            | <b>2,426</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 2018<br>£000 | 31st March 2019<br>£000 |
|---------------------------------------|-------------------------|-------------------------|
| Finance lease liabilities :           |                         |                         |
| - current                             | 0                       | 0                       |
| - non-current                         | 0                       | 0                       |
| Finance costs payable in future years | 12,243                  | 12,036                  |
| <b>Minimum Lease Payments</b>         | <b>12,243</b>           | <b>12,036</b>           |

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

|   | 31st March 2018<br>£000 | 31st March 2019<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 207                     | 202                     |
| Later than one year and not later than five years | 807                     | 807                     |
| Later than five years                             | 11,229                  | 11,027                  |
|   | <b>12,243</b>           | <b>12,036</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 2018/19 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 2018<br>£000 | 31st March 2019<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 182                     | 82                      |
| Later than one year and not later than five years | 155                     | 105                     |
| Later than five years                             | 111                     | 87                      |
|   | <b>448</b>              | <b>274</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 2018<br>£000 | 31st March 2019<br>£000 |
|---|-------------------------|-------------------------|
| Finance lease debtor (net present value of minimum lease payments): |                         |                         |
| - current   | 193                     | 203                     |
| - non-current   | 8,327                   | 8,124                   |
| Unearned finance income   | 27,106                  | 26,670                  |
| Unguaranteed residual value of property                             | 0                       | 0                       |
| <b>Gross Investment in the lease</b>                                | <b>35,626</b>           | <b>34,997</b>           |

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

|   | 31st March 2018<br>£000 | 31st March 2019<br>£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                             | 32,447                  | 31,848                  |
|   | <b>35,596</b>           | <b>34,997</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 2018/19, contingent rents receivable by the Authority totalled £75k.

### 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 2018<br>£000 | 31st March 2019<br>£000 |
|---|-------------------------|-------------------------|
| Not later than one year                           | 9,947                   | 9,915                   |
| Later than one year and not later than five years | 28,335                  | 28,907                  |
| Later than five years                             | 323,547                 | 323,871                 |
| <b>Total</b>                                      | <b>361,829</b>          | <b>362,693</b>          |

### 3.30 Pension Costs

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

The Council's pension deficit increased slightly in 2018/19. When compared to the total value of everything the Council owns, the overall pension deficit remains a significant matter for consideration. Further details on pension liabilities are provided in note 3.31.

#### **Officers**

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

In 2017/18 the City Council made an upfront payment of £93,300k to cover employer contributions up to 2019/20. The amount that would have been paid without this upfront payment was £36,877k, (£34,469k in 2017/18),

representing 27.3% of employees' pensionable pay into the West Midlands Metropolitan Authorities Pension Fund. The contributions were set in line with local government pension regulations, following the actuarial review by Barnett Waddingham LLP as at March 2016.

The Council is also responsible for all pension payments relating to employees who retire early and additional pension contributions. In 2018/19, this amounted to £1,909k (£2,895k in 2017/18).

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

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

#### **Teaching Staff**

In 2018/19, the City Council paid £9,059k (£10,163k in 2017/18) 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 2018/19,

these amounted to £2,379k (£2,426k in 2017/18) 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 £9.9m 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 2018/19 the City Council paid £28k to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£48k in 2017/18), 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. The stated pensions position includes an estimate of the potential impact of the Court of Appeal judgement regarding the McCloud and Sargeant cases relating to age discrimination within the judicial and fire pension schemes respectively.

#### Summary of Outcome

The overall decrease in the deficit is analysed as follows:

| 2017/18          |                 |                  | 2018/19                         |                  |                 |                  |
|------------------|-----------------|------------------|---------------------------------|------------------|-----------------|------------------|
| LGPS             | Teachers        | Total            | LGPS                            | Teachers         | Total           |                  |
| £000             | £000            | £000             | £000                            | £000             | £000            |                  |
| (578,797)        | (34,439)        | (613,236)        | Deficit b/fwd                   | (510,135)        | (32,110)        | (542,245)        |
| (47,453)         | 0               | (47,453)         | Current Service Cost            | (46,301)         | 0               | (46,301)         |
| 98,390           | 2,426           | 100,816          | Employer Contributions          | 1,967            | 2,379           | 4,346            |
| 0                | 0               | 0                | Past Service Gain/(Loss)        | 0                | 0               | 0                |
| 33,010           | 0               | 33,010           | Return on Assets                | 31,235           | 0               | 31,235           |
| (47,258)         | (665)           | (47,923)         | Interest on Pension Liabilities | (44,174)         | (742)           | (44,916)         |
| 30,477           | 0               | 30,477           | Remeasurements                  | 51,385           | 772             | 52,157           |
| 2,023            | 568             | 2,591            | Curtailement Gain/(Loss)        | (7,630)          | 0               | (7,630)          |
| (527)            | 0               | (527)            | Administration Expenses         | (551)            | 0               | (551)            |
| <b>(510,135)</b> | <b>(32,110)</b> | <b>(542,245)</b> | <b>Surplus/(Deficit)</b>        | <b>(524,204)</b> | <b>(29,701)</b> | <b>(553,905)</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 LGPS deficit increased slightly within 2018/19 and there were some significant movements within the outcome which can largely be explained as follows:

- A decrease in the discount rate which creates a liability increase. Every time there is a decrease in discount rates it drives up the value of pension benefits and increase current service costs.
- A decrease in life expectancy which accounts for a decrease in liabilities
- Continuing benefit of an upfront payment of £93,300k made by the City Council to the Pension Fund in April 2017 which covered the next 3 years pension contributions

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

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

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

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

| LGPS<br>£000  | 2017/18<br>Teachers<br>£000 | Total<br>£000 |  | LGPS<br>£000  | 2018/19<br>Teachers<br>£000 | Total<br>£000 |
|---|-----------------------------|---------------|--|---------------|-----------------------------|---------------|
| <b>Net Cost of Services</b>   |                             |               |  |               |                             |               |
| 47,453  | 0                           | 47,453        | Current Service Cost   | 46,301        | 0                           | 46,301        |
| 0   | 0                           | 0             | Past Service Costs (Gain)  | 0             | 0                           | 0             |
| (2,023)   | (568)                       | (2,591)       | Settlements and curtailments   | 7,630         | 0                           | 7,630         |
| 527   | 0                           | 527           | Administration Expenses  | 551           | 0                           | 551           |
| <b>45,957</b>   | <b>(568)</b>                | <b>45,389</b> | <b>Net Cost of Services sub-total</b>  | <b>54,482</b> | <b>0</b>                    | <b>54,482</b> |
| <b>Financing and Investment Income and Expenditure</b>                          |                             |               |  |               |                             |               |
| 47,258  | 665                         | 47,923        | Interest cost  | 44,174        | 742                         | 44,916        |
| (33,010)  | 0                           | (33,010)      | Expected return on scheme assets   | (31,235)      | 0                           | (31,235)      |
| <b>14,248</b>   | <b>665</b>                  | <b>14,913</b> | <b>Net Interest Cost</b>   | <b>12,939</b> | <b>742</b>                  | <b>13,681</b> |
| <b>60,205</b>   | <b>97</b>                   | <b>60,302</b> | <b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>   | <b>67,421</b> | <b>742</b>                  | <b>68,163</b> |
| <b>Other Post Employment Benefit Charged to CIES</b>                            |                             |               |  |               |                             |               |
| (30,477)  | 0                           | (30,477)      | Re-measurements  | (51,385)      | (772)                       | (52,157)      |
| <b>29,728</b>   | <b>97</b>                   | <b>29,825</b> | <b>Total Post Employment Benefit Charged to the CIES</b>   | <b>16,036</b> | <b>(30)</b>                 | <b>16,006</b> |
| <b>Movement in Reserves Statement</b>   |                             |               |  |               |                             |               |
| (60,205)  | (97)                        | (60,302)      | Reversal of net charges made to the surplus/deficit for the Provision of Services for post employment benefits in accordance with the Code | (67,421)      | (742)                       | (68,163)      |
| <b>Actual amount charged against the General Fund for pensions in the year:</b> |                             |               |  |               |                             |               |
| (98,390)  |                             | (98,390)      | Employers contributions payable to scheme  | 1,967         |                             | 1,967         |
|   | 2,426                       | 2,426         | Retirement benefits payable to pensioners  |               | 2,379                       | 2,379         |

The cumulative amount of re-measurements recognised in the Comprehensive Income and Expenditure Statement from 1st April 2010 to 31st March 2019 is a loss of £61.61m.



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

| <u>Local Government Pension<br/>Scheme</u> | 2017/18<br>£000  | 2018/19<br>£000  |
|--|------------------|------------------|
| Opening balance at 1st April               | 1,197,092        | 1,248,504        |
| Expected rate of return                    | 33,010           | 31,235           |
| Re-measurements                            | (32,190)         | 14,137           |
| Employer contributions                     | 98,390           | 1,967            |
| Contributions by scheme participants       | 8,059            | 8,313            |
| Benefits paid                              | (54,462)         | (56,651)         |
| Settlements                                | (868)            | (1,147)          |
| Administration Expenses                    | (527)            | (551)            |
| <b>Closing balance at 31st March</b>       | <b>1,248,504</b> | <b>1,245,807</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 £45.4m gain (compared to a £0.8m gain in 2017/18).

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

| Reconciliation of present value of the scheme liabilities (defined benefit obligation): | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>LGPS &amp; Teachers</b>  |                 |                 |
| Opening Balance at 1st April  | 1,810,328       | 1,790,749       |
| Current Service Cost  | 47,453          | 46,301          |
| Interest Cost   | 47,923          | 44,916          |
| Contributions from scheme participants  | 8,059           | 8,313           |
| Remeasurement (gains) and losses:   |                 |                 |
| (Gain)/loss arising from changes in financial assumptions                               | (62,667)        | 61,429          |
| (Gain)/loss arising from changes in demographic assumptions                             | 0               | (99,449)        |
| Experience (gain)/loss  | (568)           | 0               |
| Past service cost   | 0               | 0               |
| Losses/(gains) on curtailment   | 3,539           | 11,863          |
| Liabilities assumed on entity combinations  | 0               | 0               |
| Benefits paid   | (56,888)        | (59,030)        |
| Liabilities extinguished on settlements   | (6,430)         | (5,380)         |
| Closing balance at 31st March   | 1,790,749       | 1,799,712       |

**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<br>2018 | 31st March<br>2019 |
|---|--------------------|--------------------|
| Rate of CPI inflation   | 2.35%              | 2.40%              |
| Rate of increase in salaries                                  | 3.85%              | 3.90%              |
| Rate of increase in pensions                                  | 2.35%              | 2.40%              |
| Discount rate   | 2.55%              | 2.40%              |
| <b>Mortality Assumptions</b>                                  |                    |                    |
| <b>Longevity at 65 for current pensioners</b>                 |                    |                    |
| Men   | 21.9               | 20.9               |
| Women   | 24.3               | 23.2               |
| <b>Longevity at 65 for future pensioners in 20 years time</b> |                    |                    |
| Men   | 24.0               | 22.6               |
| Women   | 26.6               | 25.0               |

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

| <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 | 1,739,749       | 1,770,011   | 1,800,831       |
| Projected Service Cost  | £000 | 46,848          | 47,969      | 49,119          |
| <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 | 1,772,809       | 1,770,011   | 1,767,234       |
| Projected Service Cost  | £000 | 47,969          | 47,969      | 47,969          |
| <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 | 1,798,003       | 1,770,011   | 1,742,497       |
| Projected Service Cost  | £000 | 49,118          | 47,969      | 46,847          |
| <b>Adjustment to life expectancy assumptions</b>                |      | <b>+ 1 Year</b> | <b>None</b> | <b>- 1 Year</b> |
| Present Value of Total Obligation                               | £000 | 1,837,801       | 1,770,011   | 1,704,801       |
| Projected Service Cost  | £000 | 49,499          | 47,969      | 46,487          |
| <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 | 29,424          | 29,701      | 29,980          |
| <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 | 29,979          | 29,701      | 29,425          |
| <b>Adjustment to life expectancy assumptions</b>                |      | <b>+ 1 Year</b> | <b>None</b> | <b>- 1 Year</b> |
| Present Value of Total Obligation                               | £000 | 31,068          | 29,701      | 28,394          |

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

| <b>Asset Categories</b> | <b>31st March 2018</b> |          | <b>31st March 2019</b> |          |
|-------------------------|------------------------|----------|------------------------|----------|
|                         | <b>£000</b>            | <b>%</b> | <b>£000</b>            | <b>%</b> |
| <b>Equities</b>         | 797,974                | 63.9%    | 736,341                | 59.1%    |
| <b>Bonds</b>            | 138,995                | 11.1%    | 167,685                | 13.5%    |
| <b>Property</b>         | 96,128                 | 7.7%     | 105,812                | 8.5%     |
| <b>Cash/Liquidity</b>   | 30,725                 | 2.5%     | 39,454                 | 3.2%     |
| <b>Other</b>            | 184,682                | 14.8%    | 196,515                | 15.8%    |
| <b>Total</b>            | <b>1,248,504</b>       |          | <b>1,245,807</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 2018/19 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:

| 2017/18                          |  |             |            | 2018/19             |                                  |  |             |            |
|----------------------------------|--|-------------|------------|---------------------|----------------------------------|--|-------------|------------|
| Local Authority<br>Schools Staff | Voluntary Aided &<br>Foundation Schools<br>Staff | Other Staff | Total      | Remuneration Band   | Local Authority<br>Schools Staff | Voluntary Aided &<br>Foundation Schools<br>Staff | Other Staff | Total      |
| 33                               | 10   | 37          | 80         | £50,000 - £54,999   | 38                               | 13   | 27          | 78         |
| 28                               | 11   | 19          | 58         | £55,000 - £59,999   | 26                               | 7  | 28          | 61         |
| 13                               | 7  | 25          | 45         | £60,000 - £64,999   | 17                               | 4  | 16          | 37         |
| 12                               | 7  | 10          | 29         | £65,000 - £69,999   | 13                               | 8  | 14          | 35         |
| 10                               | 0  | 9           | 19         | £70,000 - £74,999   | 13                               | 1  | 7           | 21         |
| 5                                | 0  | 5           | 10         | £75,000 - £79,999   | 1                                | 1  | 4           | 6          |
| 1                                | 0  | 4           | 5          | £80,000 - £84,999   | 3                                | 0  | 4           | 7          |
| 4                                | 1  | 1           | 6          | £85,000 - £89,999   | 3                                | 0  | 2           | 5          |
| 0                                | 1  | 3           | 4          | £90,000 - £94,999   | 1                                | 0  | 1           | 2          |
| 0                                | 0  | 0           | 0          | £95,000 - £99,999   | 0                                | 0  | 1           | 1          |
| 0                                | 0  | 2           | 2          | £100,000 - £104,999 | 0                                | 0  | 4           | 4          |
| 0                                | 0  | 2           | 2          | £105,000 - £109,999 | 0                                | 0  | 2           | 2          |
| 0                                | 0  | 2           | 2          | £110,000 - £114,999 | 0                                | 0  | 3           | 3          |
| 0                                | 0  | 0           | 0          | £115,000 - £119,999 | 0                                | 0  | 1           | 1          |
| 0                                | 0  | 1           | 1          | £130,000 - £134,999 | 0                                | 0  | 0           | 0          |
| 0                                | 0  | 1           | 1          | £135,000 - £139,999 | 0                                | 0  | 0           | 0          |
| 0                                | 0  | 0           | 0          | £155,000 - £159,999 | 0                                | 0  | 1           | 1          |
| 0                                | 0  | 1           | 1          | £160,000 - £164,999 | 0                                | 0  | 0           | 0          |
| 0                                | 0  | 0           | 0          | £170,000 - £174,999 | 0                                | 0  | 1           | 1          |
| 0                                | 0  | 1           | 1          | £195,000 - £199,999 | 0                                | 0  | 1           | 1          |
| 0                                | 0  | 1           | 1          | £200,000 - £204,999 | 0                                | 0  | 0           | 0          |
| <b>106</b>                       | <b>37</b>  | <b>124</b>  | <b>267</b> | <b>Total</b>        | <b>115</b>                       | <b>34</b>  | <b>117</b>  | <b>266</b> |

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

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

| Senior Employees   | Salary Inc Fees & Allowances | Loss of Office | Pension Contributions | Total Remuneration |
|--|------------------------------|----------------|-----------------------|--------------------|
| 2018/19  | £                            | £              | £                     | £                  |
| <b>CHIEF EXECUTIVE</b>   |                              |                |                       |                    |
| Martin Reeves  | 197,340                      | 0              | 27,873                | 225,213            |
| <b>MANAGEMENT BOARD</b>  |                              |                |                       |                    |
| Deputy Chief Executive (Place) - Martin Yardley                  | 160,654                      | 0              | 21,373                | 182,027            |
| Deputy Chief Executive (People) - Gail Quinton                   | 172,711                      | 0              | 24,093                | 196,804            |
| Director of Public Health and Well-Being                         | 103,002                      | 0              | 14,812                | 117,814            |
| Director of Finance and Corporate Services (Section 151 Officer) | 117,619                      | 0              | 16,613                | 134,232            |
| City Solicitor & Monitoring Officer                              | 84,007                       | 0              | 11,865                | 95,872             |
| <b>TOTAL</b>   | <b>835,333</b>               | <b>0</b>       | <b>116,629</b>        | <b>951,962</b>     |
| <hr/>  |                              |                |                       |                    |
| Senior Employees   | Salary Inc Fees & Allowances | Loss of Office | Pension Contributions | Total Remuneration |
| 2017/18  | £                            | £              | £                     | £                  |
| <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                                | 101,703                      | 0              | 13,409                | 115,112            |
| Director of Finance and Corporate Services (Section 151 Officer) | 105,033                      | 0              | 14,836                | 119,869            |
| Head of Legal Services (Monitoring Officer)                      | 52,719                       |                | 7,446                 | 60,165             |
| Legal Services Manager Place and Regulatory (Monitoring Officer) | 23,202                       | 0              | 3,277                 | 26,479             |
| <b>TOTAL</b>   | <b>756,891</b>               | <b>0</b>       | <b>102,642</b>        | <b>859,533</b>     |

### 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 |            |
|------------------------|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|--|------------|
|                        | 2017/18                           | 2018/19   | 2017/18                           | 2018/19   | 2017/18                                    | 2018/19   | 2017/18                                  | 2018/19    |
|                        |                                   |           |                                   |           |  |           | £000                                     | £000       |
| £0 - £20,000           | 49                                | 13        | 155                               | 63        | 204  | 76        | 1,140                                    | 411        |
| £20,001 - £40,000      | 19                                | 2         | 10                                | 3         | 29   | 5         | 837                                      | 142        |
| £40,001 - £60,000      | 7                                 | 1         | 6                                 | 1         | 13   | 2         | 636                                      | 112        |
| £60,001 - £80,000      | 3                                 | 1         | 0                                 | 0         | 3  | 1         | 209                                      | 78         |
| £80,001 - £100,000     | 0                                 | 0         | 2                                 | 0         | 2  | 0         | 182                                      | 0          |
| £100,000 - £150,000    | 1                                 | 0         | 1                                 | 0         | 2  | 0         | 238                                      | 0          |
| £150,001 - £200,000    | 1                                 | 0         | 1                                 | 0         | 2  | 0         | 319                                      | 0          |
| <b>Total</b>           | <b>80</b>                         | <b>17</b> | <b>175</b>                        | <b>67</b> | <b>255</b>                                 | <b>84</b> | <b>3,561</b>                             | <b>743</b> |

### 3.33 Members' Allowances

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

| Financial Year   | 2017/18<br>£000s | 2018/19<br>£000s |
|------------------|------------------|------------------|
| Basic Allowances | 742              | 747              |
| Other Allowances | 276              | 282              |
| Expenses         | 3                | 2                |
| <b>Total</b>     | <b>1,021</b>     | <b>1,031</b>     |

### 3.34 Financial Instruments

Financial instruments include both assets and liabilities.

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

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

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

The Balance Sheet includes the following categories of financial instruments:

|  | Long Term       |                 | Current         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 31st March 2018 | 31st March 2019 | 31st March 2018 | 31st March 2019 |
|  | £000            | £000            | £000            | £000            |
| <b>Financial Liabilities</b>                             |                 |                 |                 |                 |
| <b>Loans at Amortised Cost</b>                           |                 |                 |                 |                 |
| - principal sum borrowed                                 | 252,140         | 240,465         | 32,245          | 58,012          |
| - accrued interest                                       | 0               | 0               | 3,707           | 3,636           |
| <b>Total Borrowing</b>                                   | <b>252,140</b>  | <b>240,465</b>  | <b>35,952</b>   | <b>61,648</b>   |
| <b>Other Long Term Liabilities at amortised cost:</b>    |                 |                 |                 |                 |
| - PFI arrangements                                       | 67,737          | 65,205          | 2,670           | 2,532           |
| - Transferred Debt                                       | 13,050          | 11,674          | 1,270           | 1,392           |
| <b>Total Financial Liabilities (excluding creditors)</b> | <b>332,927</b>  | <b>317,344</b>  | <b>39,892</b>   | <b>65,572</b>   |
| Creditors**  |                 |                 | 40,192          | 42,551          |



|   | Long Term       |                 | Current         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 31st March 2018 | 31st March 2019 | 31st March 2018 | 31st March 2019 |
|   | £000            | £000            | £000            | £000            |
| <b>Financial Assets</b>                                 |                 |                 |                 |                 |
| <b>At amortised Cost</b>                                |                 |                 |                 |                 |
| - Principal sum invested                                | 0               | 0               | 17,483          | 6,916           |
| - Accrued interest                                      | 0               | 0               | 281             | 25              |
| - Loss allowance  | 0               | 0               | 0               | 0               |
| <b>At Fair Value through other comprehensive income</b> |                 |                 |                 |                 |
| - Principal at amortised cost                           | 0               | 0               | 27,355          | 30,050          |
| - Accrued interest                                      | 0               | 0               | 0               | 294             |
| - Loss allowance  | 0               | 0               | 0               | 0               |
| - Equity investments elected FVOCI                      | 95,545          | 110,809         | 0               | 0               |
| <b>At Fair Value through profit &amp; loss</b>          |                 |                 |                 |                 |
| - Fair value  | 0               | 0               | 0               | 0               |
| <b>Total Investments</b>                                | <u>95,545</u>   | <u>110,809</u>  | <u>45,119</u>   | <u>37,285</u>   |
| <b>At amortised Cost</b>                                |                 |                 |                 |                 |
| - Principal sum invested                                | 0               | 0               | 13,693          | 26,196          |
| - Accrued interest                                      | 0               | 0               | 0               | 0               |
| - Loss allowance  | 0               | 0               | 0               | 0               |
| <b>At Fair Value through profit &amp; loss</b>          |                 |                 |                 |                 |
| - Fair value  | 0               | 0               | 2,500           | 425             |
| <b>Total Cash &amp; Cash Equivalents</b>                | <u>0</u>        | <u>0</u>        | <u>16,193</u>   | <u>26,621</u>   |
| <b>At amortised Cost</b>                                |                 |                 |                 |                 |
| - Trade receivables                                     | 0               | 0               | 28,484          | 43,104          |
| - Loans made for service purposes                       | 20,890          | 21,359          | 3,317           | 3,647           |
| - Accrued Interest                                      | 0               | 0               | 48              | 37              |
| - Loss allowance  | 0               | (122)           | 0               | 0               |
| <b>At Fair Value through profit &amp; loss</b>          |                 |                 |                 |                 |
| - Fair value  | 0               | 3,449           | 0               | 0               |
| <b>Included in Debtors</b>                              | <u>20,890</u>   | <u>24,686</u>   | <u>31,849</u>   | <u>46,788</u>   |
| <b>Total Financial Assets</b>                           | <u>116,435</u>  | <u>135,495</u>  | <u>93,161</u>   | <u>110,694</u>  |

|                                   | Long Term Debtors | Short Term Debtors | Short Term Creditors |
|-----------------------------------|-------------------|--------------------|----------------------|
|                                   | 31st March 2018   | 31st March 2018    | 31st March 2019      |
|                                   | £000              | £000               | £000                 |
| Included in Financial Instruments | 20,890            | 31,849             | 40,192               |
| Other Debtors/Creditors           | 0                 | 25,553             | 25,553               |
| <b>Total</b>                      | <b>20,890</b>     | <b>57,402</b>      | <b>57,402</b>        |

|                                   | Long Term Debtors | Short Term Debtors | Short Term Creditors |
|-----------------------------------|-------------------|--------------------|----------------------|
|                                   | 31st March 2019   | 31st March 2019    | 31st March 2019      |
|                                   | £000              | £000               | £000                 |
| Included in Financial Instruments | 24,686            | 46,788             | 42,551               |
| Other Debtors/Creditors           | 197               | 29,082             | 31,837               |
| <b>Total</b>                      | <b>24,883</b>     | <b>75,870</b>      | <b>74,388</b>        |

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

The Council has elected to account for a number of investments as equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance. These are divided between those held at 31st March 2019 and those derecognised during 2018/19, with the latter being disposed of as part of realignment of the Council's investment portfolio in the light of cashflow requirements:

|  | Fair Value      |                 | Cumulative Gain/(Loss) in FIRR |                 | Dividends       |                 | Cumulative Gain/(Loss) on disposal |                 |
|--|-----------------|-----------------|--------------------------------|-----------------|-----------------|-----------------|------------------------------------|-----------------|
|  | 31st March 2018 | 31st March 2019 | 31st March 2018                | 31st March 2019 | 31st March 2018 | 31st March 2019 | 31st March 2018                    | 31st March 2019 |
|  | £000            | £000            | £000                           | £000            | £000            | £000            | £000                               | £000            |
| <b>Shareholdings:</b>                                    |                 |                 |                                |                 |                 |                 |                                    |                 |
| Birmingham Airport Holdings Ltd                          | 29,169          | 29,252          | 17,519                         | 17,602          | 1,898           | 1,616           | 0                                  | 0               |
| Coventry Solihull Waste Disposal Co (CSWDC)              | 51,667          | 57,000          | 51,667                         | 57,000          | 5,667           | 7,040           | 0                                  | 0               |
| Coombe Abbey Park Ltd                                    | 12,006          | 11,359          | 2,859                          | 2,212           | 91              | 500             | 0                                  | 0               |
| Friargate JV Project Limited                             | 0               | 10,495          | 0                              | 0               | 0               | 0               | 0                                  | 0               |
| North Coventry Holdings Ltd                              | 2,703           | 2,703           | 2,703                          | 2,703           | 0               | 0               | 0                                  | 0               |
| Coventry North Regeneration Ltd                          | 0               | 0               | 0                              | 0               | 0               | 0               | 0                                  | 0               |
| University of Warwick Science Park Innovation Centre Ltd | 0               | 0               | (154)                          | (154)           | 0               | 0               | 0                                  | 0               |
| UK Battery Industrialisation Centre Limited              | 0               | 0               | 0                              | 0               | 0               | 0               | 0                                  | 0               |
| <b>Pooled Funds:</b>                                     |                 |                 |                                |                 |                 |                 |                                    |                 |
| Payden & Rygel Sterling Reserve Fund                     | 7,953           | 0               | 454                            | 1               | 0               | 25              | 0                                  | 453             |
| CCLA Local Authorities Property Fund – Lamit Fund        | 10,545          | 12,581          | 478                            | 581             | 486             | 538             | 0                                  | 0               |
| Royal London Cash Plus Fund                              | 3,025           | 0               | 25                             | 0               | 0               | 12              | 0                                  | 25              |
| Royal London Enhanced Cash Plus Fund                     | 4,852           | 0               | 52                             | 0               | 0               | 21              | 0                                  | 52              |
| Deutsche Bank Managed Sterling Short Fixed Income Fund   | 1,006           | 0               | 6                              | 0               | 0               | 5               | 0                                  | 6               |
| Threadneedle Strategic Bond Fund                         | 0               | 1,501           | 0                              | 1               | 0               | 30              | 0                                  | 0               |
| Investec Diversified Income Fund                         | 0               | 4,482           | 0                              | (18)            | 0               | 115             | 0                                  | 0               |
| M&G Optimal Income Sterling                              | 0               | 1,469           | 0                              | (31)            | 0               | 49              | 0                                  | 0               |
| M&G Strategic Corporate Bond Fund Sterling               | 0               | 2,944           | 0                              | (56)            | 0               | 108             | 0                                  | 0               |
| M&G UK Income Distribution Fund Sterling                 | 0               | 2,905           | 0                              | (95)            | 0               | 98              | 0                                  | 0               |
| Schroder Income Maximiser                                | 0               | 4,168           | 0                              | (332)           | 0               | 276             | 0                                  | 0               |
| <b>Total</b>   | <b>122,926</b>  | <b>140,859</b>  | <b>75,609</b>                  | <b>79,414</b>   | <b>8,142</b>    | <b>10,433</b>   | <b>0</b>                           | <b>536</b>      |

The 2018/19 Comprehensive Income and Expenditure Statement include the following amounts in relation to financial instruments:

|   | Financial Liabilities |                | Financial Assets                  |                                  | Total           |
|---|-----------------------|----------------|-----------------------------------|----------------------------------|-----------------|
|   | Amortised Cost        | Amortised Cost | Elected to fair value through OCI | Fair Value through Profit & Loss |                 |
|   | £000                  | £000           | £000                              | £000                             |                 |
| <b>Financial Assets</b>                                       |                       |                |                                   |                                  |                 |
| Interest expense  | 19,537                | 0              | 0                                 | 0                                | 19,537          |
| Impairment losses   | 0                     | 122            | 0                                 | 0                                | 122             |
| <b>Interest payable and similar charges</b>                   | <b>19,537</b>         | <b>122</b>     | <b>0</b>                          | <b>0</b>                         | <b>19,659</b>   |
| Interest & Dividend Income                                    | 0                     | (1,533)        | (10,291)                          | (160)                            | (11,984)        |
| Gains on Derecognition  | 0                     | 0              | (63)                              | 0                                | (63)            |
| Gains from changes in Fair Value                              | 0                     | 0              | 0                                 | (1,218)                          | (1,218)         |
| Impairment loss reversals                                     | 0                     | (226)          | 0                                 | 0                                | (226)           |
| <b>Interest and investment income</b>                         | <b>0</b>              | <b>(1,759)</b> | <b>(10,354)</b>                   | <b>(1,378)</b>                   | <b>(13,491)</b> |
| <b>Net Impact on Surplus/deficit on provision of services</b> | <b>19,537</b>         | <b>(1,637)</b> | <b>(10,892)</b>                   | <b>(1,378)</b>                   | <b>5,630</b>    |
| Gains on revaluation  | 0                     | (78)           | (5,520)                           | 0                                | (5,598)         |
| Losses on revaluation   | 0                     | 0              | 1,179                             | 0                                | 1,179           |
| <b>Surplus arising on revaluation of financial assets</b>     | <b>0</b>              | <b>(78)</b>    | <b>(4,341)</b>                    | <b>0</b>                         | <b>(4,419)</b>  |
| <b>Net (gain) / loss for the year</b>                         | <b>19,537</b>         | <b>(1,715)</b> | <b>(14,695)</b>                   | <b>(1,378)</b>                   | <b>1,749</b>    |

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value, which for most assets is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2019, 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 2019.
- for "Lenders Option Borrower's Option" market loans (LOBOs) and Stock Issue loans, using the appropriate interest rate swap added to the value of any embedded options.
- for PFI and finance leases using the appropriate corporate bond rate
- for other long term loans and investments using market rates for similar instruments and with similar maturity terms
- for shares, taking into account the company's net assets and expected future profits
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months, including trade payables and receivables, the carrying amount is assumed to approximate fair value.

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

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

|  | Fair Value Level | 31st March 2018         |                    | 31st March 2019         |                    |
|--|------------------|-------------------------|--------------------|-------------------------|--------------------|
|  |                  | Carrying amount<br>£000 | Fair value<br>£000 | Carrying amount<br>£000 | Fair value<br>£000 |
| <b>Financial Liabilities at amortised cost</b> |                  |                         |                    |                         |                    |
| ▪ PWLB   | 2                | 206,832                 | 297,092            | 199,448                 | 288,250            |
| ▪ Market Loans                                 | 2                | 38,572                  | 65,949             | 38,566                  | 63,647             |
| ▪ Stock Issue                                  | 2                | 12,246                  | 17,840             | 12,245                  | 17,463             |
| ▪ Other Local Authorities                      | 2                | 44,321                  | 46,521             | 64,487                  | 66,404             |
| ▪ PFI  | 2                | 70,407                  | 124,479            | 67,737                  | 122,000            |
| ▪ Short Term Creditors                         | n/a              | 40,192                  | 40,192             | 42,551                  | 42,551             |
| ▪ Other  | n/a              | 442                     | 442                | 433                     | 433                |
| <b>Total Liabilities</b>                       |                  | <b>413,012</b>          | <b>592,515</b>     | <b>425,467</b>          | <b>600,748</b>     |
| <b>Financial Assets at fair value:</b>         |                  |                         |                    |                         |                    |
| ▪ Money Market Funds                           | 1                | 2,500                   | 2,500              | 425                     | 425                |
| ▪ Collective Investment Funds                  | 1                | 27,542                  | 27,542             | 30,392                  | 30,392             |
| ▪ Corporate and Government Bonds               | 1                | 5,063                   | 5,063              | 6,894                   | 6,894              |
| ▪ Shares in Unlisted Companies                 | 3                | 95,545                  | 95,545             | 110,809                 | 110,809            |
| ▪ Long Term Debtors                            | 3                | 0                       | 0                  | 3,449                   | 3,449              |
| <b>Financial Assets at amortised cost:</b>     |                  |                         |                    |                         |                    |
| ▪ Short Term Cash Deposits                     | n/a              | 12,514                  | 12,514             | 0                       | 0                  |
| ▪ Long Term Debtors                            | 3                | 20,890                  | 26,132             | 21,236                  | 25,661             |
| ▪ Short Term Debtors                           | n/a              | 31,849                  | 31,849             | 46,788                  | 46,788             |
| ▪ Bank Accounts                                | n/a              | 13,693                  | 13,693             | 26,196                  | 26,196             |
| <b>Total Financial Assets</b>                  |                  | <b>209,596</b>          | <b>214,838</b>     | <b>246,189</b>          | <b>250,614</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 £5.7m.

- 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 2019. A 1% variation in the discount rate would alter the value of the loans by £2.4m.

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

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

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

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

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

### **Credit risk**

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

Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council Investment Strategy and Policy, which forms part of the annual Treasury Management Strategy. For 2018/19 this required that deposits were only made with banks, building societies & corporate bonds with a high quality credit rating (minimum A- long term). In addition, as at 31st March 2019 the policy limited the maximum that can be deposited with an institution at any point in time to £10m. Under the Treasury Management Strategy the Section 151 officer will, as appropriate, restrict investment activity to those institutions considered of higher quality than the minimum.

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

|                            | Long Term          |                    | Short Term         |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
|                            | 31st March<br>2018 | 31st March<br>2019 | 31st March<br>2018 | 31st March<br>2019 |
|                            | £000               | £000               | £000               | £000               |
| AAA                        | 0                  | 0                  | 24,565             | 425                |
| AA+                        | 0                  | 0                  | 0                  | 0                  |
| AA                         | 0                  | 0                  | 0                  | 0                  |
| AA-                        | 0                  | 0                  | 0                  | 0                  |
| A+                         | 0                  | 0                  | 0                  | 0                  |
| A                          | 0                  | 0                  | 4,400              | 0                  |
| A-                         | 0                  | 0                  | 0                  | 6,894              |
| BBB+                       | 0                  | 0                  | 8,000              | 0                  |
| Unrated Local Authorities  | 0                  | 0                  | 0                  | 0                  |
| Unrated Building Societies | 0                  | 0                  | 0                  | 0                  |
| Unrated Pooled Funds       | 0                  | 0                  | 10,000             | 30,000             |
| <b>Total Investments</b>   | <b>0</b>           | <b>0</b>           | <b>46,965</b>      | <b>37,319</b>      |

The deposits set out above as at 31st March 2019 were held with financial institutions domiciled in the following countries:

| Country        | £000          |
|----------------|---------------|
| United Kingdom | 36,021        |
| Netherlands    | 1,298         |
| <b>Total</b>   | <b>37,319</b> |

Pooled property and equity funds are included in the above tables for completeness but are subject to price risk, as referred to later in this note.

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.

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

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

Write off is considered only where it is assessed that the amount will be not be paid, taking into account any recovery plans.

Financial instruments are assessed at each balance sheet date to assess whether credit risk has increased significantly since recognition and the previous balance sheet date. Where it is deemed that the credit risk has not increased significantly or that the risk is low, then loss allowances are calculated as 12 month expected credit losses, based on the likelihood of a credit loss event occurring in the following 12 months. Otherwise loss allowances are calculated based on the expected lifetime credit losses.

The Council manages the credit risk arising from its loans for service purposes, together with any loan commitments in line with the Commercial Investment Strategy approved by Council on 19<sup>th</sup> February 2019.

The authority does not generally allow credit for trade debtors. Loss allowances are calculated by reference to the historic cost of default, viewed on collective basis. £4,335k of the £46,788 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> | 2,232        |
| Three to six months           | 471          |
| Six months to one year        | 712          |
| More than one year            | 920          |
| <b>Total</b>                  | <b>4,335</b> |

### **Liquidity Risk**

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

The maturity analysis of financial liabilities is as follows:

| <b>Maturity of Financial Liabilities</b> | <b>31st March 2018</b> | <b>31st March 2019</b> |
|--|------------------------|------------------------|
|  | <b>£000</b>            | <b>£000</b>            |
| Less than one year                       | 38,574                 | 58,972                 |
| Between one and two years                | 7,552                  | 1,513                  |
| Between two and five years               | 10,508                 | 15,251                 |
| Between six and ten years                | 22,912                 | 16,656                 |
| More than ten years                      | 218,718                | 218,718                |
| <b>Total</b>                             | <b>298,264</b>         | <b>311,110</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 £89.1m in 2018/19. 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 2019, 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 £63.6m. This movement would be equal and opposite for a 1% fall in interest rates.

## **Price Risk**

The Council's investment in pooled property funds is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £16.6m. A 5% fall in commercial property prices at 31<sup>st</sup> March 2019 would result in a £638k (2018 £572k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Financial Instrument Revaluation Reserve.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £13.56m. A 5% fall in equity prices at 31<sup>st</sup> March 2019 would result in a £374k (2018 not applicable) charge to Other Comprehensive Income and Expenditure which is then transferred to the Financial Instrument Revaluation Reserve.

In addition, the Council has shareholdings to the value of £111m in a number of joint ventures and in local industry. The authority is consequently exposed to losses arising from movements in the value of shares.

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

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

## **Foreign Exchange Risk**

During the year, the authority purchased £17.285m of euros at an exchange rate of 1.1657 euros to the pound. The purchase was made to enable certainty of project costs when paying suppliers in euros for UK Battery Industrialisation Centre (UKBIC) equipment. The full cost of the purchase of euros is being reimbursed by Innovate UK who are the funders for the UKBIC project. As at 31<sup>st</sup> March 2019 the authority had €18.871m of unspent euros.

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

## **Transition to IFRS9 Financial Instruments**

The Council has adopted the IFRS9 Financial Instruments accounting standard with effect from 1<sup>st</sup> April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition to the impairment of financial assets.

The Council has made use of transitional provisions in IFRS9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the movement in Reserves Statement. The changes on transition to the balance sheet are summarised below:

|  | 31st March<br>2018<br>£000 | Reclassification<br>£000 | Remeasurement<br>£000 | Impairment<br>£000 | 1st April<br>2018<br>£000 |
|--|----------------------------|--------------------------|-----------------------|--------------------|---------------------------|
| <b>Financial Assets</b>                  |                            |                          |                       |                    |                           |
| <b>Investments</b>                       |                            |                          |                       |                    |                           |
| Loans & Receivables / Amortised cost     | 12,536                     | 5,063                    | 0                     | 0                  | 17,599                    |
| Available for sale / FVOCI               | 128,128                    | (5,063)                  | 0                     | 0                  | 123,065                   |
| <b>Total investments</b>                 | <b>140,664</b>             | <b>0</b>                 | <b>0</b>              | <b>0</b>           | <b>140,664</b>            |
| <b>Debtors</b>                           |                            |                          |                       |                    |                           |
| Loans & Receivables / Amortised cost     | 20,890                     | (2,191)                  | 0                     | (116)              | 18,583                    |
| FVPL                                     | 0                          | 2,109                    | 1,115                 | 0                  | 3,224                     |
| Non Financial Instruments                | 0                          | 82                       | 0                     | 0                  | 82                        |
| <b>Total debtors</b>                     | <b>20,890</b>              | <b>0</b>                 | <b>1,115</b>          | <b>(116)</b>       | <b>21,889</b>             |
| <b>Cash &amp; cash equivalents</b>       |                            |                          |                       |                    |                           |
| Loans & Receivables / Amortised cost     | 16,193                     | (2,500)                  | 0                     | 0                  | 13,693                    |
| FVPL                                     | 0                          | 2,500                    | 0                     | 0                  | 2,500                     |
| <b>Total cash &amp; cash equivalents</b> | <b>16,193</b>              | <b>0</b>                 | <b>0</b>              | <b>0</b>           | <b>16,193</b>             |
| <b>Total Financial Assets</b>            | <b>177,747</b>             | <b>0</b>                 | <b>1,115</b>          | <b>(116)</b>       | <b>178,746</b>            |
| <b>Financial Liabilities</b>             |                            |                          |                       |                    |                           |
| <b>Borrowing</b>                         |                            |                          |                       |                    |                           |
| Amortised Cost                           | (216,189)                  | 0                        | 0                     | 0                  | (216,189)                 |
| <b>Creditors</b>                         |                            |                          |                       |                    |                           |
| Amortised Cost                           | (40,192)                   | 0                        | 0                     | 0                  | (40,192)                  |
| <b>Provisions</b>                        |                            |                          |                       |                    |                           |
| Guarantees & commitments                 | 0                          | 0                        | 0                     | 0                  | 0                         |
| <b>Other long-term liabilities</b>       |                            |                          |                       |                    |                           |
| Amortised Cost                           | (50,748)                   | 0                        | 0                     | 0                  | (50,748)                  |
| <b>Total Financial Liabilities</b>       | <b>(307,129)</b>           | <b>0</b>                 | <b>0</b>              | <b>0</b>           | <b>(307,129)</b>          |
| <b>Net Financial Assets</b>              | <b>(129,382)</b>           | <b>0</b>                 | <b>1,115</b>          | <b>(116)</b>       | <b>(128,383)</b>          |
| <b>Reserves</b>                          |                            |                          |                       |                    |                           |
| <b>Usable Reserves</b>                   |                            |                          |                       |                    |                           |
| General Fund                             | (91,409)                   | 0                        | 0                     | 49                 | (91,360)                  |
| Other usable reserves                    | (31,157)                   | 0                        | 0                     | 0                  | (31,157)                  |
| <b>Total usable reserves</b>             | <b>(122,566)</b>           | <b>0</b>                 | <b>0</b>              | <b>49</b>          | <b>(122,517)</b>          |
| <b>Unusable Reserves</b>                 |                            |                          |                       |                    |                           |
| Available for sale reserve               | (75,610)                   | 75,610                   | 0                     | 0                  | 0                         |
| Capital adjustment account               | (499,833)                  | 0                        | (1,115)               | 67                 | (500,881)                 |
| Deferred capital receipts                | (5,487)                    | 0                        | 0                     | 0                  | (5,487)                   |
| FI adjustment account                    | 11,300                     | 0                        | 0                     | 0                  | 11,300                    |
| FI revaluation reserve                   | 0                          | (75,610)                 | 0                     | 0                  | (75,610)                  |
| Other unusable reserves                  | 404,475                    | 0                        | 0                     | 0                  | 404,475                   |
| <b>Total unusable reserves</b>           | <b>(165,155)</b>           | <b>0</b>                 | <b>(1,115)</b>        | <b>67</b>          | <b>(166,203)</b>          |

### 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<br/>2018<br/>Audited</b>        | <b>31st March<br/>2019</b>                      |
| <b>Birmingham Airport Holdings Ltd (Company Registration Number: 03312673)</b>  |                               |   |   |
| The principal activity of the group is the operation and management of Birmingham International Airport. The seven West Midlands Districts together hold 49% of the ordinary shares. The City Council owns :<br>5.8% of the 324m ordinary shares<br>£1.8 million preference shares<br>6% of the 1000 C Class shares of 0.01p  | Net Assets                    | 109,795                                       | Not available                                   |
|   | Profit before taxation        | 34,479  | Not available                                   |
|   | Profit after taxation         | 26,401  | Not available                                   |
| <b>Coombe Abbey Park Limited (Company Registration Number 02700383)</b>   |                               | <b>31st<br/>December<br/>2017<br/>Audited</b> | <b>31st<br/>December<br/>2018<br/>Unaudited</b> |
| The principal activity of the company is the running of Coombe Abbey Hotel, Brinklow Road, Coventry.<br><br>The City Council acquired 100% of the shares in the company on 22nd December 2017 .   | Net Assets                    | 5,483   | 5,994   |
|   | Profit (loss) before taxation | 270   | 495   |
|   | Profit (loss) after taxation  | 270   | 495   |
| <b>Coventry North Regeneration Ltd (Company Registration Number: 04523598)</b>  |                               | <b>31st March<br/>2018<br/>Audited</b>        | <b>31st March<br/>2019<br/>Unaudited</b>        |
| NCH holds 100% of the shares 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.<br><br>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.<br><br>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 | Net Assets                    | 0   | 0   |
|   | Profit (loss) before taxation | 0   | 0   |
|   | Profit (loss) after taxation  | 0   | 0   |

| 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<br/>2018<br/>Audited</b> | <b>31st March<br/>2019<br/>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. | Net Assets                        | 22,818                                 | 22,329                                   |
|   | Profit before taxation            | 10,612                                 | 11,980                                   |
|   | Profit (loss) after taxation      | 8,557                                  | 9,668                                    |
| The City Council owns:<br>66% of the ordinary share capital.  |                                   |  |  |
| <b>Culture Coventry (Registration Number: 08359113)</b>   |                                   | <b>31st March<br/>2018<br/>Audited</b> | <b>31st March<br/>2019</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 Priority Visitor Centre.   | Net Assets                        | 2,463                                  | Not Available                            |
|   | Net incoming/(outgoing) resources | (1,850)                                | Not Available                            |
| Under IFRS10 The Council is deemed to exert significant influence over Culture Coventry. On this basis Culture Coventry is treated as an associate of the Council but has not been included within the Group Accounts on the grounds of materiality.  |                                   |  |  |
| <b>North Coventry Holdings Ltd (Company Registration Number: 04931967)</b>  |                                   | <b>31st March<br/>2018<br/>Audited</b> | <b>31st March<br/>2019<br/>Unaudited</b> |
| The Council holds 100% of the shares 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                        | 2,726                                  | 2,737                                    |
|   | Profit (loss) before taxation     | 28                                     | 0  |
|   | Profit (loss) after taxation      | 23                                     | 11                                       |
| 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<br/>2017<br/>Audited</b> | <b>31st Jul<br/>2018<br/>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)      | (744)                                | (514)                                |
|  | Profit (loss) before taxation | 302                                  | 229                                  |
|  | Profit (loss) after taxation  | 302                                  | 229                                  |
| 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<br/>2018</b>           | <b>31st March<br/>2019</b>           |
| 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 2019 no accounts had been produced as the companies had done very little in the way of trading. | Net Assets/(liabilities)      | Not available                        | Not available                        |
|  | Profit (loss) before taxation | Not available                        | Not available                        |
|  | Profit (loss) after taxation  | Not available                        | Not available                        |
| The City Council is currently the sole shareholder with 1 share with a nominal value of £1 in each company.  |                               |                                      |                                      |
| <b>Friargate JV Project Limited (Company Registration Number 11730348)</b>   |                               | <b>31st March<br/>2018</b>           | <b>31st March<br/>2019</b>           |
| The Company was set up in January 2019 to develop new buildings in the Friargate district of the City. This is a 50/50 joint venture with Friargate Holdings 2 Limited - private limited company   | Net Assets/(liabilities)      | 0                                    | 20,002                               |
|  | Profit (loss) before taxation | 0                                    | 2                                    |
|  | Profit (loss) after taxation  | 0                                    | 2                                    |

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



### 3.36 Events after the Balance Sheet Date

The audited Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 2 September 2019. Where events taking place before this date provided information about conditions existing at 31 March

2019, the figures in the financial statements and the notes have been adjusted to reflect the impact of this information. This includes an estimate of the impact of the McCloud and Sargeant cases on the Council's Pension liability. There were no non-

adjusting events between the balance sheet date and 2 September 2019.

### 3.37 Contingent Liabilities and Assets

#### **Contingent Liabilities**

##### **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 Business Rates revenue in excess of £2m with potential for a back-dated element of c£23m. This would affect the Council and might also impact the West Midlands Combined Authority although the precise split of potential financial liability would depend on the future structure of the local government finance system and the existing 100% Business Rates Pilot.

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 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.



### 3.38 Collection Fund Statement and Notes

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

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

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

| Business Rates<br>£000                                 | 2017/18<br>Council Tax<br>£000 | Total<br>£000    | Collection Fund  | Business Rates<br>£000 | 2018/19<br>Council Tax<br>£000 | Total<br>£000    |
|--|--------------------------------|------------------|--|------------------------|--------------------------------|------------------|
| <b>INCOME</b>  |                                |                  |  |                        |                                |                  |
| 0  | (138,854)                      | (138,854)        | Council Tax Receivable   | 0                      | (148,998)                      | (148,998)        |
| (122,276)  | 0                              | (122,276)        | Business Rates Receivable  | (120,608)              | 0                              | (120,608)        |
| 4,922  | 0                              | 4,922            | Transitional Relief  | 2,994                  | 0                              | 2,994            |
| <b>(117,354)</b>                                       | <b>(138,854)</b>               | <b>(256,208)</b> | <b>Total Income</b>  | <b>(117,614)</b>       | <b>(148,998)</b>               | <b>(266,612)</b> |
| <b>EXPENDITURE: Precepts, Demands &amp; Shares</b>     |                                |                  |  |                        |                                |                  |
| 114,325  | 118,492                        | 232,817          | Coventry City Council  | 116,592                | 127,253                        | 243,845          |
| 0  | 9,204                          | 9,204            | West Midlands Police   | 0                      | 10,389                         | 10,389           |
| 1,155  | 4,512                          | 5,667            | West Midlands Fire   | 1,178                  | 4,755                          | 5,933            |
| <b>115,480</b>   | <b>132,208</b>                 | <b>247,688</b>   | <b>Total: Precepts, Demands &amp; Shares:</b>                          | <b>117,770</b>         | <b>142,397</b>                 | <b>260,167</b>   |
| <b>Distribution of previous years' surplus/deficit</b> |                                |                  |  |                        |                                |                  |
| 1,255  | 0                              | 1,255            | Central Government   | 129                    | 0                              | 129              |
| 1,230  | 2,725                          | 3,955            | Coventry City Council  | (395)                  | 5,116                          | 4,721            |
| 0  | 213                            | 213              | West Midlands Police   | 0                      | 397                            | 397              |
| 25   | 107                            | 132              | West Midlands Fire   | (3)                    | 195                            | 192              |
| <b>2,510</b>   | <b>3,045</b>                   | <b>5,555</b>     | <b>Total: Distribution of previous years Surplus/(Deficit)</b>         | <b>(269)</b>           | <b>5,708</b>                   | <b>5,439</b>     |
| <b>117,990</b>   | <b>135,253</b>                 | <b>253,243</b>   | <b>TOTAL EXPENDITURE</b>   | <b>117,501</b>         | <b>148,105</b>                 | <b>265,606</b>   |
| <b>Charges to Collection Fund</b>                      |                                |                  |  |                        |                                |                  |
| 1,265  | 1,263                          | 2,528            | Less: Write offs uncollectable amounts                                 | 707                    | 1,507                          | 2,214            |
| (338)  | 19                             | (319)            | Less: Increase/(Decrease) in Bad Debt Provision                        | 351                    | 425                            | 776              |
| 1,084  | 0                              | 1,084            | Less: Increase/(Decrease) in Appeals Provision                         | 213                    | 0                              | 213              |
| 373  | 0                              | 373              | Less: Costs of Collection  | 375                    | 0                              | 375              |
| <b>2,384</b>   | <b>1,282</b>                   | <b>3,666</b>     | <b>Total Charges to Collection Fund</b>                                | <b>1,646</b>           | <b>1,932</b>                   | <b>3,578</b>     |
| <b>3,020</b>   | <b>(2,319)</b>                 | <b>701</b>       | <b>(Surplus)/Deficit Arising During Year</b>                           | <b>1,533</b>           | <b>1,039</b>                   | <b>2,572</b>     |
| (2,768)  | (8,753)                        | (11,521)         | (Surplus)/Deficit b/fwd  | 252                    | (11,072)                       | (10,820)         |
| 252  | (11,072)                       | (10,820)         | (Surplus)/Deficit c/fwd  | 1,785                  | (10,033)                       | (8,248)          |
| <b>Commitments</b>                                     |                                |                  |  |                        |                                |                  |
| (269)  | 5,708                          | 5,439            | Surplus/(Deficit) committed in future year's budget setting            | (2,071)                | 7,869                          | 5,798            |
| (17)   | (5,364)                        | (5,381)          | <b>Excess (Surplus)/Deficit c/fwd to following year's tax setting.</b> | (286)                  | (2,164)                        | (2,450)          |

### Income and Expenditure Account

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

their net budgets and, for Business Rates, the amounts determined by the nationally set multiplier and the local Business Rates tax base and split by pre-determined percentages.

### Income from Business Rates

The City Council collects rates from local businesses on behalf of Central Government. The Government determines the level of rates payable, which was per £ of rateable value ( in ). The

Valuation Office Agency sets the rateable value of each property and the total was at ( at ). 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 . The total number of dwellings on the valuation list is of which are exempt. Details of the Tax Base calculation are shown in the table below:

| Valuation Band                        | Number of Dwellings subject to tax | Band D Equivalent |
|---------------------------------------|------------------------------------|-------------------|
| Band A entitled to disabled relief    | 138                                | 58.8              |
| A                                     | 53,414                             | 26,238.4          |
| B                                     | 40,189                             | 24,048.9          |
| C                                     | 22,484                             | 15,596.7          |
| D                                     | 9,113                              | 7,187.3           |
| E                                     | 4,567                              | 4,476.0           |
| F                                     | 2,262                              | 2,626.1           |
| G                                     | 1,354                              | 1,826.4           |
| H                                     | 98                                 | 154.4             |
| <b>Total</b>                          | <b>133,619</b>                     | <b>82,213.0</b>   |
| Estimated eventual collection rate    |                                    | 98.3%             |
| Total Council Tax Base Band D 2018/19 |                                    | 80,815.4          |
| Total Council Tax Base Band D 2017/18 |                                    | 78,971.9          |

## Provisions and Write Offs

| Level of Provisions & Write Offs | Business Rates     | Council Tax        | Business Rates      |
|----------------------------------|--------------------|--------------------|---------------------|
|                                  | Bad Debt Provision | Bad Debt Provision | Appeals Provision * |
|                                  | £000               | £000               | £000                |
| Provision brought forward        | (2,374)            | (4,876)            | (8,372)             |
| Written off in year              | 707                | 1,507              | 3,837               |
| (Increase)/decrease in provision | (1,058)            | (1,932)            | (4,050)             |
| <b>Provision carried forward</b> | <b>(2,725)</b>     | <b>(5,301)</b>     | <b>(8,585)</b>      |

\* The provision figures provided in section 3.25 include 99% of the Appeals Provision figures shown in the table above. This is the City Council's share of the Business Rates balances.

## Gross Debtors

|                               | Business Rates | Council Tax |
|-------------------------------|----------------|-------------|
|                               | £000           | £000        |
| Gross Debtors brought forward | 4,511          | 12,992      |
| Gross Debtors carried forward | 4,518          | 14,156      |

## Precepts and Demands on the Collection Fund

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

| 2017/18        |                            | 2018/19        |                                |                |
|----------------|----------------------------|----------------|--------------------------------|----------------|
| Total          | Council Tax                | Precept        | Share of surplus<br>/(deficit) | Total          |
| £000           |                            | £000           | £000                           | £000           |
| 123,286        | Coventry City Council      | 127,253        | 4,151                          | 131,404        |
| 9,595          | West Midlands Police       | 10,389         | 363                            | 10,752         |
| 4,691          | West Midlands Fire Service | 4,755          | 155                            | 4,910          |
| <b>137,572</b> | <b>Total</b>               | <b>142,397</b> | <b>4,669</b>                   | <b>147,066</b> |

| 2017/18        |                            | 2018/19        |                                |                 |                |
|----------------|----------------------------|----------------|--------------------------------|-----------------|----------------|
| Total          | Business Rates             | Precept        | Share of surplus<br>/(deficit) | Top-up/(Tariff) | Total          |
| £000           |                            | £000           | £000                           | £000            | £000           |
| (255)          | Central Government         | 0              | 255                            | 0               | 255            |
| 115,353        | Coventry City Council      | 116,592        | (2,038)                        | (7,857)         | 106,697        |
| 1,150          | West Midlands Fire Service | 1,178          | (18)                           | 0               | 1,160          |
| <b>116,248</b> | <b>Total</b>               | <b>117,770</b> | <b>(1,801)</b>                 | <b>(7,857)</b>  | <b>108,112</b> |

## 4 Additional Financial Statements - Group Accounts

### 4.1 Overview of Group Accounts

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

Note 3.35 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) and Friargate JV Project Ltd are included as joint ventures.

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 2019 for NCH, CNR and CSWDC have been used. For CAPL draft accounts as at 31st December 2018 and management accounts for January to March 2019 have been used. Friargate JV Project Ltd was only incorporated on 17th December 2018 so management accounts up to 31st March 2019 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<br>£000 | 2017/18              |                         | SERVICE ANALYSIS   | 2018/19              |                         | Net Expenditure<br>£000 |
|---------------------------|----------------------|-------------------------|--|----------------------|-------------------------|-------------------------|
|                           | Gross Income<br>£000 | Net Expenditure<br>£000 |  | Gross Income<br>£000 | Net Expenditure<br>£000 |                         |
| 20,482                    | (19,343)             | 1,139                   | Public Health  | 25,704               | (23,642)                | 2,062                   |
| 1,541                     | (126)                | 1,415                   | People Directorate Management  | 1,598                | (126)                   | 1,472                   |
| 222,180                   | (203,590)            | 18,590                  | Education and Skills   | 226,899              | (200,536)               | 26,363                  |
| 82,940                    | (9,717)              | 73,223                  | Children and Young People's Services   | 81,485               | (10,787)                | 70,698                  |
| 115,985                   | (38,602)             | 77,383                  | Adult Social Care  | 123,777              | (45,885)                | 77,892                  |
| 7,567                     | (3,154)              | 4,413                   | Customer Services & Transformation   | 19,344               | (3,741)                 | 15,603                  |
| 1,685                     | (574)                | 1,111                   | Place Directorate Management   | 5,338                | (732)                   | 4,606                   |
| 20,837                    | (6,408)              | 14,429                  | Business, Investment & Culture   | 36,186               | (6,842)                 | 29,344                  |
| 37,618                    | (16,654)             | 20,964                  | Transportation & Highways  | 32,723               | (14,783)                | 17,940                  |
| 45,870                    | (15,949)             | 29,921                  | Streetscene & Regulatory Services  | 56,832               | (25,483)                | 31,349                  |
| 6,291                     | (1,548)              | 4,743                   | Project Management and Property Services   | 7,730                | (2,102)                 | 5,628                   |
| 132,493                   | (122,436)            | 10,057                  | Finance & Corporate Services   | 121,254              | (114,451)               | 6,803                   |
| 6,854                     | (21,573)             | (14,719)                | Contingency and Central Budgets  | 24,060               | (18,333)                | 5,727                   |
| <b>702,343</b>            | <b>(459,674)</b>     | <b>242,669</b>          | <b>Cost of Services</b>  | <b>762,930</b>       | <b>(467,443)</b>        | <b>295,487</b>          |
|                           |                      | 39,946                  | Other Operating Expenditure  |                      |                         | 32,786                  |
|                           |                      | 26,481                  | Finance and Investment Income and Expenditure                                      |                      |                         | 10,233                  |
|                           |                      | 0                       | Profit or Loss on Discontinued Operations  |                      |                         | 0                       |
|                           |                      | (309,686)               | Taxations and Non-Specific Grant Income  |                      |                         | (324,924)               |
|                           |                      | <b>(590)</b>            | <b>(Surplus) / Deficit on the Provision of Services</b>                            |                      |                         | <b>13,582</b>           |
|                           |                      | (7,095)                 | Associates and JVs accounted for on Equity Basis                                   |                      |                         | (7,976)                 |
|                           |                      | 1,375                   | Tax Expenses   |                      |                         | 1,544                   |
|                           |                      | <b>(6,310)</b>          | <b>Group (Surplus) or Deficit</b>  |                      |                         | <b>7,150</b>            |
|                           |                      | (22,803)                | (Gain)/loss on revaluation of non current assets                                   |                      |                         | (6,259)                 |
|                           |                      | 5,962                   | (Gain)/loss on revaluation of financial instruments                                |                      |                         | 10,759                  |
|                           |                      | (31,045)                | Remeasurement of the net defined benefit liability                                 |                      |                         | (52,157)                |
|                           |                      | 812                     | Share of other comprehensive income and expenditure of associates & joint ventures |                      |                         | (2,705)                 |
|                           |                      | <b>(47,074)</b>         | <b>Sub-total of other Comprehensive Income and Expenditure</b>                     |                      |                         | <b>(50,362)</b>         |
|                           |                      | <b>(53,384)</b>         | <b>Total Comprehensive Income and Expenditure (Surplus)/Deficit</b>                |                      |                         | <b>(43,212)</b>         |

### 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 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>         |
| Total Comprehensive Income and Expenditure                               | 14,527               | 0                                | 0                               | 14,527                | (57,739)          | (43,212)                 |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (31,279)             | 5,285                            | 2,511                           | (23,483)              | 23,483            | 0                        |
| <b>Net (Increase) / Decrease</b>   | <b>(16,752)</b>      | <b>5,285</b>                     | <b>2,511</b>                    | <b>(8,956)</b>        | <b>(34,256)</b>   | <b>(43,212)</b>          |
| <b>31st March 2019</b>   | <b>(108,161)</b>     | <b>(1,894)</b>                   | <b>(21,467)</b>                 | <b>(131,522)</b>      | <b>(160,858)</b>  | <b>(292,380)</b>         |

#### Group Unusable Reserves

|  | Capital Adjustment Account | Revaluation Reserve | Deferred Capital Receipts Reserve | Financial Instruments Adjustment Account | Financial Instruments Revaluation Reserve | 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   | £000                    |
| <b>31st March 2018 (Prior to IFRS 9 adjustment)</b>                      | <b>(523,875)</b>           | <b>(194,404)</b>    | <b>(5,487)</b>                    | <b>11,300</b>                            | <b>0</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>        |
| <b>Impact of transition to IFRS 9</b>                                    | <b>0</b>                   | <b>0</b>            | <b>0</b>                          | <b>0</b>                                 | <b>(18,381)</b>                           | <b>0</b>                           | <b>0</b>         | <b>0</b>                     | <b>18,381</b>      | <b>0</b>   | <b>0</b>                |
| <b>31st March 2018</b>   | <b>(523,875)</b>           | <b>(194,404)</b>    | <b>(5,487)</b>                    | <b>11,300</b>                            | <b>(18,381)</b>                           | <b>(9,785)</b>                     | <b>604,445</b>   | <b>4,219</b>                 | <b>0</b>           | <b>5,366</b>   | <b>(126,602)</b>        |
| Total Comprehensive Income and Expenditure                               | 0                          | (6,259)             | 0                                 | 0  | 10,759                                    | 0                                  | (52,157)         | 0                            | 0                  | (10,082)   | (57,739)                |
| Adjustments between Accounting Basis and Funding Basis under Regulations | (33,341)                   | 19,216              | 2,858                             | (384)                                    | 537                                       | 2,608                              | 32,717           | (728)                        | 0                  | 0  | 23,483                  |
| <b>Net (Increase) / Decrease</b>   | <b>(33,341)</b>            | <b>12,957</b>       | <b>2,858</b>                      | <b>(384)</b>                             | <b>11,296</b>                             | <b>2,608</b>                       | <b>(19,440)</b>  | <b>(728)</b>                 | <b>0</b>           | <b>(10,082)</b>  | <b>(34,256)</b>         |
| <b>31st March 2019</b>   | <b>(557,216)</b>           | <b>(181,447)</b>    | <b>(2,629)</b>                    | <b>10,916</b>                            | <b>(7,085)</b>                            | <b>(7,177)</b>                     | <b>585,005</b>   | <b>3,491</b>                 | <b>0</b>           | <b>(4,716)</b>   | <b>(160,858)</b>        |

Group Usable Reserves and Overall Position Comparatives

|  | General Fund Balance<br>*restated<br>£000 | Capital Grants Unapplied Account<br>£000 | Usable Capital Receipts Reserve<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£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>(Increase) / Decrease in Year</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 Comparatives

|  | Capital Adjustment Account<br>£000 | Revaluation Reserve<br>£000 | Deferred Capital Receipts Reserve<br>£000 | Financial Instruments Adjustment Account<br>£000 | Collection Fund Adjustment Account<br>£000 | Pensions Reserve<br>£000 | Accumulated Absences Account<br>£000 | Available for Sale<br>£000 | Authority's share of the reserves of subsidiaries, associates and joint ventures<br>£000 | Total Unusable Reserves<br>£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>                |



## 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 2018 Group Balance Sheet |   | 31st March 2019  |              |
|-------------------------------------|---|------------------|--------------|
| £000                                |   | £000             | Section Ref. |
| 854,146                             | Property, Plant and Equipment               | 862,654          | 4.6          |
| 25,893                              | Heritage Assets                             | 25,893           |              |
| 174,310                             | Investment Property                         | 215,173          |              |
| 29,169                              | Long Term Investments                       | 29,252           | 4.6          |
| 23,114                              | Investment in Associates and Joint Ventures | 32,789           | 4.6          |
| 20,890                              | Long Term Debtors                           | 24,883           |              |
| <b>1,127,522</b>                    | <b>Long Term Assets</b>                     | <b>1,190,644</b> |              |
| 45,119                              | Short Term Investments                      | 37,285           |              |
| 264                                 | Inventories                                 | 410              | 4.6          |
| 58,933                              | Short Term Debtors                          | 77,546           | 4.6          |
| 19,636                              | Cash and Cash Equivalents                   | 30,185           | 4.6          |
| 4,819                               | Assets held for Sale                        | 2,938            |              |
| <b>128,771</b>                      | <b>Current Assets</b>                       | <b>148,364</b>   |              |
| (39,892)                            | Short Term Borrowing                        | (65,572)         |              |
| (70,878)                            | Short Term Creditors                        | (75,702)         | 4.6          |
| (2,288)                             | Short Term Provisions                       | (1,946)          |              |
| 0                                   | Liabilities in Disposal Groups              | 0                |              |
| <b>(113,058)</b>                    | <b>Current Liabilities</b>                  | <b>(143,220)</b> |              |
| (9,582)                             | Long Term Provisions                        | (12,329)         |              |
| (333,115)                           | Long Term Borrowing                         | (317,514)        | 4.6          |
| (542,245)                           | Net Pension Liability                       | (553,905)        |              |
| (4,693)                             | Donated Assets Account                      | (1,447)          |              |
| (3,120)                             | Capital Grants Receipts in Advance          | (8,256)          |              |
| (1,312)                             | Other Long Term Liabilities                 | (9,957)          |              |
| <b>(894,067)</b>                    | <b>Long Term Liabilities</b>                | <b>(903,408)</b> |              |
| <b>249,168</b>                      | <b>Net Assets</b>                           | <b>292,380</b>   |              |
| (122,566)                           | Usable Reserves                             | (131,522)        |              |
| (126,602)                           | Unusable Reserves                           | (160,858)        | 4.6          |
| <b>(249,168)</b>                    | <b>Total Reserves</b>                       | <b>(292,380)</b> |              |

## 4.5 Group Cash Flow Statement

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

| 2017/18         |  | 2018/19         |
|-----------------|--|-----------------|
| £000's          | Cash Flow Statement  | £000's          |
| (6,310)         | Net (Surplus) or Deficit on the Provision of Services  | 7,150           |
| (58,417)        | Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements  | (113,195)       |
| 41,136          | Adjust for items included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities | 70,491          |
| <b>(23,591)</b> | <b>Net Cash Flows from Operating Activities</b>  | <b>(35,554)</b> |
| 19,611          | Investing Activities   | 31,217          |
| 1,513           | Financing Activities   | (6,212)         |
| <b>(2,467)</b>  | <b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>   | <b>(10,549)</b> |
| (17,467)        | Cash and Cash Equivalents at the Beginning of the Reporting Period   | (19,636)        |
| (19,636)        | Cash and Cash Equivalents at the End of the Reporting Period   | (30,185)        |

Note 3.27 presents an analysis of the amounts relevant to the Single Entity accounts for: non-cash movements; items included in the provision of services that are investing and financing activities; investing activities; and financing activities. The following table provides a reconciliation of the adjustments between the Single Entity and the Group accounts for these amounts.

| 2017/18         |   | 2018/19          |
|-----------------|---|------------------|
| £000            | Reconciliation of Single Entity to Group Cash Flows   | £000             |
|                 | <b>Adjustment of the Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements</b> |                  |
| (64,079)        | Single Entity Accounts  | (120,572)        |
| 5,662           | Additional element relating to Group Accounts   | 7,377            |
| <b>(58,417)</b> | <b>Total for Group Accounts</b>   | <b>(113,195)</b> |
|                 | <b>Investing Activities</b>   |                  |
| 23,054          | Single Entity Accounts  | 31,338           |
| (3,443)         | Additional element relating to Group Accounts   | (121)            |
| <b>19,611</b>   | <b>Total for Group Accounts</b>   | <b>31,217</b>    |

## 4.6 Reconciliation of Single Entity to Group Accounts

### Income and Expenditure Surplus/Deficit Adjustments

| 2017/18   | 2018/19       |
|---|---------------|
| £000  | £000          |
| <b>Reconciliation of Single Entity to Group (Surplus)/Deficit</b>   |               |
| (648) (Surplus) / Deficit on the Authorities Single Entity Income & Expenditure account for the Year  | 14,527        |
| (37) 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 | (70)          |
| <b>(685) (Surplus)/Deficit in the Group Income &amp; Expenditure attributable to the Authority</b>  | <b>14,457</b> |
| Add: (Surplus)/Deficit arising from other entities included in the Group Accounts   |               |
| 53 Subsidiaries   | (911)         |
| (5,678) Joint Ventures  | (6,396)       |
| <b>(6,310) Group Account (Surplus)/Deficit for the year</b>   | <b>7,150</b>  |

### Balance Sheet Adjustments

| As at 31st March 2018 |                          |                        | As at 31st March 2019                       |                       |                          |                        |
|-----------------------|--------------------------|------------------------|---|-----------------------|--------------------------|------------------------|
| Single Entity<br>£000 | Group Adjustment<br>£000 | Group Accounts<br>£000 | Balance Sheet Category                      | Single Entity<br>£000 | Group Adjustment<br>£000 | Group Accounts<br>£000 |
| 852,981               | 1,165                    | <b>854,146</b>         | Property, Plant and Equipment               | 861,338               | 1,316                    | <b>862,654</b>         |
| 95,545                | (66,376)                 | <b>29,169</b>          | Long Term Investment                        | 110,809               | (81,557)                 | <b>29,252</b>          |
| 0                     | 23,114                   | <b>23,114</b>          | Investment in Associates and Joint Ventures | 0                     | 32,789                   | <b>32,789</b>          |
| 227                   | 37                       | <b>264</b>             | Inventories                                 | 363                   | 47                       | <b>410</b>             |
| 57,402                | 1,531                    | <b>58,933</b>          | Short Term Debtors                          | 75,870                | 1,676                    | <b>77,546</b>          |
| 16,193                | 3,443                    | <b>19,636</b>          | Cash and Cash Equivalents                   | 26,621                | 3,564                    | <b>30,185</b>          |
| (69,599)              | (1,279)                  | <b>(70,878)</b>        | Short Term Creditors                        | (74,388)              | (1,314)                  | <b>(75,702)</b>        |
| (332,927)             | (188)                    | <b>(333,115)</b>       | Long Term Borrowing                         | (317,344)             | (170)                    | <b>(317,514)</b>       |
| (165,155)             | 38,553                   | <b>(126,602)</b>       | Unusable Reserves                           | (204,507)             | 43,649                   | <b>(160,858)</b>       |

Explanations of these balance sheet adjustments are provided in section 4.9.

## 4.7 Group Tax Expense

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

| 2017/18<br>£000 | Group Tax Expense   | 2018/19<br>£000 |
|-----------------|---|-----------------|
|                 | <b>CURRENT TAX:</b>   |                 |
| 1,356           | Current Tax Expense / (Income)  | 1,599           |
| 8               | Adjustment Recognised in the Period for Current Tax of Prior Periods  | (4)             |
| <b>1,364</b>    | <b>Total Current Tax</b>  | <b>1,595</b>    |
|                 | <b>DEFERRED TAX:</b>  |                 |
| 15              | Origination and Reversal of Temporary Differences                     | (55)            |
| (2)             | Changes in Tax Rates or the Imposition of New Taxes                   | 6               |
| (3)             | Adjustment Recognised in the Period for Deferred Tax of Prior Periods | (1)             |
| <b>10</b>       | <b>Total Deferred Tax</b>   | <b>(50)</b>     |
| <b>1,374</b>    | <b>Total Tax Expense</b>  | <b>1,545</b>    |

## 4.8 Group Companies Disclosure

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

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

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

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

As at 31st March 2019 the Company had Capital Commitments of £703,000.

Despite the issue of the C Class share and changes to the Shareholders Agreement the fundamental status of CSWDC has not changed. CCC & SMBC will continue to work together to arrive at mutually agreed decisions which are voted on accordingly at the Shareholder Panel. As a result of this, the existing

treatment of CSWDC in the group accounts of both Coventry and Solihull, is for the Company to be treated as a Joint Venture. This position implies that no shareholder has ultimate control.

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

The Council holds 100% of the shares (value £2.7m) in North Coventry Holdings 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 £11.4m) 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.

#### **Friargate JV Project Ltd (FJVP)**

FJVP was incorporated on 17<sup>th</sup> December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited, established to develop new buildings within the Friargate district of the city. Each of, Coventry City Council and Friargate Holdings 2 Ltd have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board.

#### **Related Party Transactions**

Details of related party transactions are provided in section 3.10.

### **4.9 Notes to the Group Balance Sheet**

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

The group balance sheet excludes the long term investments of £57,000k in CSWDC, £2,703k in NCH, £11,359k in CAPL and £10,495 in FJVP 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 2019   | CSWDC<br>£000 | CAPL<br>£000 | NCH<br>£000  | CNR<br>£000 | Friargate<br>Project<br>£000 | Total<br>£000 |
|---|---------------|--------------|--------------|-------------|------------------------------|---------------|
| Share in Gross Assets of Joint Ventures and Subsidiaries      | 33,904        | 3,864        | 2,734        | 5           | 10,496                       | 51,003        |
| Share in Gross Liabilities of Joint Ventures and Subsidiaries | (11,116)      | (1,469)      | (12)         | (2)         | (495)                        | (13,094)      |
| <b>Total</b>  | <b>22,788</b> | <b>2,395</b> | <b>2,722</b> | <b>3</b>    | <b>10,001</b>                | <b>37,909</b> |

| 31st March 2018   | CSWDC<br>£000 | CAPL<br>£000 | NCH<br>£000  | CNR<br>£000 | Friargate<br>Project<br>£000 | Total<br>£000 |
|---|---------------|--------------|--------------|-------------|------------------------------|---------------|
| Share in Gross Assets of Joint Ventures and Subsidiaries      | 34,939        | 8,371        | 2,739        | 0           | 0                            | 46,049        |
| Share in Gross Liabilities of Joint Ventures and Subsidiaries | (11,825)      | (6,389)      | (13)         | 0           | 0                            | (18,227)      |
| <b>Total</b>  | <b>23,114</b> | <b>1,982</b> | <b>2,726</b> | <b>0</b>    | <b>0</b>                     | <b>27,822</b> |

### Unusable Reserves

CSWDC – The Council's investment of £57,000k in CSWDC has been excluded from the group Financial Instrument Revaluation Reserve.

NCH – The Council's investment of £2,703k in NCH has been excluded from the group Financial Instrument Revaluation Reserve.

CAPL – The Council's initial investment in CAPL of £2,212k has been removed from the group Financial Instrument Revaluation Reserve. The recent purchase of the remaining interest in CAPL of £9,147k has been excluded from the group Capital Adjustment Account.

FJVP – The Council's investment of £10,495k in FJVP has been excluded from the group Financial Instrument Revaluation Reserve.

| Unusable Reserves              | 2017/18<br>£000  | 2018/19<br>£000  |
|--------------------------------|------------------|------------------|
| Single Entity                  | (165,155)        | (204,507)        |
| CSWDC                          | 28,552           | 34,212           |
| CAPL                           | 10,024           | 8,965            |
| NCH                            | (23)             | (19)             |
| CNR                            | 0                | (3)              |
| Friargate JV Project Limited   | 0                | 494              |
| <b>Group Unusable Reserves</b> | <b>(126,602)</b> | <b>(160,858)</b> |

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

## 5 Statement of Accounting Policies

### 5.1 General

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st

March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 – 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 has increased to £554m at the end of the 2018/19 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 2018/19 the updating of data and assumptions by the Council's actuaries has led to a net liability increase of £12m.

**Asset Valuations** – Valuations are undertaken on the basis of a five year rolling programme with investment properties being revalued on a

more regular basis. This is supplemented by annual reviews to reflect significant changes in market values. The valuations are heavily assumption sensitive and are influenced by economic and financial circumstances which can change significantly from year to year. 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:

#### 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 2018/19 and the respective expenditure made by the two partner organisations. The BCF agreement included details of the working relationships that were

envisaged at the time, including management and control of expenditure decisions. However, the details of the expenditure identified in note 3.11 have been determined by applying principles of 'substance over form' in which the level of expenditure allocated to each partner reflects the actual degree of control and influence over that spend during the year (the 'substance') rather than allocating it on the basis of the control and influence outlined in the BCF agreement (the 'form').

## 5.4 Accounting standards issued, but not yet adopted

The Council is required to disclose information relating to the impact of any accounting changes that will be required by new standards that have been issued but not yet adopted in the CIPFA Code of Practice. The accounting standards that are to be introduced in the 2019/20 Code include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

## 5.5 Changes in Accounting Policies

IFRS9 Financial Instruments has been adopted with effect from 1<sup>st</sup> April 2018. The standard impacts on the classification, remeasurement and impairment of financial instruments, and the consequent accounting treatment. Further details are set out in sections 3.34 Financial Instruments, 3.22 Long Term Debtors and 3.21 Long Term Investments, as well as below within the accounting policies. The Council has made use of the transitional provisions in IFRS9 not to restate prior year's financial statements. However, the impact of the remeasurement of instruments as at 1<sup>st</sup> April 2018 is included in section 3.34.

The Council has incorporated the requirements of IFRS 15 Recognition from Contracts with Customers within its accounting policy for accruals of income and expenditure below. Adopting this policy has not led to any changes in the timing of income recognition within the 2018/19 accounts.

The Council has incorporated the requirements of IFRS 4 Insurance Contracts within its accounting policy for provisions below. 'IFRS4 Insurance Contracts' requires an insurer (in this case the Council) to assess at the end of each reporting period whether its recognised insurance liabilities are adequate under its insurance contracts. This has been applied specifically in relation to pension guarantees provided by the Council to a number of organisations that have been admitted to the West Midlands Pension Fund. The Council has considered the probability of the guarantees being called and is satisfied that they do not

represent a significant potential liability for the Council in the form of a provision. Therefore there is no recognition in the Comprehensive Income and Expenditure Statement.

## 5.6 Accounting Policies – Categories

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

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

## 5.7 Accounting Policies

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

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

- Fees, charges and rents due from customers are accounted for at the date the Council provides the relevant goods or satisfies the relevant service obligations.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as 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 revenue accruals of income and expenditure that are not system generated. This threshold is applied for 10 working days following the end of the financial year, after which a draft outturn position is circulated to managers. To avoid small fluctuations in this outturn position the threshold is lifted to £50k (working days 11-20) and £500k thereafter.

### **Provisions**

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

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

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

An assessment is made as to whether the liabilities incurred through insurance contracts (including pension guarantees) are adequately recognised in the accounts.

### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the

appropriate service category within the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against Council Tax for the expenditure.

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

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

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

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

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

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

Donated assets transferred to the Council are recognised immediately at fair value together with income in the Consolidated Income and Expenditure Statement, to the extent that any associated conditions of the transfer have been met. Where conditions have yet to be met the Donated Assets account is credited with deferred income, which is then 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 arms' length transaction (with reference to observable prices in an active market or recent market transactions on arms' length terms);
- Fair value equates to market value;
- Land and Buildings other than surplus properties are valued using the Existing Use Value method;
- Specialised assets with no market-based evidence of fair value were valued using the depreciated replacement cost (DRC) method;
- For non-property assets that have short useful lives and/or low values, the depreciated historical cost has been used as a proxy for fair value;
- Investment property assets are measured initially at cost, i.e. purchase price and transaction costs, and then subsequently at fair value at the end of the reporting period, assessing their value at highest and best use. This value is derived from the capitalisation of an income stream at a yield derived from market evidence.

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

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

Assets included in the balance sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years, except Assets Held for Sale which are valued annually and Investment Properties, of which the 50 with the highest values are valued annually and the remainder at least every 3 years. With the exception of Investment Property, where changes to fair value are taken to Surplus or Deficit on the Provision of Services, valuation increases to other fair value assets are recognised in the Revaluation Reserve except when the increase is reversing a previous decrease charged to Surplus or Deficit on the Provision of Services on the same asset. Similarly, for all fair value assets except Investment Property and Assets Held for Sale, revaluation decreases are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset and thereafter in Surplus or Deficit on the Provision of Services. For Investment Property and Assets Held for Sale, valuation decreases are recognised in Surplus or Deficit on the Provision of Services.

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

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

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

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

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

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

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:

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

### **Intangible Assets**

Are those assets that do not have a physical substance and are identifiable and controlled by the council e.g. software licenses. The balance is amortised fully in the year of investment. Unless identified otherwise, assets have been acquired separately and the asset lives are finite. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading on the income statement.

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

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

### **Government Grants and Contributions**

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

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



## **Financial Instruments**

### **Financial Liabilities**

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

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

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

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

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost, where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows;
- fair value through other comprehensive income (FVOCI), where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category;
- fair value through profit or loss (FVPL), all other financial assets.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where loans to organisations are made at less than market rates these are classified as soft loans, in which case a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Where reasonable and supportable information that is not available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis, losses are assessed on a collective basis.

### **Financial Assets Measured at Fair Value**

Financial assets that are measured at Fair Value through Profit of Loss (FVPL) are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where equity instruments are expected to be held for the long-term, the Council may make an irrevocable election upon initial recognition to present changes in their fair value in Other Comprehensive Income. The Council elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by IFRS9:

- Birmingham Airport Holdings Ltd
- Coventry Solihull Waste Disposal Co (CSWDC)
- Coombe Abbey Park Ltd
- North Coventry Holdings Ltd
- Coventry North Regeneration Ltd
- University of Warwick Science Park Business Innovation Centre Ltd
- UK Battery Industrialisation Centre Ltd
- Friargate JV Project Limited
- Threadneedle Strategic Bond Fund

- Investec Diversified Income Fund
- M&G Optimal Income Sterling
- M&G Strategic Corporate Bond Fund Sterling
- M&G UK Income Distribution Fund Sterling
- Schroder Income Maximiser

Fair value gains and losses on such instruments are held in the Financial Instruments Revaluation Reserve and transferred to the General Fund when the instrument is derecognised through sale or write off. Dividend income from these instruments is recognised in the Surplus or Deficit on the Provision of Services when the Council's right to receive payment is established and its value can be measured reliably. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following principles:

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

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

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

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

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

### **Leases**

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

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

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

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

Lease payments are apportioned between:

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

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

**The Authority as Lessor - Operating Leases** - Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

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

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

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

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

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

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

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

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

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

### **Discretionary Employee Benefits**

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

### **Overheads and Support Services**

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

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

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

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

- Fair Value of the services received during the year (charged to the relevant service area);
- Finance Costs (interest charged on the outstanding Balance Sheet liability);

- Contingent Rent (increases in the amount to be paid for the asset arising during the contract);
- Payment towards liability (writing down the Balance Sheet liability towards the PFI contractor);
- Lifecycle replacement costs (recognised as fixed assets on the Balance Sheet).

### **Group Accounts**

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

### **Cash and Cash Equivalents**

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

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

### **Joint Operations**

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



## **Schools**

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

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

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

### **Adjusting Events**

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

### **Non-adjusting Events**

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

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

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

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

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

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

## 6 Glossary of Terms

### Accruals

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

### Actuarial Assumptions

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

### Amortisation

The gradual write off of initial costs of intangible assets.

### 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)